Access Credit Union Limited
Consolidated Financial Statements
For the year ended December 31, 2023

Contents

For the year ended December 31, 2023

Management's Responsibility

To the Members of Access Credit Union Limited:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the consolidated statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial information included in the annual report. The Audit Committee has the responsibility of meeting with management, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP is appointed by the members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

"Signed by Larry Davey"
Chief Executive Officer

"Signed by Leanna Beasant"
Chief Financial & People Officer

Independent Auditor's Report

To the Members of Access Credit Union Limited:

We have audited the consolidated financial statements of Access Credit Union Limited and its subsidiaries (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 a material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Credit Union as at December 31, 2023, and its consolidated financial performance and its consolidated 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.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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 Credit Union 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.

Winnipeg, Manitoba

MNP LLP

March 15, 2024

Chartered Professional Accountants

Access Credit Union Limited
Consolidated Statement of Financial Position
As at December 31, 2023

	2023	2022
Assets		
Funds on hand and on deposit	**376,758,088**	273,304,544
Investments *(Note 5)*	**869,812,364**	868,627,116
Income taxes recoverable	**6,552,924**	4,089,200
Members' loans *(Note 6)*	**10,946,657,786**	9,445,850,032
Other assets *(Note 7)*	**36,430,539**	36,108,701
Property and equipment *(Note 8)*	**79,761,483**	64,053,140
Investment property *(Note 9)*	**12,831,286**	13,469,650
Intangible assets *(Note 10)*	**28,615,358**	27,994,375
Investment in associates *(Note 12)*	**2,683,799**	2,691,410
Deferred tax assets *(Note 21)*	**8,879,066**	10,744,000
Goodwill	**13,039,489**	13,039,489
	12,382,022,182	10,759,971,657
Liabilities		
Loan payable *(Note 17)*	**15,000,000**	-
Members' savings and deposits *(Note 13)*	**10,771,534,609**	9,473,717,124
Other liabilities *(Note 14)*	**39,906,500**	33,658,700
Securitized borrowing *(Note 15)*	**820,921,786**	621,730,744
Lease liability *(Note 22)*	**2,903,159**	1,955,181
	11,650,266,054	10,131,061,749
Members' equity		
Members' shares *(Note 18)*	**44,657,820**	49,194,537
Retained surplus	**301,522,813**	253,429,057
Contributed surplus	**385,575,495**	326,286,314
	731,756,128	628,909,908
	12,382,022,182	10,759,971,657

Approved on behalf of the Board of Directors

"Signed by Curt Letkeman"
Director

"Signed by Marlene Michno"
Director

MNP LLP

Access Credit Union Limited
Consolidated Statement of Comprehensive Income
For the year ended December 31, 2023

	2023	*2022*
Financial income		
Interest on loans to members	**431,835,740**	244,540,394
Investment Income		
Profit from associates *(Note 12)*	**999,723**	875,690
Liquidity deposits	**72,016,315**	26,860,146
Shares and debentures	**8,558,757**	3,427,419
	513,410,535	275,703,649
Cost of funds	**334,667,948**	156,927,466
Financial margin	**178,742,587**	118,776,183
Operating expenses		
Personnel	**78,969,855**	55,878,458
Administration	**36,184,286**	23,810,562
Occupancy	**23,322,208**	12,612,371
Member security	**9,423,211**	6,865,177
Organizational	**4,480,469**	2,976,949
Gross operating expenses	**152,380,029**	102,143,517
Other income *(Note 31)*	**(48,123,562)**	(32,946,862)
Income from operations before provision for impaired loans, patronage refund and income taxes	**74,486,120**	49,579,528
Provision for impaired loans *(Note 6)*	**2,220,968**	2,824,624
Income before patronage refund and provision for income taxes	**72,265,152**	46,754,904
Patronage refund *(Note 19)*	**(6,000,000)**	(6,000,000)
Income before income taxes	**66,265,152**	40,754,904
Provision for (recovery of) income taxes		
Current *(Note 21)*	**13,256,000**	11,400,000
Deferred *(Note 21)*	**3,697,000**	(196,745)
	16,953,000	11,203,255
Income and comprehensive income for the year	**49,312,152**	29,551,649

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

	Members' shares	*Retained surplus*	*Contributed surplus*	*Total equity*
Balance December 31, 2021	**14,646,220**	**224,520,400**	**177,902,513**	**417,069,133**
Income and comprehensive income for the year	**-**	**29,551,649**	**-**	**29,551,649**
Issuance of members' shares	**2,926,324**	**-**	**-**	**2,926,324**
Redemption of members' shares	**(11,545,575)**	**-**	**-**	**(11,545,575)**
Provision for issuance of surplus shares, net of tax savings of $209,783 *(Note 20)*	**-**	**(642,992)**	**-**	**(642,992)**
Business combination *(Note 4)*	**43,167,568**	**-**	**148,383,801**	**191,551,369**
Balance December 31, 2022	**49,194,537**	**253,429,057**	**326,286,314**	**628,909,908**
Income and comprehensive income for the year	**-**	**49,312,152**	**-**	**49,312,152**
Issuance of members' shares	**2,315,865**	**-**	**-**	**2,315,865**
Redemption of members' shares	**(11,194,727)**	**-**	**-**	**(11,194,727)**
Provision for issuance of surplus shares, net of tax savings of $450,639 *(Note 20)*	**-**	**(1,218,396)**	**-**	**(1,218,396)**
Business combination *(Note 4)*	**4,342,145**	**-**	**59,289,181**	**63,631,326**
Balance December 31, 2023	**44,657,820**	**301,522,813**	**385,575,495**	**731,756,128**

	2023	2022
Operating activities		
Income and comprehensive income for the year	**49,312,152**	29,551,649
Adjustments for items not effecting cash:		
Interest and investment revenue	**(513,410,535)**	(275,703,649)
Profit from associates	**(999,723)**	(875,690)
Hedging loss	**690,033**	-
Cost of funds	**334,667,948**	156,927,466
Depreciation and amortization	**8,516,406**	6,399,575
Provision for impaired loans	**2,220,968**	2,824,624
Loss on disposal of property and equipment, and intangible assets and Investment property	**874,848**	264,584
Deferred taxes	**3,697,000**	(196,745)
	(114,430,903)	(80,808,186)
Change in income taxes recoverable	**(2,128,950)**	(5,777,639)
Change in other assets and liabilities	**8,153,569**	(29,078,782)
Change in members' loans *(Note 6)*	**(637,737,827)**	(1,094,155,517)
Change in members' savings and deposits *(Note 13)*	**258,862,918**	390,187,850
Interest received on members' loans	**424,945,367**	234,279,783
Dividends received on investments in associates *(Note 12)*	**1,007,334**	1,077,955
Interest paid on members' savings and deposits	**(293,432,479)**	(130,532,559)
Interest received on investments	**78,914,568**	26,721,694
	(275,846,403)	(688,085,401)
Financing activities		
Advances of loan payable	**15,000,000**	-
Issuance of securitized borrowings (net)	**174,564,428**	364,219,728
Net redemption of members' shares	**(8,878,862)**	(8,619,251)
	180,685,566	355,600,477
Investing activities		
Redemption of (purchase of) investments	**135,659,373**	(335,723,894)
Purchases of property and equipment *(Note 8)*	**(8,995,136)**	(3,612,657)
Proceeds from disposal of property and equipment	**-**	1,610,535
Proceeds from disposal of investment property *(Note 9)*	**301,531**	-
Purchase of intangibles	**(10,125)**	(687,594)
Net repayment of lease liability	**(460,412)**	(213,658)
	126,495,231	(338,627,268)
Funds on hand and on deposit acquired in business combination *(Note 4)*	**72,119,150**	187,645,494
Increase (decrease) in cash resources	**103,453,544**	(483,466,698)
Cash resources, beginning of year	**273,304,544**	756,771,242
Cash resources, end of year	**376,758,088**	273,304,544

1. Reporting entity

Access Credit Union Limited was formed pursuant to the Credit Union and Caisses Populaires Act of Manitoba (“the Act”) and operates multiple branches throughout Manitoba. The Credit Union's head office is located at Stanley Business Centre unit #2 - 23111 PTH #14, Stanley, Manitoba.

On January 1, 2023 Access Credit Union Limited merged with Amaranth Credit Union Limited, following a favourable member vote and continues to operate as Access Credit Union Limited (the "Credit Union"). The merger was accounted for as a business combination as described in Note 4.

On July 1, 2023 Access Credit Union Limited merged with Carpathia Credit Union Limited and Casera Credit Union Limited, following a favourable member vote and continues to operate as Access Credit Union Limited (the "Credit Union"). The merger was accounted for as a business combination as described in Note 4.

On July 1, 2022 Access Credit Union Limited merged with Noventis Credit Union Limited and Sunova Credit Union Limited, following a favourable member vote. The merger was accounted for as a business combination as described in Note 4.

The Credit Union operates as one segment principally in personal and commercial banking in Manitoba. Operating branches are similar in terms of products and services provided, methods used to distribute products and services, types of customers and the nature of the regulatory environment.

The Credit Union conducts its principal operations through its branches, offering products and services including consumer, commercial, and agricultural loans and mortgages, chequing and savings accounts, term deposits, registered deposits, automated banking machines ("ABMs"), debit cards and online banking.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The Credit Union presents its consolidated statement of financial position on a non-classified basis in order of liquidity. The Credit Union classifies its expenses by the nature of expenses method.

These financial statements for the year ended December 31, 2023 were approved by the Board of Directors on March 15, 2024.

2. Basis of preparation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Credit Union and its wholly owned subsidiaries 5033179 Manitoba Ltd., 6009655 Manitoba Ltd., Noventis Financial Ltd., Greenway Financial Services Inc., Interlake Agencies Ltd., Sunova Financial Services Inc., Sunova Property Holdings Ltd., and 6835546 Canada Limited.

Subsidiaries are entities controlled by the Credit Union. Control is achieved where the Credit Union is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Credit Union the current ability to direct the relevant activities and that the Credit Union has the practical ability to exercise, is considered.

The results of subsidiaries acquired or disposed of during the year are included in these consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Basis of measurement

The consolidated financial statements have been prepared on the historic cost basis except for certain financial instruments classified as fair value through profit and loss.

2. Basis of preparation *(Continued from previous page)*

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

Significant accounting judgments, estimates and assumptions

The preparation of the Credit Union's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Credit Union may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

As the precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations which have been made using careful judgment. These estimates are based on management's best knowledge of current events and actions that the Credit Union may undertake in the future. In the future, actual experience may differ from the estimates and assumptions.

