
Consolidated financial statements of Credit Union Atlantic Limited

December 31, 2024

Independent Auditor's Report	1–2
Consolidated statement of financial position	3
Consolidated statement of income and comprehensive income	4
Consolidated statement of changes in members' equity	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7–49

Independent Auditor's Report

To the Members of
Credit Union Atlantic Limited

Opinion

We have audited the consolidated financial statements of Credit Union Atlantic Limited ("CUA"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of income and comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of CUA as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 CUA in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB, 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 CUA'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 CUA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CUA'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 GAAS 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 GAAS, 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 CUA'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 CUA'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 CUA 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 CUA 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.

The logo for Deloitte LLP, featuring the word "Deloitte" in a stylized script font followed by "LLP" in a bold, sans-serif font.

Chartered Professional Accountants

April 1, 2025

Halifax, Nova Scotia

Credit Union Atlantic Limited
Consolidated statement of financial position

As at December 31, 2024

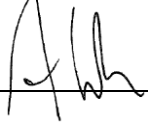
(Expressed in Canadian dollars)

	Notes	2024 \$	2023 \$
Assets			
Cash resources	4	47,993,685	32,556,621
Interest-bearing deposits		74,792,989	68,817,456
Income taxes receivable		—	504,779
Other assets	5	3,010,727	2,119,709
Members' loans	6	564,057,183	549,422,847
Financing receivable	7	372,598,297	311,911,138
Investments	8	10,832,498	12,043,498
Deferred tax asset	25	647,091	593,919
Right-of-use assets	9	4,994,173	4,996,506
Property and equipment	10	2,268,651	2,451,296
Intangible assets	11	2,353,835	1,446,576
Goodwill	12	15,603,201	15,603,201
		1,099,152,330	1,002,467,546
Liabilities			
Bank indebtedness	13	5,614,807	1,524,957
Trade payable and other	14	21,929,401	20,254,227
Income taxes payable		247,781	1,468,793
Members' deposits	15	877,427,984	803,606,093
Securitization liabilities	16	81,977,111	81,939,510
Lease obligations	17	5,186,984	5,202,810
Deferred tax liability	25	233,843	239,127
		992,617,911	914,235,517
Members' equity		106,534,419	88,232,029
		1,099,152,330	1,002,467,546
Commitments	20		

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

Approved by Board of Directors

 _____, Director

 _____, Director

Credit Union Atlantic Limited
Consolidated statement of income and comprehensive income

Year ended December 31, 2024

(Expressed in Canadian dollars)

	Notes	2024 \$	2023 \$
Interest revenue			
Loan interest and finance fees		74,048,030	61,117,964
Interest income from investments		4,533,978	3,089,857
		78,582,008	64,207,821
Interest and related expenses			
Interest on deposits		24,295,340	16,304,472
Interest on bank indebtedness		119,299	212,533
Securitization costs		3,547,894	2,812,254
Finder's fees		6,189,932	4,452,355
		34,152,465	23,781,614
Net interest income		44,429,543	40,426,207
Provision for impaired loans and financing receivable	6 and 7	(2,379,144)	(1,157,763)
Other income	24	7,744,980	7,080,382
Investment income	23	13,430	693,878
		49,808,809	47,042,704
Operating expenses			
General business		7,356,752	6,896,015
Depreciation		684,745	574,501
Members' security		899,169	776,369
Occupancy	9 and 17	1,737,965	1,774,557
Personnel		13,476,429	11,806,882
		24,155,060	21,828,324
Income before income tax expense		25,653,749	25,214,380
Income tax expense	25	7,351,487	7,199,209
Net income and comprehensive income		18,302,262	18,015,171

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

Credit Union Atlantic Limited
Consolidated statement of changes in members' equity

Year ended December 31, 2024

(Expressed in Canadian dollars)

	Members' shares \$ (Note 19)	Restricted surplus \$ (Note 18)	Contributed surplus \$	Retained earnings \$	Accumulated other comprehensive loss \$	Total members' equity \$ (Note 18)
Balance, January 1, 2023	84,168	903,740	2,704,362	66,740,566	(216,442)	70,216,394
Net income and comprehensive income	—	—	—	18,015,171	—	18,015,171
Issuance of members' shares, net of issuance costs	464	—	—	—	—	464
Balance, December 31, 2023	84,632	903,740	2,704,362	84,755,737	(216,442)	88,232,029
Balance, January 1, 2024	84,632	903,740	2,704,362	84,755,737	(216,442)	88,232,029
Net income and comprehensive income	—	—	—	18,302,262	—	18,302,262
Issuance of members' shares, net of issuance costs	128	—	—	—	—	128
Balance, December 31, 2024	84,760	903,740	2,704,362	103,057,999	(216,442)	106,534,419