The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be material.

Key assumptions in determining the allowance for expected credit losses

At each reporting period, financial assets are assessed to determine whether their credit risk has increased significantly since initial recognition. In determining whether credit risk has significantly increased, management develops a number of assumptions about the following factors which impact the borrowers' ability to meet debt obligations:

- Expected significant increase in unemployment rates, interest rates, and relevant price indices
- Declining revenues, working capital deficiencies, increases in balance sheet leverage, and liquidity
- Expected or actual changes in internal credit ratings of the borrowers or external credit ratings of the instrument
- The correlation between credit risk on all lending facilities of the same borrower
- Changes in the value of the collateral supporting the obligation of in the quality of third-party guarantees or credit enhancements

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

In estimating expected credit losses, the Credit Union develops a number of assumptions as follows:

- The period over which the Credit Union is exposed to credit risk, considering for example, prepayments, extension options, demand features
- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes
- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date

2. Basis of preparation *(Continued from previous page)*

- Expected cash short falls including, recoveries, costs to recover and the effects of any collateral or other credit enhancements
- Estimates of effective interest rates used in incorporating the time value of money

The above assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions. The Credit Union determines adjustments needed to its historical assumptions by monitoring the correlation of the probability of default and loss rates with the following economic variables:

- Interest rates
- Unemployment rates
- Gross domestic product
- Inflation
- Loan to Value ratios
- Canadian Small Business Delinquency index
- Canadian Banker's Association report on residential delinquencies and credit card delinquencies

The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes that are neither best-case nor worse-case scenarios. The Credit Union uses judgment to weight these scenarios.

Impact of current and expected interest rate and inflationary environment

With the significant increase in interest rates and inflation in 2022 that continues in 2023, there is an elevation of credit risk associated with the Credit Unions members' loans. As loans become due, the borrowers will have to renew at a much higher interest rate, which could make it more difficult for them to qualify for the level of financing they require, as well as be able to manage the increased payment that will result from the higher interest rate. The Credit Union has performed certain additional qualitative portfolio and loan level assessment where significant changes in credit risk were identified or anticipated.

Classification of financial assets

Classification of financial assets requires management to make judgments regarding the business model under which the Credit Union’s financial assets are held and whether contractual cash flows consist solely of payments of principal and interest. Management has determined that the penalty to exercise prepayment features embedded in certain loans made to retail customers do not result in payments that are not solely payments of principal and interest because they represent reasonable additional compensation for early termination of the contract.

Impairment of financial assets

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets and determining whether there has been a significant increase in credit risk since initial recognition in accordance with IFRS 9 Financial Instruments. For more information, refer to Note 6.

Hedge accounting

In applying hedge accounting, the Credit Union uses the following key judgments:

- An economic relationship exists between the hedged item and the hedging instrument based on a hedge ratio
- Critical terms of the hedged item and hedging instrument match
- Effect of credit risk

Valuation of Goodwill

The estimate of the recoverable amount required for the impairment test is based upon a discounted cash flow analysis. Determining the recoverability of goodwill requires an estimation of the recoverable amount of the asset or CGU. Key assumptions and sources of uncertainty include the determination of future cash flows expected to arise from the asset or CGU and a suitable discount rate in order to calculate present value.

2. Basis of preparation *(Continued from previous page)*

Impairment of non-financial assets

At each reporting date, the Credit Union assesses whether there are any indicators of impairment for non-financial assets. Non-financial assets that have an indefinite useful life or are not subject to amortization are tested annually for impairment or more frequently if impairment indicators exist. Other non-financial assets are tested for impairment if there are indicators that their carrying amounts may not be recoverable.

Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes that they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

Transfers of financial assets

Transferred financial assets are evaluated to determine the extent to which the Credit Union retains the risks and rewards of ownership. This evaluation determines the extent, if any, to which transferred assets continue to be recognized, whether any separate assets or liabilities are recognized, or if a gain or loss should be recognized. Management has determined that certain transfers of members' loans result in derecognition because the Credit Union’s continued exposure is limited servicing the transferred members loans.

3. Summary of material accounting policy information

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Funds on hand and on deposit

Funds on hand and on deposit consists of cash on hand and demand deposits.

Property, equipment and intangible assets

All property, equipment and intangible assets are stated at cost less accumulated depreciation and impairment losses, with the exception of land which is not depreciated. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property, equipment and intangibles.

The methods of depreciation and useful life applicable for each class of asset during the current and comparative period are as follows:

	Method	***Rate***
Buildings	straight-line	10-40 years
Furniture and equipment	straight-line	5-10 years
Computer equipment	straight-line	4 years
ATM equipment	straight-line	7 years
Parking lots	straight-line	10 years
Leasehold improvements	straight-line	Lease term
Vehicles	straight-line	5-7 years
Right-of-use assets	straight-line	Lease term
Computer software	straight-line	5-10 years
Customer list	straight line	10-15 years
Trade name	straight-line	10 years
Manitoba Public Insurance (MPI) licenses	straight line	10 years
Core deposits	straight line	10 years

3. Summary of material accounting policy information *(Continued from previous page)*

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

The useful lives of items of property, equipment and intangible assets are reviewed periodically and the useful life is altered if estimates have changed significantly. Gains or losses on the disposal of property, equipment and intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in income.

Investment property

Investment property is investment interests in land and buildings held to earn rental income. Investment property is comprised of land and office space leased out under operating lease agreements. Where distinguishing between investment property and owner-occupied property is difficult the following criteria are applied to classification:

- If the property is more than 80% held to earn rental income or capital appreciation, it is classified as investment property. The Credit Union determines the percentage of the portions using the size of the property measured in square metres.

Rental income and operating expenses from investment property are presented within other income and occupancy expenses respectively.

Investment property is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

All investment property having a limited useful life is depreciated using the straight-line method over the estimated useful lives, estimated to range from 25 to 40 years. Land has an unlimited useful life and is therefore not depreciated. Investment property is depreciated from the date of acquisition.

The residual value, useful life and depreciation method applied to each class of asset are reviewed at least annually.

Leases

The Credit Union assesses at inception of a contract, whether the 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. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the customer has the following through the period of use:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

Where the Credit Union is a lessee in a contract that contains a lease component, the Credit Union allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is comprised of the initial amount of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred by the Credit Union, and an estimate of the costs to be incurred by the Credit Union in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Credit Union measures right-of-use assets by applying the cost model, whereby the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful life of the right-of-use assets are determined on the same basis as those of property and equipment. The determination of the depreciation period is dependent on whether the Credit Union expects that the ownership of the underlying asset will transfer to the Credit Union by the end of the lease term or if the cost of the right-of-use asset reflects that the Credit Union will exercise a purchase option.

3. Summary of material accounting policy information *(Continued from previous page)*

The lease liability is initially measured at the present value of the lease payments not paid at the lease commencement date, discounted using the interest rate implicit in the lease or the Credit Union's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined. The lease payments included in the measurement of the lease liability comprise of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable by the Credit Union under a residual value guarantee, the exercise price of a purchase option that the Credit Union is reasonably certain to exercise, and payment of penalties for terminating the lease if the lease term reflects the Credit Union exercising an option to terminate the lease. After the commencement date, the Credit Union measures the lease liability at amortized cost using the effective interest rate method.

The Credit Union remeasures the lease liability when there is a change in the lease term, a change in the Credit Union's assessment of an option to purchase the underlying asset, a change in the Credit Union's estimate of amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. On remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income if the carrying amount of the right-of-use asset has been reduced to zero.

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating units (“CGU”) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU’s, or otherwise they are allocated to the smallest group of CGU’s for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in income.

Investments in associates

An associate is an entity over which the Credit Union has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The Credit Union accounts for all of its investments in associates using the equity method. The fiscal year-end of all associates is September 30.

Members' savings and deposits

Members' savings and deposits are initially recognized at fair value, net of transaction costs directly attributable to the issuance of the instrument, and are subsequently measured at amortized cost using the effective interest rate method.

Members' shares

Shares are classified as liabilities or member equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union board of directors are classified as equity. Shares redeemable subject to regulatory restrictions are accounted for using the criteria set out in IFRIC 2 *Members' Shares in Cooperative Entities and Similar Instruments*.

3. Summary of material accounting policy information *(Continued from previous page)*

Patronage refund

Patronage refund that allocate profit or loss to the members on the basis of services rendered or business generated are accounted for as transactions with members in their role as non-owners and are, accordingly, expensed in the statement of comprehensive income.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured.

Interest income is recognized in income for all financial assets measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The application of the method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest rate method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

Interest penalties received as a result of loan prepayments by members are recognized as income in the year in which the prepayment is made, unless only minor modifications (based on a present value of future cash flows test) were made to the loan in which case they are deferred and amortized using the effective interest rate method.

Fees related to the origination or renewal of a loan are considered an integral part of the yield earned on a loan and are recognized using the effective interest rate method over the estimated repayment term of the related loan.

Investment income is recognized as interest is earned on interest-bearing investments, and when dividends are declared on shares.

Commission revenue is recognized net of broker commission expense as earned on the effective date of each policy.

Other revenue is recognized as services are provided to members.

Income taxes

Current tax and deferred tax are recognized in income except to the extent that the tax is recognized either in other comprehensive income or directly in equity, or the tax arises from a business combination.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled. The calculation of deferred tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year. Deferred 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.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable income.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Summary of material accounting policy information *(Continued from previous page)*

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Credit Union at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the consolidated statement of financial position date. Exchange gains and losses on translation or settlement are recognized in income for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the initial transaction and are not subsequently restated.

Financial instruments

Financial assets

Recognition and initial measurement

The Credit Union recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in income when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Credit Union determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial instruments are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest rate method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in income. Financial assets measured at amortized cost are comprised of funds on hand and on deposit, members' loans, retained securitization interest, and municipal debentures and Concentra Bank term deposits included in investments.

- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest rate method and gains or losses arising from impairment and foreign exchange are recognized in income. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to income. The Credit Union does not hold any financial instruments designated to be measured at fair value through other comprehensive income.

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through income. All interest income and changes in the financial assets’ carrying amount are recognized in income. Financial assets mandatorily measured at fair value through profit or loss are comprised of shares in Central 1, term deposits and shares in Credit Union Central Manitoba, shares in Concentra Bank, The Co-operators Group Limited debentures, Westcap MBO III investment and Connect Manitoba Growth Fund investment included in investments.

3. Summary of material accounting policy information *(Continued from previous page)*

- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in income. The Credit Union does not hold any financial assets designated to be measured at fair value through profit or loss.

The Credit Union measures all equity investments at fair value. Changes in fair value are recorded in income.

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives, how performance of the portfolio is evaluated, risks affecting the performance of the business model, how managers of the business are compensated, the significance and frequency of sales in prior periods.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Credit Union considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Credit Union's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

For members' loans, the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants, requests to restructure loan payment schedules.

For financial assets assessed as credit impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowance for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial assets.

Financial assets are written off when the Credit Union has no reasonable expectations of recovering all or any portion thereof.

Refer to Note 27 for additional information about the Credit Union's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

3. Summary of material accounting policy information *(Continued from previous page)*

Derecognition of financial assets

The Credit Union applies its accounting policies for the derecognition of a financial asset to a part of a financial asset only when:

- The part comprises only specifically identified cash flows from a financial asset;
- The part comprises only a pro-rata share of the cash flows from a financial asset; or
- The part comprises only a pro-rata share of specifically identified cash flows from a financial asset.

In all other situations the Credit Union applies its accounting policies for the derecognition of a financial asset to the entirety of a financial asset.

The Credit Union derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Credit Union either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset, but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Credit Union retains the risks and rewards of ownership. When the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, the Credit Union derecognizes the financial asset. At the same time, the Credit Union separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer. Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in income.

Where a derecognized financial asset is a part of a larger financial asset, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognized and the part that is derecognized on the basis of their relative fair values.

In certain securitization transactions that qualify for derecognition, the Credit Union has a continuing involvement in the securitized asset that is limited to retained rights in future excess interest and the liability associated with servicing these assets. Under IFRS 9, the securitization retained interest is measured at amortized cost. The servicing liability is reported as part of other liabilities. During the life of the securitization, as cash is received, and servicing fees are paid, the retained interests and the servicing liability are amortized and recognized in the consolidated statements of comprehensive income.

When members' loans are derecognized, they are removed from the consolidated statement of financial position and a gain or loss is recognized in the consolidated statement of comprehensive income.

Modification of financial assets

The Credit Union assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Credit Union’s policies.

When the modifications do not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in income. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset’s original effective interest rate.

For the purpose of applying the impairment requirements, at each reporting date subsequent to the modification, the Credit Union continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

3. Summary of material accounting policy information *(Continued from previous page)*

Financial liabilities

Recognition and initial measurement

The Credit Union recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Credit Union measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in income.

Classification and subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method. Financial liabilities measured at amortized cost include loan payable, members' savings and deposits and securitized borrowings.

Financial liabilities are not reclassified subsequent to initial recognition.

Derecognition of financial liabilities

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

Business combinations

On January 1, 2023, the Credit Union acquired 100% of the equity interests of Amaranth Credit union Limited ("Amaranth"). On July 1, 2023, the Credit Union acquired 100% of the equity interests of Carpathia Credit Union Limited ("Carpathia") and Casera Credit Union Limited ("Casera"). The assets and liabilities of Amaranth, Carpathia and Casera in their entirety constitute a business and therefore the amalgamations were accounted for as business combinations under IFRS 3. The amalgamations were approved through a member vote and subsequent regulatory approval by Deposit Guarantee Corporation of Manitoba. No cash was transferred, and no contingent consideration was provided however, an exchange of shares was performed whereby each of the members of Amaranth, Carpathia and Casera exchanged their membership shares for new membership shares in the Credit Union. As a result of this share exchange, the Credit Union is considered the acquirer in the business combinations and has recognized the identifiable assets and liabilities of Amaranth, Carpathia and Casera in its consolidated balance sheet at the acquisition date fair values. The identifiable assets and liabilities include an intangible asset for low-cost core deposits (demand deposits from stable member relationships) which was previously not recognized in the financial statements of Amaranth, Carpathia and Casera.

Goodwill

Goodwill is not amortized, but is evaluated for impairment annually or more frequently when an event or circumstances occur that indicate that goodwill might be impaired. Testing for impairment is accomplished by determining if carrying value of the goodwill exceeds its recoverable amount at the measurement date. The recoverable amount of the CGU is determined based on a value-in-use calculation, using cash flow projections based on financial budgets approved by senior management. The key assumptions of the value-in-use calculations are those regarding industry growth rates, expected changes in revenue and direct costs during the year. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

3. Summary of material accounting policy information *(Continued from previous page)*

Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date the Credit Union becomes party to the provisions of the contract, and are subsequently remeasured at fair value at the end of each reporting period. Changes in the fair value of derivatives not designated as a hedging instrument are recognized in income.

The Credit Union designates certain derivative financial instruments as the hedging instrument in qualifying hedging relationships in order to better reflect the effect of its risk management activities in the consolidated financial statements.

Qualifying hedging relationships are those where there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the value changes that result from that economic relationship, and the hedge ratio of the hedging relationship is the same as that resulting from the actual quantities of the hedging instrument and the hedged item that the Credit Union uses for hedging purposes.

At inception of the hedging relationship, the Credit Union documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objective and strategy.

Fair value hedges

The Credit Union uses fair value hedges to hedge its exposure to changes in the fair value of members' loans.

Changes in the fair value of the hedging instrument are recognized immediately in income together with changes in the fair value of the hedged item that are attributable to the risks being hedged.

Where the Credit Union has designated a group of assets and/or liabilities in a fair value hedge, gains and losses are presented in the consolidated statement of financial position as an adjustment to the carrying amount of the respective individual items comprising the group.

Rebalancing and discontinuation of hedging relationships

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedging relationship continues to qualify for hedge accounting, the hedging ratio is rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item to realign the hedge ratio with the ratio used for risk management purposes. Hedge ineffectiveness is recognized in income at the time of rebalancing.

Hedge accounting is discontinued prospectively when the hedging relationship ceases to meet the qualifying criteria, including instances where the hedging instrument expires or is sold, terminated or exercised.

4. Business combination

Business combinations are accounted for using the acquisition method. The results of the acquired business are included in the consolidated financial statements as from the date of acquisition.

Effective January 1, 2023 Access Credit Union Limited ("Access") merged with Amaranth Credit Union Limited ("Amaranth"). Access was identified as the acquirer and Amaranth as the acquiree.

Effective July 1, 2023 Access Credit Union Limited ("Access") merged with Carpathia Credit Union Limited ("Carpathia") and Casera Credit Union Limited ("Casera"). Access was identified as the acquirer and Carpathia and Casera as the acquirees.

Amaranth, Carpathia and Casera conduct their principal operations through their branches, offering products and services including deposit business, individual lending and commercial lending. The deposit business provides a wide range of deposit and investment products and sundry financial services to all members. The lending business provides a variety of credit products and services designed specifically for each particular group of borrowers.

There was no consideration transferred.

The Credit Union's consolidated statement of comprehensive income include the results of operations for Amaranth from January 1, 2023 to December 31, 2023, Carpathia and Casera from July 1, 2023 to December 31, 2023. Included in the consolidated statement of comprehensive income for the year ended December 31, 2023 was a comprehensive loss of $10,343, and comprehensive income of $1,718,597 and $1,671,644, respectively for each acquired credit union.

If the acquisitions of Carpathia and Casera had occurred on January 1, 2023, management estimated that consolidated revenue of the Credit Union for the year ended December 31, 2023, would have been $533,753,804. Consolidated income and comprehensive income for the year ended December 31, 2023 would have been $51,406,751. In determining these amounts, management assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2023.

The acquisition had the following effect on the Credit Union's assets and liabilities on acquisition date:

4. Business combination *(Continued from previous page)*

Acquired assets and assumed liabilities	Amaranth Pre-acquisition carrying amount	Carpathia Pre-acquisition carrying amount	Casera Pre-acquisition carrying amount	Fair-value adjustment	Fair value at acquisition date
Funds on hand and on deposit	1,387,301	22,598,227	48,133,622	-	72,119,150
Investments	5,831,963	112,727,411	15,625,020	-	134,184,394
Members' loans	8,348,555	443,924,310	451,545,937	(44,728,247)	859,090,555
Other assets	94,131	2,651,750	1,465,708	3,573,250	7,784,839
Property and equipment	27,249	4,984,103	1,750,915	5,699,000	12,461,267
Intangible assets	-	1,306,739	549,480	2,061,000	3,917,219
Deferred tax asset	-	-	-	1,832,066	1,832,066
Members' savings and deposits	(12,618,506)	(555,699,339)	(460,183,014)	30,781,761	(997,719,098)
Other liabilities	(437,389)	(2,457,460)	(1,443,987)	-	(4,338,836)
Income taxes recoverable (payable)	(195,889)	-	530,663	-	334,774
Securitized borrowing	-	-	(25,219,166)	592,552	(24,626,614)
Lease liability	-	(314,458)	(1,093,932)	-	(1,408,390)
Net identifiable assets and liabilities	2,437,415	29,721,283	31,661,246	(188,618)	63,631,326
Equity interest issued to members					(4,342,145)
Contributed surplus					59,289,181

4. Business combination *(Continued from previous page)*

Effective July 1, 2022 Access Credit Union Limited ("Access") merged with Noventis Credit Union Ltd. ("Noventis") and Sunova Credit Union Limited ("Sunova"). Access was identified as the acquirer and Noventis and Sunova as the acquirees.

Noventis and Sunova conduct their principal operations through their branches, offering products and services including deposit business, individual lending and commercial lending. The deposit business provides a wide range of deposit and investment products and sundry financial services to all members. The lending business provides a variety of credit products and services designed specifically for each particular group of borrowers.

There was no consideration transferred.