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

Credit Union Atlantic Limited
Consolidated statement of cash flows
Year ended December 31, 2024
(Expressed in Canadian dollars)

	2024 \$	2023 \$
Operating activities		
Net income and comprehensive income for the year	18,302,262	18,015,171
Adjustments for		
Provision for impaired loans and finance receivable	2,379,144	1,157,763
Depreciation expense	684,745	574,501
Depreciation on right-of-use assets	611,298	632,618
Loss on disposal of equipment	902	174
Net interest income	(44,429,543)	(40,426,207)
Income tax expense	7,351,487	7,201,207
	(15,099,705)	(12,844,773)
Change in members' loans	(15,285,536)	(41,396,055)
Change in financing receivables	(62,242,897)	(84,951,763)
Change in other assets	(891,018)	(1,290,082)
Change in members' deposits	72,425,435	89,405,182
Change in accounts payable and accrued liabilities	1,675,174	2,189,916
	(19,418,547)	(48,887,575)
Interest received	78,409,801	63,936,125
Interest paid	(32,756,009)	(20,939,928)
Income taxes paid	(8,126,176)	(7,482,597)
	18,109,069	(13,373,975)
Investing activities		
Net purchases of investments	1,211,000	(373,839)
Net change in interest-bearing deposits	(5,975,533)	(8,047,181)
Net purchases of property and equipment	(244,118)	(410,081)
Net purchases of intangibles	(1,166,143)	(1,206,413)
	(6,174,794)	(10,037,514)
Financing activities		
Net increase in members' shares	128	464
Net change in securitization liabilities	37,601	41,715,794
Net increase (decrease) in bank indebtedness	4,089,850	(2,488,565)
Principal payments of lease liabilities	(624,790)	(564,788)
	3,502,789	38,662,905
Net change in cash resources during the year	15,437,064	15,251,416
Cash resources, beginning of year	32,556,621	17,305,205
Cash resources, end of year	47,993,685	32,556,621

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

1. General information

Credit Union Atlantic Limited ("CUA") is incorporated under the *Nova Scotia Companies Act*. The operations of CUA are subject to the *Nova Scotia Credit Union Act* (the "Act"). Products and services offered to its members include loans, mortgages, chequing and savings, MasterCard, RRSPs, term deposits, online and telephone banking and financial planning. CUA's head office is located at 7105 Chebucto Road, Halifax, Nova Scotia.

These consolidated financial statements for the year ended December 31, 2024 were approved and authorized for issue by the Board of Directors on April 1, 2025.

2. Summary of material accounting policy information

(a) Statement of compliance and basis of presentation

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. CUA presents its consolidated statement of financial position on a non-classified basis in order of liquidity. CUA classifies its expenses by the nature of expenses method.

CUA's functional and presentation currency is the Canadian dollar as this is the currency of the primary economic environment in which CUA operates.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets accounted for at fair value through other comprehensive income, which have been measured at fair value.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of CUA and its wholly-owned subsidiaries, IFS Financial Services Inc. ("IFS") and Graysbrook Capital Ltd. ("GBC"). Significant inter-company transactions and balances have been eliminated from the consolidated accounts.

(d) Cash resources

Cash resources include cash on hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less.

(e) Interest-bearing deposits

Interest-bearing deposits consist of deposits held for liquidity purposes and are recorded at amortized cost using the effective interest method. At December 31, 2024 \$74,792,989 (\$68,817,456 in 2023) was held as segregated liquidity deposits. The segregated liquidity deposits all mature within 12 months.

2. Summary of material accounting policy information (continued)

(f) Members' loans and foreclosed assets

Members' loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred. Members' loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses.

Members' loans are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

Real estate held for resale is carried at the lower of the amortized cost of the loan or mortgages foreclosed, adjusted for revenues received and cost incurred subsequent to foreclosure and the estimated net proceeds from the sale of assets.

(g) Revenue recognition

Interest income from loans is recorded on the accrual basis using the effective interest method. The effective rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan to the net carrying amount of the loan. When estimating the future cash flows, CUA considers all contractual terms of the loan, excluding any future credit losses. The calculation includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. It is measured at the fair value of the consideration received or receivable and is recognized when it is likely the benefits associated with the transaction will be received.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest methods 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.

Finance fees are recognized using the effective interest rate method over the term of the applicable finance receivable contract.

Service charges, fees and commission income are recognized on an accrual basis as earned and lending fees are amortized over the term of the mortgage. The unearned portion of lending fees is recorded as deferred revenue. CUA does not have an enforceable right to payment until services are rendered and commission revenue earned when the products are sold. The amount of revenue recognized on these transactions is based on the price specified in the contract.

Investment income is recognized when dividends are declared on shares or rebates are earned.