Acquired assets and assumed liabilities	**Noventis Pre-acquisition carrying amount**	**Sunova Pre-acquisition carrying amount**	**Fair-value adjustment**	**Fair value at acquisition date**
Funds on hand and on deposit	107,051,939	80,593,555	-	187,645,494
Investments	24,905,339	211,366,267	-	236,271,606
Members' loans	1,036,537,102	2,320,746,877	(116,132,500)	3,241,151,479
Other assets	4,013,628	8,739,250	(391,953)	12,360,925
Property and equipment	11,678,879	32,398,909	(9,254,573)	34,823,215
Investment property	344,455	11,391,580	129,000	11,865,035
Intangible assets	1,987,059	3,764,838	19,094,074	24,845,971
Goodwill	-	-	13,039,489	13,039,489
Deferred tax asset (liability)	-	-	12,066,255	12,066,255
Members' savings and deposits	(1,113,914,001)	(2,445,247,780)	53,388,370	(3,505,773,411)
Other liabilities	(4,745,593)	(10,960,988)	-	(15,706,581)
Income taxes recoverable (payable)	(48,455)	1,617,270	-	1,568,815
Securitized borrowing	-	(65,165,267)	3,898,830	(61,266,437)
Lease liability	(898,507)	(441,979)	-	(1,340,486)
Net identifiable assets and liabilities	66,911,845	148,802,532	(24,163,008)	191,551,369
Equity interest issued to members				(43,167,568)
Contributed surplus				148,383,801

5. Investments

	2023	2022
Term and contract deposits		
CUCM - Term and contract deposits	**740,671,078**	758,105,322
CUCM - Accrued interest	**8,663,121**	5,172,261
Concentra Bank - Term and contract deposits	**10,000,000**	5,000,000
	759,334,199	768,277,583
Shares		
CUCM - Class 1 shares	**68,469,890**	64,717,365
CUCM - Class 2 shares	**28,371,795**	25,194,850
Concentra Bank - Class D preferred shares	**7,000,000**	6,000,000
Concentra Bank - Common shares	**252,245**	67,370
Central 1 - Common shares	**-**	100
	104,093,930	95,979,685
Debentures		
Municipal debentures	**1,936,519**	2,922,990
The Co-operators Group Limited	**250,000**	250,000
Accrued interest	**42,716**	66,858
	2,229,235	3,239,848
Other investments		
Limited Partnership Westcap MBO III	**2,155,000**	1,130,000
Connect Manitoba Growth Fund	**2,000,000**	-
Total	**869,812,364**	868,627,116

Term and contract deposits bear interest between 5.15% and 5.29% (2022 - 1.42% to 4.62%). The term deposit maturities range from January 2024 to March 2024 (2022 - January 2023 to September 2023).

The shares in Credit Union Central of Manitoba ("CUCM") are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Credit Union Central of Manitoba. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors of CUCM. Class 1 and 2 CUCM shares are subject to a rebalancing mechanism at least annually and are issued and redeemable at par value. There is no separately quoted market value for these shares. However, fair value is determined to be equivalent to the par value due to the fact that transactions occur at par value on a regular and recurring basis.

The membership shares of Concentra Bank (the "Bank"), formerly known as Wyth Financial, are required as a condition of membership and are redeemable upon withdrawal of membership subject to approval of the Board of Directors of the Bank.

The Municipal debentures bear interest at rates ranging from 3.50% to 6.00% (2022 - 3.50% to 6.88%) and mature between January 2024 and December 2032 (2022 - January 2023 and December 2032).

The investments in Westcap MBO III and Connect Manitoba Growth Fund investment are private equity investments for which the commitment has been disclosed in Note 29.

5. Investments *(Continued from previous page)*

Pursuant to 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 Credit Union Central of Manitoba (Central) and any other deposit or investment that the Guarantee Corporation or Registrar of Credit Unions consider eligible to satisfy the Credit Union's liquidity requirements.

As at December 31, 2023 the Credit Union has a liquidity ratio of 10.34% (2022 - 10.77%) and therefore has met the liquidity requirement.

6. Members' loans

Members' loans can have either a variable or fixed rate of interest maturing at varying term lengths.

Variable rate loans are based on a "prime rate" formula, and as at December 31, 2023 the weighted average rate was 7.95% (2022 - 7.20%). The rate is determined by the type of security offered and the member's credit worthiness. The Credit Union's prime rate at December 31, 2023 was 7.20% (2022 - 6.45%).

The weighted average interest rates on fixed rate loans outstanding as at December 31, 2023 was 3.58% (2022 - 3.04%). The rate offered to a member varies with the type of security offered and the member's credit worthiness.

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, charges on specific equipment, investments, and personal guarantees.

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 personal property or investments.

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

Included in members' loans as at December 31, 2023 was $24,997,237 (2022 - $18,106,864) of accrued interest.

Principal and allowance by loan type:

					2023
	Principal performing	**Principal impaired**	**Allowance specific**	**Allowance collective**	**Net carrying value**
Commercial loans	4,190,777,886	22,610,225	5,687,995	4,229,471	**4,203,470,645**
Personal loans	379,547,099	773,310	769,323	4,324,214	**375,226,872**
Residential mortgages	6,356,231,297	17,257,083	57,226	5,470,885	**6,367,960,269**
	10,926,556,282	40,640,618	6,514,544	14,024,570	**10,946,657,786**

					2022
	Principal performing	Principal impaired	Allowance specific	Allowance collective	Net carrying value
Commercial loans	3,723,163,362	6,163,161	1,492,615	3,338,700	3,724,495,208
Personal loans	323,750,676	521,657	269,697	2,545,709	321,456,927
Residential mortgages	5,400,547,849	6,799,357	561,238	6,888,071	5,399,897,897
	9,447,461,887	13,484,175	2,323,550	12,772,480	9,445,850,032

6. Members' loans *(Continued from previous page)*

The allowance for loan impairment changed as follows:

	2023	*2022*
Balance, beginning of year	**15,096,030**	7,419,272
Provision for impaired loans	**2,220,968**	2,824,624
Addition through business combination	**4,372,606**	6,051,927
	21,689,604	16,295,823
Less: accounts written off, net of recoveries	**1,150,490**	1,199,793
Balance, end of year	**20,539,114**	15,096,030

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The table that follows presents the carrying value of loans at year-end that are past due but not classified as impaired because they are less than 90 days past due and fully secured and collection efforts are reasonably expected to result in repayment.

	1-30 days	**31-60 days**	**61 days and greater**	***2023***	*2022*
Commercial loans	94,288,757	2,943,885	2,105,317	**99,337,959**	46,107,199
Personal loans	7,769,463	429,396	253,741	**8,452,600**	3,704,224
Residential mortgages	108,517,854	9,111,903	4,219,631	**121,849,388**	88,072,309
	210,576,074	12,485,184	6,578,689	**229,639,947**	137,883,732

The principal collateral and other credit enhancements the Credit Union holds as security for loans include (i) insurance, mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, (iii) recourse to commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities. Valuations of collateral are updated periodically depending on the nature of the collateral. The Credit Union has policies in place to monitor the existence of undesirable concentration in the collateral supporting its credit exposure. In management's estimation, the fair value of the collateral is sufficient to offset the risk of loss on the loans past due but not impaired.

7. Other assets

	2023	*2022*
Accounts receivable and prepaid expenses	**21,367,867**	16,010,386
Interest rate swaps	**11,114,498**	19,384,774
Retained interest on securitization	**2,240,155**	713,541
Property held for resale	**1,708,019**	-
	36,430,539	36,108,701

8. Property and equipment

	Land	*Buildings*	*Furniture and equipment*	*Computer equipment*	*ATM equipment*	*Parking lot*	*Leasehold improvements*	*Vehicles*	*Right of use asset - buildings*	*Total*
Cost										
Balance at December 31, 2021	9,242,188	28,350,043	6,732,220	3,386,935	1,209,709	469,606	406,161	135,840	948,633	**50,881,335**
Additions	-	996,193	1,618,290	798,921	2,179	27,349	33,001	133,700	3,024	**3,612,657**
Additions through business combination (Note 4)	6,923,043	21,053,689	2,773,378	1,190,147	612,246	304,383	451,656	274,120	1,240,553	**34,823,215**
Disposals	(1,820,135)	-	(8,362)	(2,211)	-	-	-	(117,475)	-	**(1,948,183)**
Balance at December 31, 2022	14,345,096	50,399,925	11,115,526	5,373,792	1,824,134	801,338	890,818	426,185	2,192,210	**87,369,024**
Additions	104,642	4,265,626	2,414,920	885,991	895,676	428,281	-	-	-	**8,995,136**
Additions through business combination (Note 4)	3,971,012	6,148,048	511,362	64,082	263,973	-	245,995	-	1,256,795	**12,461,267**
Disposals	(27,500)	(871,140)	(215,406)	(190,118)	(72,258)	-	(178,861)	-	(540,212)	**(2,095,495)**
Balance at December 31, 2023	18,393,250	59,942,459	13,826,402	6,133,747	2,911,525	1,229,619	957,952	426,185	2,908,793	**106,729,932**

8. Property and equipment *(Continued from previous page)*

	Land	*Buildings*	*Furniture and equipment*	*Computer equipment*	*ATM equipment*	*Parking lot*	*Leasehold improvements*	*Vehicles*	*Right of use asset - buildings*	*Total*
Depreciation										
Balance at December 31, 2021	-	10,577,166	5,005,171	2,244,130	866,159	328,158	154,038	124,440	198,546	**19,497,808**
Additions	-	1,224,672	1,158,260	874,107	158,544	56,363	99,457	83,873	235,864	**3,891,140**
Disposals	-	-	(5,017)	(211)	-	-	-	(67,836)	-	**(73,064)**
Balance at December 31, 2022	-	11,801,838	6,158,414	3,118,026	1,024,703	384,521	253,495	140,477	434,410	**23,315,884**
Additions	-	2,110,688	1,560,909	951,367	269,854	73,398	133,308	102,662	172,467	**5,374,653**
Disposals	-	(871,140)	(215,406)	(190,118)	(72,258)	-	(137,259)	-	(235,907)	**(1,722,088)**
Balance at December 31, 2023	-	13,041,386	7,503,917	3,879,275	1,222,299	457,919	249,544	243,139	370,970	**26,968,449**
Net book value										
At December 31, 2022	14,345,096	38,598,087	4,957,112	2,255,766	799,431	416,817	637,323	285,708	1,757,800	**64,053,140**
At December 31, 2023	**18,393,250**	**46,901,073**	**6,322,485**	**2,254,472**	**1,689,226**	**771,700**	**708,408**	**183,046**	**2,537,823**	**79,761,483**

9. Investment property

			2023	*2022*
	Cost	Accumulated depreciation	**Net book value**	Net book value
Land	4,188,538	-	**4,188,538**	4,258,538
Building	9,662,841	1,020,093	**8,642,748**	9,211,112
	13,851,379	1,020,093	**12,831,286**	13,469,650

In the prior year, the Credit Union acquired the following investment property through its business combination as described in Note 4.

- Land with fair value of $4,021,200, as at June 30, 2022
- Building with fair value of $7,843,835, as at June 30, 2022

During the year, depreciation of $267,908 (2022 - $223,831) was recorded in occupancy expenses.

During the year, $2,330,784 of rental income from investment property was recognized in other income (2022 – $1,448,390).