(h) Members' deposits

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

2. Summary of material accounting policy information (continued)

(i) Income tax expense

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

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

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 profit or loss.

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 allows 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.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities/ (assets) are settled/ (recovered).

(j) Members' shares

Members' shares are presented in the consolidated statement of financial position as equity instruments in accordance with the substance of the contractual terms of the instruments. These shares qualify as capital for regulatory purposes and are accounted for using the criteria set out in IFRIC 2 Members' Shares in Cooperative Entities and Similar Instruments. Payments of dividends on membership shares presented as equity are recognized as a distribution directly in equity. Members' shares are not covered by deposit insurance.

(k) Property and equipment and intangible assets

Property and equipment and intangible assets are initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognized using the diminishing-balance ("DB") and straight-line ("SL") methods at the following rates:

Buildings	25 years SL
Furniture and equipment	20% DB or 2-10 years SL
Leasehold improvements	Lease term SL
Customer lists	10 years SL
Technology	Contract term or 10 years SL

2. Summary of material accounting policy information (continued)

(k) Property and equipment and intangible assets (continued)

Depreciation methods and useful lives are reviewed annually and adjusted if necessary.

CUA allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates each part separately. The useful lives of premises and equipment are reviewed and adjusted if appropriate, at each statement of financial position date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment or intangible assets were identified as impaired as at December 31, 2024.

Gains and losses on disposals of property and equipment and intangible assets are determined by comparing the proceeds to the net book value of the asset and are presented as a gain or loss on disposal in the consolidated statement of income and comprehensive income.

(l) Impairment of non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of the value in use and fair value less costs to sell, the asset is written down accordingly. Impairment charges are included in net income and comprehensive income.

(m) Foreign exchange

Monetary assets and liabilities denominated in foreign currencies (US dollars, pound sterling and euros) are translated into Canadian dollars at rates prevailing at the month-end date. Income and expenses are translated at the exchange rates in effect on the date of the transaction. Exchange gains and losses arising on the translation of monetary items are included in net income and comprehensive income.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in profit or loss.

(n) Mortgages held under administration

CUA, under a Mortgage Origination Program, has the ability to refer certain mortgages to a third party. These mortgages, which are under CUA's administration, are not the property of CUA and are not reflected on the statement of financial position. CUA derecognizes mortgages when the contractual rights to the cash flows from the asset have expired, or CUA transfers the contractual rights to receive the cash flows from the mortgage, or has assumed an obligation to pay those cash flows to a third party and CUA has transferred all of the risks and rewards of ownership of that mortgage to a third party. Fees earned by CUA to service these mortgages are recognized as the related services are provided and reported in income as other income.

2. Summary of material accounting policy information (continued)

(o) Goodwill

CUA recognizes goodwill arising in a business combination as an asset at the date it acquires control (the acquisition date). It measures goodwill as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, if any, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. The goodwill is allocated to the cash-generating units (CGU) to which it relates.

Goodwill was recorded as at the acquisition dates. CUA evaluates the carrying value of the CGU annually to determine if there is any impairment based on the estimates of current and expected discounted cash flows from the underlying net assets, taking into consideration operating trends and other relevant factors. The carrying amount of the CGU includes the carrying amounts of assets, liabilities and goodwill allocated to the CGU. The decline in the value, if any, will first be allocated to reduce the carrying amount of any goodwill allocated to the CGU and then to any non-financial assets of the CGU proportionally based on the carrying amount of each asset. Any impairment loss is charged to income in the period in which the impairment is identified.

(p) Financial assets and financial liabilities (financial instruments)

Financial assets

CUA recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus 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 profit or loss when incurred.

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

Debt 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 method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss.
- 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 method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. 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 profit or loss.
- 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 profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss.

2. Summary of material accounting policy information (continued)

(p) Financial assets and financial liabilities (financial instruments) (continued)

Financial assets (continued)

- Designated at fair value through profit or loss – On initial recognition, CUA 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 profit or loss.

CUA measures all equity investments at fair value. Changes in fair value are recorded in profit or loss except where the entity has irrevocably elected on initial recognition to present in other comprehensive income the fair value gains and losses of an equity investment that is neither held for trading nor contingent consideration acquired in a business combination. In such cases, the cumulative gains and losses recognized in other comprehensive income are not reclassified to profit or loss on derecognition of the investment. CUA has elected to record all equity investments at FVOCI on initial recognition.

Business model assessment

CUA 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 and how performance of the portfolio is evaluated.

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, CUA considers factors that would alter the timing amount of cash flows such as prepayment and extension features, terms that might limit CUA's claim to cash flows, and any features that modify consideration for the time value of money.

Reclassifications

CUA reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the asset have expired, or CUA transfers the contractual rights to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to a third party and CUA has transferred all of the risks and rewards of ownership of that asset to a third party.