The future minimum lease payments under non-cancelable leases are as follows:

Less than 1 year	2,071,203
Between one and five years	5,078,663
More than five years	1,187,913

During the year, a loss on disposal of investment property of $68,924 (2022 - $nil) was recognized in other income.

10. Intangible assets

	Computer software	*Customer list*	*Trade name*	*MPI licenses*	*Core deposits*	*Total*
Cost						
Balance January 1, 2022	**7,813,926**	**963,600**	**-**	**-**	**-**	**8,777,526**
Acquisition through business combinations *(Note 4)*	**1,246,812**	**15,181,844**	**1,984,315**	**2,750,000**	**3,683,000**	**24,845,971**
Additions	**687,594**	**-**	**-**	**-**	**-**	**687,594**
Balance at December 31, 2022	**9,748,332**	**16,145,444**	**1,984,315**	**2,750,000**	**3,683,000**	**34,311,091**
Acquisition through business combination *(Note 4)*	**1,854,299**	**-**	**1,920**	**-**	**2,061,000**	**3,917,219**
Additions	**10,125**	**-**	**-**	**-**	**-**	**10,125**
Disposals	**(29,003)**	**-**	**(403,513)**	**-**	**-**	**(432,516)**
Balance at December 31, 2023	**11,583,753**	**16,145,444**	**1,582,722**	**2,750,000**	**5,744,000**	**37,805,919**
Amortization and impairment losses						
Balance at January 1, 2022	**4,008,249**	**23,863**	**-**	**-**	**-**	**4,032,112**
Amortization for the year	**1,150,203**	**725,505**	**82,406**	**142,340**	**184,150**	**2,284,604**
Balance at December 31, 2022	**5,158,452**	**749,368**	**82,406**	**142,340**	**184,150**	**6,316,716**
Amortization for the year	**903,536**	**1,122,483**	**166,731**	**275,000**	**406,095**	**2,873,845**
Balance at December 31, 2023	**6,061,988**	**1,871,851**	**249,137**	**417,340**	**590,245**	**9,190,561**
Carrying amounts						
At December 31, 2022	4,589,880	15,396,076	1,901,909	2,607,660	3,498,850	27,994,375
At December 31, 2023	**5,521,765**	**14,273,593**	**1,333,585**	**2,332,660**	**5,153,755**	**28,615,358**

Amortization has been included in occupancy expenses on the consolidated statement of comprehensive income.

11. Derivative financial instruments

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity instrument or index. Derivative contracts are expressed in notional amounts. The notional amounts, which are off-balance sheet, do not represent amounts exchanged and, thus, are not a measure of the Credit Union's exposure through the use of derivatives. The notional amount is the reference amount used to determine the payment required by contract and is a common measure of business volume.

Swaps are contractual agreements to exchange a series of cash flows based on agreed upon rates to a notional amount. Interest rate swaps are used to manage exposure to interest rate risk by modifying the repricing or interest rate characteristics of assets and liabilities. Exposure is managed through the exchange of fixed and floating interest rate payments based on notional amounts.

	2023						
$000's	**Notional amount by term to maturity**					**Fair Value**	
	Within 3 months	**Over 3 months to 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**Total**	**Asset**	**Liability**
Designated in Fair Value Hedges							
Interest rate swaps	**5,000**	**-**	**550,000**	**-**	**555,000**	**11,114**	**-**

	2022						
$000's	Notional amount by term to maturity					Fair Value	
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total	Asset	Liability
Designated in Fair Value Hedges							
Interest rate swaps	25,000	25,000	510,000	-	560,000	19,385	-

The Credit Union is exposed to interest rate risk through certain fixed rate loans. To manage this risk the Credit Union enters into interest rate swaps which result in fair value changes of the hedging instruments offsetting, within a reasonable range, changes in the fair value of the fixed rate loans resulting from changes in the interest rate environment. The Credit Union has designated this hedging relationship as a fair value hedge and the net difference between the fair value changes of the hedging instrument and the hedged risk component of fixed rate loans is recorded as the ineffective portion of fair value hedges in other income in the consolidated statement of comprehensive income.

11. Derivative financial instruments *(Continued from previous page)*

The following table presents the effect of fair value hedges on the Credit Unions consolidated statement of financial position and consolidated statement of comprehensive income:

	2023		
$000's	**Hedge ineffectiveness**		
Designated fair value hedges	**Gains on hedging instrument**	**Losses on hedged item**	**Ineffectiveness**
Members' loans	**11,114**	**(11,804)**	**(690)**

	2022		
$000's	Hedge ineffectiveness		
Designated fair value hedges	Gains on hedging instrument	Losses on hedged item	Ineffectiveness
Members' loans	19,385	(19,385)	-

The following table presents the unrealized gain (loss) on derivatives related to hedge risk components:

	2023	*2022*
Fair Value Hedges		
Unrealized (loss) gain on derivatives	**(8,271)**	23,538

12. Investment in associates

	2023	2022
Balance beginning of year	**2,691,410**	2,893,675
Investment in associates equity income	**999,723**	875,690
Dividends received on investment in associates	**(1,007,334)**	(1,077,955)
Balance end of year	**2,683,799**	2,691,410

13. Members' savings and deposits

	2023	2022
Chequing	**1,894,875,498**	1,693,211,934
Savings	**3,634,202,763**	3,477,451,005
Term deposits	**2,543,654,582**	2,480,982,083
Registered savings plans	**2,610,256,456**	1,774,762,261
Accrued interest	**88,545,310**	47,309,841
Total	**10,771,534,609**	9,473,717,124

	2023	2022
Balance, beginning of year	**9,473,717,124**	5,551,360,956
Net cash increase in members' savings and deposits	**258,862,918**	390,187,850
Acquired in business combination (Note 4)	**997,719,098**	3,505,773,411
Non-cash change in accrued interest	**41,235,469**	26,394,907
Balance, end of year	**10,771,534,609**	9,473,717,124

Total deposits include $73,606,763 (2022 - $78,157,026) denominated in United States dollars. Member deposits are subject to the following terms:

- Chequing and savings products are due on demand and bear interest at a weighted average rate of 2.48% (2022 - 2.22%).
- Term deposits are subject to fixed and variable rates at a weighted average rate of 4.63% (2022 - 3.60%), with interest payments due monthly, annually or on maturity.
- Registered savings plans are subject to fixed and variable rates at a weighted average rate of 4.22% (2022 - 3.26%), with interest payments due monthly, annually or on maturity.

Members' savings and deposits are primarily located in Manitoba.

14. Other liabilities

	2023	2022
Accounts payable and accrued liabilities	**15,736,809**	13,282,115
Outstanding primary orders	**12,883,053**	9,197,944
Patronage	**6,000,000**	6,000,000
Employee benefits payable	**4,810,136**	4,845,636
Service liability	**476,502**	333,005
	39,906,500	33,658,700

15. Securitized borrowing

The Credit Union periodically may securitize mortgages through the transfer of mortgage loans to third parties, and is an approved issuer in the National Housing Act Mortgage-backed Securities Program (NHA MBS). As at December 31, 2023, the aggregate value of securitized mortgages outstanding amounted to $820,921,786 (2022 - $621,730,744). There were no credit losses incurred on the mortgages transferred in 2023. The Credit Union retains the responsibility for servicing the qualifying residential mortgage receivables. Under the program, the Credit Union has an obligation to forward principal and interest amounts from the original loan to Canada Mortgage and Housing Corporation monthly whether or not it receives payments from mortgagers. The Credit Union has retained substantially all of the risks and rewards associated with the transferred assets. These assets are recognized within members' loans and the transfers are accounted for as secured financing transactions. The associated liability, secured by these loans, is carried at amortized cost and included in securitized borrowings on the consolidated statement of financial position.

NHA MBS mortgage pools consists of seventy mortgage pools bearing interest rates from 0.76% to 4.43% (2022 - 0.74% to 4.51%). Mortgage pool maturities range from January 2024 to December 2034.

During the year, the Credit Union acquired $24,626,614 (2022 - $61,266,437) of securitized borrowing through a business combination (*Note 4*).

16. Transfer of financial assets

Certain National Housing Act Mortgage-Backed Securities/Canada Mortgage Bond securitization transactions undertaken by the Credit Union qualify for derecognition when the terms and conditions of the transferred members's loan are such that they are substantially risk free and the Credit Union has transferred control of these members' loans. The Credit Union retains some continuing involvement, limited to servicing the transferred members' loan in the transaction which is represented by the retained interests and the associated servicing liabilities.

The following table provides quantitative information of the Credit Union's securitization activities and transfers that are derecognized in their entirety during the year:

	2023	2022
Members' loans derecognized during the year	**66,005,879**	7,878,581
Carrying value of retained interest	**1,526,614**	148,021
Carrying value of loan servicing liability	**(328,904)**	(32,255)
Gains (loss) on sale of member's loans	**484,335**	(27,736)

16. Transfer of financial assets *(Continued from previous page)*

The expected undiscounted cash flows payable to the investors on the Credit Union's securitization activities that qualified for derecognition are as follows

	Securtization borrowings
2024	4,109,236
2025	4,115,963
2026	6,199,319
2027	8,870,389
2028	61,464,801
Thereafter	20,368,985

17. Loan payable

The Credit Union has an approved borrowing limit of 10.00% of members' savings and deposits. Borrowings are payable to Credit Union Central of Manitoba at an interest rate of 2.00% above the variable current account rate (4.25%) and are secured by all assets with no fixed terms of repayment. At December 31, 2023 the balance outstanding was $15,000,000 (2022 - $nil) and was due on January 1, 2024.

18. Members' shares

Authorized:

Unlimited number of Common shares, at an issue price of $5
Unlimited number of Surplus shares, at an issue price of $1
1,000,000 non-voting Class A preference shares, having a non-cumulative dividend rate, issued and redeemable at $10

Issued:

	2023	*2022*
Share capital		
4,251,791 Common shares (2022 - 4,541,764)	**21,258,955**	22,708,820
22,069,145 Surplus shares (2022 - 26,485,717)	**22,069,145**	26,485,717
132,972 Preference shares (2022 - nil)	**1,329,720**	-
Total	**44,657,820**	49,194,537

During the year, the Credit Union issued 128,026 (2022 - 287,423), redeemed 852,208 (2022 - 568,892), and exchanged through business combination 434,209 (2022 - 4,733,504) common shares.

During the year, the Credit Union issued 1,669,035 (2022 - 1,489,209), redeemed 6,920,037 (2022 - 8,701,115) and exchanged through business combination 834,430 (2022 - 19,500,048) surplus shares.

During the year, the Credit Union issued 670 (2022 - nil), redeemed 1,365 (2022 - nil) and exchanged through business combination 133,667 (2022 - nil) preference shares.

18. Members' shares *(Continued from previous page)*

Common shares

When an individual becomes a member of the Credit Union, they are issued a common share at $5 per share. Each member of the Credit Union has one vote, regardless of the number of shares held. These membership shares are redeemable at par only when a membership is withdrawn. Dividends are at the discretion of the Board of Directors. Since shares are redeemable only at the discretion of the Credit Union Board of Directors, they are classified as equity.

Surplus shares

The total amount of surplus shares purchased and redeemed by the Credit Union in a year shall not exceed 5% of the amount of surplus shares outstanding at the last 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 as prescribed by the Act.

The withdrawal is also subject to terms of the Credit Union's VIP program which restrict redemption to certain situations: member is deceased, member ceases to reside in the Credit Union's trading area, wind-up or dissolution of a business or corporation, bankruptcies, legal claim, hardship, member reaching the age of 65. All payouts are at the discretion of the Board of Directors.

Surplus shares are established as a means of returning excess earnings to the members and at the same time increasing the Credit Union's equity base. The articles of incorporation for the Credit Union disclose the conditions concerning surplus shares. These shares are redeemable at the discretion of the Board of Directors and as such are recorded as equity.

Class "A" Preference shares

Dividends are payable at the discretion of the Board of Directors. The total amount of Class "A" preference shares purchased or redeemed by the Credit Union in a fiscal year shall not exceed 10% of the amount of Class "A" preference shares issued and outstanding at the last fiscal year-end of the Credit Union if the Credit Union's equity is, or by such purchase or redemption would be, less than the level of capital as prescribed by the Act. Class "A" preference shares are redeemable at the discretion of the Board, and as such are classified as equity.

19. Patronage refund

The Board of Directors has declared a patronage refund estimated at $6,000,000 (2022 - $6,000,000). The patronage refund is based on the business done during the year by each member.

20. Dividends payable

The Board of Directors declared a share dividend on Common and Surplus shares as at December 31, 2023 in the amount of $1,669,035 (2022 - $852,775). The dividends are to be paid by issuance of Surplus shares in March 2024.

21. Income tax

	2023	2022
Current tax expense		
Current year	**13,256,000**	11,400,000
Deferred tax expense (recovery)		
Relating to the origination and reversal of temporary differences	**3,697,000**	(196,745)
Total income tax expense	**16,953,000**	11,203,255

The tax effect of temporary differences which give rise to the deferred taxes is from differences between amounts deducted for accounting and income tax purposes for the below items.

	2023	2022
Deferred tax liability		
Property and equipment, investment property and intangible assets	**(5,531,000)**	(5,748,000)
Fair value adjustment on investments acquired in business combination	**(2,163,000)**	(1,591,000)
Fair value adjustment on securitized borrowings acquired in business combination	**(657,000)**	(722,000)
Fair value adjustment of members' savings and deposits acquired in business combination	**(20,243,000)**	(12,978,000)
	(28,594,000)	(21,039,000)
Deferred tax asset		
Allowance for impaired loans	**3,217,000**	3,304,000
Fair value adjustment of members' loans acquired in business combination	**32,632,000**	25,813,000
Other timing differences	**1,624,066**	2,666,000
	37,473,066	31,783,000
Net deferred tax asset	**8,879,066**	10,744,000

All movements in deferred taxes during the year ended December 31, 2023 were recognized in income, except for the impact of deferred taxes related to business combinations.

	2023	2022
Deferred tax liabilities		
Deferred tax liabilities to be settled within 12 months	**(1,020,000)**	(4,971,000)
Deferred tax liabilities to be settled after more than 12 months	**(27,574,000)**	(16,068,000)
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	**7,877,000**	9,116,000
Deferred tax assets to be settled after more than 12 months	**29,596,066**	22,667,000
Net deferred tax asset	**8,879,066**	10,744,000

21. Income tax *(Continued from previous page)*

Reconciliation between effective tax rate and the actual tax rate

	2023	2022
Applicable tax rate	**38.00 %**	38.00 %
Federal abatement	**(10.00)%**	(10.00)%
General rate reduction	**(13.00)%**	(13.00)%
Non taxable earnings from associates	**0.01 %**	0.01 %
Non-deductible and other items	**(1.43)%**	2.88 %
Provincial tax	**12.00 %**	9.60 %
Income taxes as reported	**25.58 %**	27.49 %

22. Lease liability

Leases as lessee

Lease liabilities

The following table sets out a maturity analysis of lease liabilities:

	2023	2022
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**534,525**	281,780
One to five years	**1,919,093**	963,407
More than five years	**532,350**	1,075,147
Total undiscounted lease liabilities at December 31	**2,985,968**	2,320,334
Lease liabilities included in the consolidated statement of financial position at December 31	**2,903,159**	1,955,181
Current	**606,921**	242,384
Non-current	**2,296,238**	1,712,797

Amounts recognized in income

The Credit Union has recognized the following amounts in the consolidated statement of comprehensive income:

	2023	2022
Interest expense on lease liabilities	**86,985**	50,625

Amounts recognized in the consolidated statement of cash flows

The Credit Union has recognized the following amounts in the consolidated statement of cash flows:

	2023	2022
Total cash outflow for leases	**547,397**	264,283

23. Related party transactions

Key management compensation of the Credit Union

Key Management Personnel ("KMP") of the Credit Union are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director.

During the year, the Credit Union reassessed its definition of KMP as a result of the current year business combinations.

	2023	2022
Salaries and other short-term employee benefits	**2,995,908**	2,855,111
Honoraria and per diems	**680,756**	591,521
Meetings, training, and conference costs	**110,836**	40,570
Post-employment benefits	**1,050,161**	1,071,359

Transactions with Key Management Personnel

Loans made to KMP are approved under the same lending criteria applicable to members. KMP may receive concessional rates of interest on their loans and facilities. These benefits are subject to tax with the total value of the benefit included in the compensation figures above.

There are no loans that are impaired in relation to loan balances with KMP.

There are no benefits or concessional terms and conditions applicable to the family members of KMP. There are no loans that are impaired in relation to the loan balances with family or relatives of KMP.

	2023	2022
Aggregate value of loans and lines of credit advanced	**17,635,686**	17,366,904
Unused value of lines of credit	**1,661,400**	1,656,437

	2023	2022
Loans disbursed to KMP	**1,417,250**	1,333,220

	2023	2022
Interest and other revenue earned on loans to KMP	**535,711**	417,529
Interest paid on deposits to KMP	**144,269**	57,229

	2023	2022
The total value of members' savings and deposits from KMP as at the year-end	**3,704,003**	2,408,854

Directors, committee members, management and staff

Transactions with Directors, committee members, management and staff are at terms and conditions as set out in the loan policies of the Credit Union.

Loans to Directors (and their spouses) that received beneficial interest rates as at December 31, 2023 amounted to $nil (2022 - $nil) for a total benefit of approximately $nil (2022 - $nil).

Loans to Directors and staff as at year end amounted to 1.22% (2022 - 0.91%) of total assets of the Credit Union.

23. Related party transactions *(Continued from previous page)*

Credit Union Central of Manitoba

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

Interest and dividends earned on investments during the year ended December 31, 2023 amounted to $73,935,320 (2022 - $28,966,357).

Interest and charges paid on borrowings during the year ended December 31, 2023 amounted to $8,387 (2022 - $nil).

Payments made for affiliation dues, liquidity assessment, research and development assessment, cheque clearing and data processing for the year ended December 31, 2023 amounted to $4,030,500 (2022 - $3,916,417).

Deposit Guarantee Corporation of Manitoba

The Deposit Guarantee Corporation of Manitoba (the "Corporation") was created under the Credit Unions and Caisses Populaires Act for the purposes of guaranteeing deposits in Manitoba credit unions. All transactions with the Corporation are recorded at the exchange amount which is the amount agreed upon by the two parties.

The payments made to the Corporation during the year ended December 31, 2023 represent the net statutory annual assessment in the amount of $8,183,434 (2022 - $6,053,715).

24. Pension plan

The Credit Union has a multi-employer defined contribution pension plan for qualifying employees. The Credit Union matches employee contributions at an average rate of 6% of the employee's salary up to the maximum allowed under pension legislation. The contributions are held in trust by the Cooperative Superannuation Society Limited and are not recorded in these consolidated financial statements.

The expense and payments for the year ended December 31, 2023 are $3,892,398 (2022 - $4,570,268) and are recorded as personnel expenses. As a defined contribution pension plan, the Credit Union has no further liability or obligation for future contributions to fund benefits to plan members.

25. Capital management

The Credit Union's objectives when managing capital are to ensure the long term viability of the Credit Union and the security of member deposits by holding a level of capital deemed sufficient to protect against unanticipated losses and to comply at all times with the capital requirements set out in the Standards of Sound Business Practice Issued by the Deposit Guarantee Corporation of Manitoba.

The Credit Union measures the adequacy of capital using two methods:

- Total capital as a percent of assets; and
- Total capital as a percent of risk-weighted assets. Under this method, the Credit Union reviews its loan portfolio and other assets and assigns a risk weighting using definitions and formulas set out in the Act. The more risk associated with an asset, a higher weighting is assigned. This method allows the Credit Union to measure capital relative to the possibility of loss with more capital required to support assets that are seen as being higher risk.

The Credit Union management ensures compliance with capital adequacy through the following:

- Establishing policies for capital management, monitoring and reporting;
- Establishing policies for related areas such as asset liability management;
- Reporting to the Board of Directors regarding financial results and capital adequacy;
- Reporting to the Deposit Guarantee Corporation of Manitoba on its capital adequacy; and
- Establishing budgets and reporting variances to those budgets.

During the year ended December 31, 2023, the Credit Union has complied with the capital requirements.

Pursuant to the 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:

	2023	*2022*
Members' equity not less than 5.00% of assets	**5.91 %**	5.84 %
Retained surplus not less than 3.00% of assets	**5.55 %**	5.39 %
Members' equity not less than 10.50% of the risk weighted value of assets	**11.18 %**	10.72 %

As at December 31, 2023, the Credit Union met all capital requirements.

The Credit Union manages its capital as calculated below:

	2023	*2022*
Members' shares	**44,657,820**	49,194,537
Retained surplus	**301,552,813**	253,429,057
Contributed surplus	**385,575,495**	326,286,314
Capital	**731,786,128**	628,909,908

26. Fair value measurements

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. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

- Level 1: Unadjusted quoted prices in an active market for identical assets and liabilities.
- Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e derived from prices). Level 2 inputs include quoted prices for assets in markets that are considered less active. Assets measured at fair value and classified as Level 2 include interest rate swaps. Members' loans, investments and members' savings and deposits are disclosed at fair value based on a level 2 classification.
- Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities. Level 3 assets and liabilities would include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation.

There were no transfers between fair value hierarchy levels for the year ended December 31, 2023.

Assets and liabilities measured at fair value

The Credit Union’s assets and liabilities measured at fair value on a recurring basis have been categorized into the fair value hierarchy as follows:

$000's	***2023 Fair Value***	***Level 1***	***Level 2***	***Level 3***
Financial assets				
Credit Union Central of Manitoba	**846,176**	**-**	**846,176**	**-**
Concentra Bank shares	**7,252**	**-**	**7,252**	**-**
Westcap MBO III	**2,155**	**-**	**-**	**2,155**
Connect Manitoba Growth Fund	**2,000**	**-**	**-**	**2,000**
Interest rate swaps	**11,114**	**-**	**11,114**	**-**
Total financial assets	**868,697**	**-**	**864,542**	**4,155**

$000's	*2022 Fair Value*	*Level 1*	*Level 2*	*Level 3*
Financial assets				
Credit Union Central of Manitoba	853,190	-	853,190	-
Concentra Bank shares	6,067	-	6,067	-
Westcap MBO III	1,130	-	-	1,130
Interest rate swaps	19,385	-	19,385	-
Total financial assets	879,772	-	878,642	1,130

26. Fair value measurements *(Continued from previous page)*

Non-recurring fair value measurements

The Credit Union's non-recurring fair value measurements have been categorized in the fair value hierarchy as follows:

$000's	***2023 Fair Value***	***Level 1***	***Level 2***	***Level 3***
Financial assets				
Funds on hand and on deposit	**376,758**	**376,758**	**-**	**-**
Members' loans	**10,513,311**	**-**	**10,513,311**	**-**
Municipal debentures	**1,937**	**-**	**1,937**	**-**
Concentra Bank Term Deposits	**10,000**	**-**	**10,000**	**-**
Retained securitization interest	**2,240**	**-**	**2,240**	**-**
Total financial assets	**10,904,246**	**376,758**	**10,527,488**	**-**
Financial liabilities				
Loan payable	**15,000,000**	**-**	**15,000,000**	**-**
Members' savings and deposits	**10,487,510**	**-**	**10,487,510**	**-**
Securitized borrowings	**813,572**	**-**	**813,572**	**-**
Total financial liabilities	**26,301,082**	**-**	**26,301,082**	**-**

$000's	*2022 Fair Value*	*Level 1*	*Level 2*	*Level 3*
Financial assets				
Funds on hand and on deposit	273,305	273,305	-	-
Members' loans	9,001,343	-	9,001,343	-
Municipal debentures	2,900	-	2,900	-
Concentra Bank Term Deposits	5,000	-	5,000	-
Retained securitization interest	714	-	714	-
Total financial assets	9,283,262	273,305	9,009,957	-
Financial liabilities				
Members' savings and deposits	9,249,002	-	9,249,002	-
Securitized borrowings	610,736	-	610,736	-
Total financial liabilities	9,859,738	-	9,859,738	-

27. Financial instruments

The Credit Union, as part of its operations, carries a number of financial instruments which result in exposure to the following risks: credit risk, market risk, liquidity risk.

Accordingly, the Credit Union has established avoidance of undue concentrations of risk, hedging of risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Credit Union follows risk management policies approved by its Board of Directors.

The Credit Union's risk management policies and procedures include the following:

- Ensure all activities are consistent with the mission, vision and values of the Credit Union;
- Balance risk and return;
- Manage credit, market and liquidity risk through preventative and detective controls;
- Ensure credit quality is maintained;
- Ensure credit, market, and liquidity risk is maintained at acceptable levels;
- Diversify risk in transactions, member relationships and loan portfolios;
- Price according to risk taken, and
- Using consistent credit risk exposure tools.

Various committees are involved in financial instrument risk management oversight, including the Risk Committee and Asset Liability Committee.

There have been no significant changes from the previous year in the Credit Union’s risks to which it is exposed or its general policies and procedures for managing risk.

Credit risk

Credit risk is the risk of financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Credit Union. Credit risk primarily arises from members’ loans.

Risk management process

Credit risk management is integral to the Credit Union’s activities. Management carefully monitors and manages the Credit Union’s exposure to credit risk by reviewing member credit extension policies and guidelines and reviewing the performance of loan portfolios, including default events and past due state. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid. The primary credit risk management policies and procedures include the following:

- Loan security (collateral) requirements;
- Security valuation processes, including method used to determine the value of real property and personal property when that property is subject to a mortgage or other charge;
- Maximum loan to value ratios where a mortgage or other charge on real or personal property is taken as security;
- Borrowing member capacity (repayment ability) requirements;
- Borrowing member character requirements;
- Limits on aggregate credit exposure per individual and related parties;
- Limits on concentration of credit risk by loan type, industry and economic sector;
- Limits on the types of credit facilities and services offered;
- Internal loan approval processes and loan documentation standards;
- Loan re-negotiation, extension and renewal processes;
- Processes that identify adverse situations and trends, including risks associated with economic, geographic and industry sectors;
- Control and monitoring processes including portfolio risk identification and delinquency tolerances;

27. Financial instruments *(Continued from previous page)*

- Timely loan analysis processes to identify, access and manage delinquent and impaired loans;
- Collection processes that include action plans for deteriorating loans;
- Overdraft control and administration processes; and
- Loan syndication processes.

The Credit Union's credit risk policies, processes and methodologies are reviewed periodically to ensure they remain relevant and effective in managing credit risk.

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

The Credit Union considers members' loans to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists, such as notification from the borrower or breach of major covenants. This definition is consistent with the definitions used for the Credit Union's internal credit risk management practices and has been selected because it most closely aligns the definition of default to the Credit Union's past credit experience, and the covenants placed in standard borrowing contracts.

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the financial instrument rather than based on changes in the amount of expected credit losses or other factors. In making this assessment the Credit Union takes into account all reasonable and supportable information, including forward-looking information, available without undue cost or effort. The Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings, such as requests for loan modifications.

The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management (e.g., through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers). When a financial instrument is considered to have low credit risk, it is assumed that there has not been a significant increase in credit risk since initial recognition.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its customers. Credit-impaired financial assets are typically placed on the Credit Union's watch list based on its internal credit risk policies. In making this assessment, the Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings.

Measurement of expected credit losses

The Credit Union measures expected credit losses for members' loans on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type (residential mortgages, commercial mortgages, other secured loans or non-secured loans). Otherwise, expected credit losses are measured on an individual basis.

27. Financial instruments *(Continued from previous page)*

When measuring 12 month and lifetime expected credit losses, the Credit Union considers items such as the contractual period of the financial asset or the period for which the entity is exposed to credit risk, determination of appropriate discount rates used in incorporating the time value of money, assumptions about prepayments, timing and extent of missed payments or default events, probabilities of default and other assumptions and inputs used in calculating the amount of cash shortfalls depending on the type or class of financial instrument. Forward looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit impaired financial asset.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12 month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The Credit Union assesses that there is no reasonable expectation of recovery when the security relating to the loan has been sold and there are remaining amounts outstanding, the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid.

Significant increase in credit risk - interest rate and inflationary environment impacts

There are judgments involved in determining whether or not there is a significant increase in credit risk resulting in loans moving between stages of expected credit loss and, therefore, being subject to different expected credit loss models. Due to the interest rate increases and inflationary environment impacts the Credit Union has implemented programs to allow for the deferral of payments on member loans in certain circumstances. With respect to those loans where the customer has taken advantage of the loan payment deferral programs, the Credit Union has assessed whether this is indicative of a significant increase in credit risk, including consideration on whether this is indicative of short-term change or an increase in the risk the member will default over the life of the loan. In addition, the Credit Union will continue to monitor the impact of the increased interest rates and inflation may have on their members and their ability to repay their debt obligations. Where appropriate, the Credit Union may deem a change in credit risk to have occurred for certain borrowers due to the current environment and will adjust their staging and expected credit losses as necessary.

27. Financial instruments *(Continued from previous page)*

Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 Financial instruments. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

The gross carrying amount of financial assets and exposure amount of loan commitments and financial guarantee contracts represents the maximum exposure to credit risk for that class of financial asset.

2023	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Commercial loans	**4,185,513,893**	**5,263,993**	**22,610,225**	**4,213,388,111**
Personal loans	**368,450,068**	**11,097,031**	**773,310**	**380,320,409**
Residential loans	**6,259,666,154**	**96,565,143**	**17,257,083**	**6,373,488,380**
Loan commitments	**312,353,667**	**-**	**-**	**312,353,667**
Total gross carrying amount	**11,125,983,782**	**112,926,167**	**40,640,618**	**11,279,550,567**
Less: loss allowance	**12,130,691**	**1,893,879**	**6,514,544**	**20,539,114**
Total carrying amount	**11,113,853,091**	**111,032,288**	**34,126,074**	**11,259,011,453**

2022	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Commercial loans	3,714,427,714	8,735,648	6,163,161	3,729,326,523
Personal loans	313,078,815	10,671,861	521,657	324,272,333
Residential loans	5,294,054,712	106,493,137	6,799,357	5,407,347,206
Loan commitments	724,071,393	-	-	724,071,393
Total gross carrying amount	10,045,632,634	125,900,646	13,484,175	10,185,017,455
Less: loss allowance	10,797,171	1,975,309	2,323,550	15,096,030
Total carrying amount	10,034,835,463	123,925,337	11,160,625	10,169,921,425

Financial assets designated as measured at fair value through profit or loss

The Credit Union has designated certain investments as measured at fair value through profit or loss. As at December 31, 2023, the Credit Union's maximum exposure to credit risk arising from these financial assets is $868,697,129 (2022 - $879,772,168)

27. Financial instruments *(Continued from previous page)*

Concentrations of credit risk

Concentration of credit risk exists if a number of borrowers are exposed to similar economic risks by being engaged in similar economic activities or being located in the same geographical region, and indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographical region. Geographical risk exists for the Credit Union due to its primary service area being Manitoba.

Amounts arising from expected credit losses

Reconciliation of the loss allowance

The following tables show a reconciliation of the opening to the closing balance of the loss allowance by class of financial instrument.

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Members' loans				
Balance at January 1, 2022	6,357,868	748,305	313,099	**7,419,272**
Net remeasurement of loss allowance	4,439,303	1,227,004	2,010,451	**7,676,758**
Balance at December 31, 2022	10,797,171	1,975,309	2,323,550	**15,096,030**
Net remeasurement of loss allowance	1,333,520	(81,430)	4,190,994	**5,443,084**
Balance at December 31, 2023	12,130,691	1,893,879	6,514,544	**20,539,114**

Commercial loans	*12-month ECL*	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Balance at January 1, 2022	1,041,481	3,498	110,159	**1,155,138**
Net remeasurement of loss allowance	2,107,590	186,131	1,382,456	**3,676,177**
Balance at December 31, 2022	3,149,071	189,629	1,492,615	**4,831,315**
Net remeasurement of loss allowance	1,044,070	(153,299)	4,195,380	**5,086,151**
Balance at December 31, 2023	4,193,141	36,330	5,687,995	**9,917,466**

Personal loans	*12-month ECL*	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Balance at January 1, 2022	1,366,988	189,345	61,499	**1,617,832**
Net remeasurement of loss allowance	591,865	397,511	208,198	**1,197,574**
Balance at December 31, 2022	1,958,853	586,856	269,697	**2,815,406**
Net remeasurement of loss allowance	1,448,547	329,958	499,626	**2,278,131**
Balance at December 31, 2023	3,407,400	916,814	769,323	**5,093,537**

27. Financial instruments *(Continued from previous page)*

Residential loans	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at January 1, 2022	3,949,399	555,462	141,441	**4,646,302**
Net remeasurement of loss allowance	1,739,848	643,362	419,797	**2,803,007**
Balance at December 31, 2022	5,689,247	1,198,824	561,238	**7,449,309**
Net remeasurement of loss allowance	(1,159,097)	(258,089)	(504,012)	**(1,921,198)**
Balance at December 31, 2023	4,530,150	940,735	57,226	**5,528,111**

Market risk

Market risk arises from changes in interest rates that affect the Credit Union's net interest income. Exposure to this risk directly impacts the Credit Union's income from its loan and deposit portfolios. The Credit Union's objective is to earn an acceptable net return on these portfolios, without taking unreasonable risk, while meeting member owner needs.

Risk measurement

The Credit Union's risk position is measured and monitored each month to ensure compliance with policy. Management provides quarterly reports on these matters to the Credit Union's Board of Directors.

Objectives, policies and processes

Management is responsible for managing the Credit Union's interest rate risk, monitoring approved limits and compliance with policies. The Credit Union manages market risk by developing and implementing asset and liability management policies, which are approved and periodically reviewed by the Board.

The Credit Union's goal is to achieve adequate levels of profitability, liquidity and safety. The Board of Directors reviews the Credit Union's investment and asset liability management policies periodically to ensure they remain relevant and effective in managing and controlling risk. See Note 28 to additional information on the asset liability matching policy.

27. Financial instruments *(Continued from previous page)*

The following table illustrates the contractual repricing and maturity of all financial instruments:

$000's	*On demand*	*Within one year*	*One to Five years*	*Greater than 5 years*	*Non-Interest Sensitive*	*Total 2023*	*Total 2022*
Assets							
Funds on hand and on deposit	342,360	-	-	-	34,398	376,758	273,305
Investments	-	724,310	17,815	812	126,875	869,812	868,627
Members' loans	1,262,136	1,738,624	7,619,010	134,545	193,033	10,947,348	9,445,850
Retained securitization interest	-	-	-	-	2,240	2,240	714
Interest rate swaps	-	5,000	550,000	-	-	555,000	560,000
	1,604,496	**2,467,934**	**8,186,825**	**135,357**	**356,546**	**12,751,158**	**11,148,496**
Liabilities							
Loan payable	-	15,000	-	-	-	15,000	-
Member savings and deposits	4,440,344	2,329,736	2,145,795	97,892	1,757,768	10,771,535	9,473,717
Securitized borrowing	-	302,408	512,809	5,705	-	820,922	621,731
Other liabilities	-	-	-	617	24,290	24,907	33,659
	4,440,344	**2,647,144**	**2,658,604**	**104,214**	**1,782,058**	**11,632,364**	**10,129,107**

The following provides the potential before tax impact on an immediate and sustained 1% increase or decrease in interest rates on the Credit Union's net interest income for a one year period. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and our risk measurement initiatives.

Before tax impact of:

1% increase in rates $5,929,521 decrease in financial margin

1% decrease in rates $5,803,686 increase in financial margin

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The Credit Union may utilize interest rate swaps to assist in managing this rate gap.

Foreign exchange risk policy

Currency risk relates to the Credit Union operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange rates when adverse changes in foreign currency exchange rates occur.

The Credit Union’s foreign exchange risk is related to deposits and loans denominated in United States dollars. Foreign currency holdings are monitored by management and holdings are adjusted when offside of the investment policy.

Risk measurement

The Credit Union's position is measured weekly. Measurement of risk is based on the mismatch of assets and liabilities denominated in United States dollars.

Objectives, policies and procedures

The Credit Union limits its mismatch of deposits and loans held on foreign currency to $500,000.

27. Financial instruments *(Continued from previous page)*

Liquidity risk

Liquidity risk arises from the inability to generate or obtain the necessary cash or cash equivalents in a timely manner, at a reasonable price, to meet commitments as they come due. In particular, the risk arises from failure to meet the Credit Union's day-to-day obligations, including claims on the Credit Union and operational demands.

The Credit Union uses various risk management processes to manage liquidity risk. The acceptable amount of risk is defined by policies monitored by management and reported to the Board of Directors.

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgment pertaining to current and prospective specific and market conditions and the related behaviour of its members and counterparties.

The Credit Union manages its liquidity position by monitoring, forecasting and managing cash flows and the concentration of loans and deposits within approved policies. Management provides quarterly reports on these matters to the Board of Directors.

- Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over reliance on short-term liabilities to fund long-term illiquid assets;
- Tactical liquidity risk, which addresses the day-to-day funding requirements that are managed by imposing prudential limits on net fund outflows; and
- Contingent liquidity risk, which assess the impact of sudden stressful events and the Credit Union's responses thereto.

The primary liquidity risk policies and procedures include the following:

- Liquidity risk management framework to measure and control liquidity risk exposure;
- Measurement of cashflows;
- Maintain a line of credit and borrowing facility with Credit Union Central of Manitoba
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits; and
- Monitoring of term deposits.

28. Asset liability matching

The Credit Union's major source of income is financial margin which is the difference between interest earned on investments and loans to members and interest paid to members on their deposits. The objective of managing the financial margin is to match re-pricing or maturity dates of loans and investments and members' savings and deposits within policy limits that are intended to limit the Credit Union's exposure to changing interest rates and to wide fluctuations of income during periods of changing interest rates. The differential represents the net mismatch between members' loans and investments and members' savings and deposits for those particular maturity dates. Certain items on the consolidated statement of financial position, such as non interest bearing member deposits and equity do not provide interest rate exposure to the Credit Union. These items are reported as non interest rate sensitive on the schedule.

Amounts with variable interest rates, or due on demand, are classified as variable.

A significant amount of members' loans and members' savings and deposits can be settled before maturity on payment of a penalty. No adjustment has been made for repayments that may occur prior to maturity.

000's of $'s	Assets	Liabilities	2023 Differential	2022 Differential
Interest sensitive				
Variable	2,010,216	(3,965,334)	**(1,955,118)**	(2,759,650)
Less than 12 months	2,394,361	(2,647,144)	**(252,783)**	(604,303)
1 to 2 years	1,872,936	(1,234,027)	**638,909**	68,876
2 to 3 years	2,918,519	(618,302)	**2,300,217**	1,196,316
3 to 4 years	1,881,766	(949,925)	**931,841**	2,342,090
4 to 5 years	963,604	(416,752)	**546,852**	1,391,235
Over 5 years	14,619	(33,502)	**(18,883)**	134,659
Non interest rate sensitive	326,001	(2,517,036)	**(2,191,035)**	(1,769,223)
	12,382,022	(12,382,022)	**-**	-

The Credit Union may enter into interest rate swaps under policies and procedures which ensure that they are utilized for reducing the Credit Union’s exposure to fluctuating interest rates. All interest rate swaps are purchased on behalf of the Credit Union by Credit Union Central of Manitoba. As at December 31, 2023 interest rate swaps with a notional value of $555,000,000 (2022 - $560,000,000) were outstanding (Note 11).

29. Commitments and guarantees

Loans

The Credit Union has authorized $861,474,051 (2022 - $1,136,791,535) in line of credit loans, of which $243,189,221 (2022 - $555,584,179) has not been advanced as of year end. In addition, $69,164,446 (2022 - $168,487,214) in members' loans have been authorized but have not been advanced as of the year end.

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 previously entered into an agreement with Westcap MBO III Investment LP to purchase 5,000 partnership units for a total subscription price of $5,000,000. As at December 31, 2023 funds in the amount of $2,155,000 (2022 - $1,130,000) have been dispersed related to the investment.

The Credit Union entered into an agreement with Connect Manitoba Growth Fund LP to purchase 20,000 partnership units for a total subscription price of $20,000,000. As at December 31, 2023 funds in the amount of $2,000,000 have been dispersed related to the investment.

30. Canada Emergency Business Account Loans

The Credit Union participated in the Canada Emergency Business Account (CEBA) program by facilitating loans with eligible small businesses during the year. These loans qualify for derecognition as the risks and rewards were transferred to the Government of Canada, therefore these loans are not recognized in the consolidated statement of financial position. As at December 31, 2023, loans issued under the CEBA program were approximately $72 million (2022 - $120 million).

31. Other income

Other income consists of:

	2023	*2022*
Service charges, fees, commissions and other	**33,034,631**	20,621,533
Insurance commissions	**13,448,180**	10,876,939
Rental revenue	**2,330,784**	1,448,390
Hedging loss	**(690,033)**	-
	48,123,562	32,946,862

32. Events after the reporting period

In December 2023, the Board of Directors of Deposit Guarantee Corporation of Manitoba designated the Credit Union as a Systemically Important Financial Institution (SIFI) effective January 1, 2024. Access will be required to adhere to additional regulatory requirements including a capital adequacy surcharge (1% risk weighted capital) Internal Capital Adequacy Assessment Process (ICAAP) recovery planning and increased regulatory oversight. The additional 1% risk weighted capital requirement will be phased in over a two-year period.