2. Summary of material accounting policy information (continued)

(p) Financial assets and financial liabilities (financial instruments) (continued)

Derecognition of financial assets (continued)

CUA 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 CUA applies its accounting policies for the derecognition of a financial asset to the entirety of a financial asset.

CUA 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 CUA 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 CUA retains the risks and rewards of ownership. When CUA 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, CUA derecognizes the financial asset. At the same time, CUA 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 profit or loss.

Where CUA neither transfers nor retains substantially all risks and rewards of ownership and retains control of the transferred financial asset, it continues to recognize the financial asset to the extent of its continuing involvement and also recognizes an associated liability. Both the continuing financial asset and the associated liability are measured on a basis that reflects the rights and obligations that CUA has retained. Income and expenses related to the extent of CUA's continuing involvement in the transferred asset and the associated liability are subsequently recognized.

2. Summary of material accounting policy information (continued)

(p) *Financial assets and financial liabilities (financial instruments) (continued)*

Modification of financial assets

CUA 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 CUA's derecognition policy.

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 profit or loss. 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, CUA continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

Financial liabilities

CUA recognizes financial liabilities when it becomes party to the contractual provisions of the instrument. At initial recognition, CUA measures all financial liabilities at 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 profit or loss.

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit and loss.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

CUA has classified its financial instruments as follows:

Financial asset/liability	Classification	Subsequent measurement
Cash resources	Amortized cost	Amortized cost
Interest-bearing deposits	Amortized cost	Amortized cost
Investments	FVOCI	FVOCI
Financing receivable	Amortized cost	Amortized cost
Members' loans (including accrued interest) and accounts receivable	Amortized cost	Amortized cost
Members' deposits (including accrued interest), bank indebtedness and accounts payable and other	Amortized cost	Amortized cost
Securitization liabilities	Amortized cost	Amortized cost

2. Summary of material accounting policy information (continued)

(q) Impairment of financial assets

CUA recognizes a loss allowance for the expected credit losses associated with its financial assets, as well as financial guarantee contracts and loan commitments not measured at fair value through profit or loss. 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 financing receivable and members' loans CUA 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 CUA assessed that a significant increase in credit risk has occurred, CUA records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

CUA applies the simplified approach for accounts receivable that do not contain a significant financing component. Using the simplified approach, CUA records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

CUA assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria CUA uses to determine whether there is objective evidence of an impairment loss includes:

- Delinquency in contractual payments of principal or interest greater than 90 days;
- Cash flow difficulties experienced by the member;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the customer or member's competitive position; and
- Deterioration in the fair value of collateral.

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

Loss allowances for expected credit losses are presented in the consolidated statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets;
- For facilities with both a drawn and undrawn component where CUA cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision;

2. Summary of material accounting policy information (continued)

(q) Impairment of financial assets (continued)

- For debt instruments measured at fair value through other comprehensive income, in other comprehensive income. The loss allowance does not reduce the fair value carrying amount of the financial asset in the consolidated statement of financial position.

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

(r) Securitization liabilities

CUA has entered into asset transfer agreements with other third parties which include the securitization of residential mortgages. These transfers do not qualify for derecognition principally because CUA retains significant exposure to prepayment and other risks associated with the transferred mortgages. As such, these transactions are accounted for as financing activities and result in the recognition of a securitization liability at an amount equivalent to the securitization proceeds, inclusive of any premiums or discounts and net of eligible transaction costs. The securitization liabilities are subsequently measured at amortized cost using the effective interest rate method.

(s) Employee benefit obligations

CUA records annually, the estimated liabilities for pension and other benefit obligations, which are payable to its employees in subsequent years under CUA's policy.

CUA provides post-employment benefits through a defined contribution plan.

Pension expenses for the defined contribution pension plan include the required employer contributions. Contributions to the plan are recognized as an expense in the period that the relevant employee services are received.

Liabilities are recorded for employee benefits including salaries and wages, deductions at source, paid annual or sick leave, incentive pay plan and bonuses that are expected to be settled within 12 months of the statement of financial position date. These represent present obligations resulting from employees' services provided to the statement of financial position date and are calculated at the undiscounted amounts based on remuneration rates that CUA expects to pay at the statement of financial position date.

The expected cost of the incentive pay plan and bonus payments is recognized as a liability when CUA has a present legal or constructive obligation to pay as a result of past events and the obligation can be estimated reliably.

Benefits such as medical care are non-vesting and expensed by CUA as the benefits are taken by the employees.

Severance benefits are recognized as an expense when CUA is committed demonstrably, without realistic opportunity for withdrawal, to a formal detailed plan to provide severance benefits under certain circumstances. If material benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

2. Summary of material accounting policy information (continued)

(t) Leases

CUA 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, CUA 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 CUA is a lessee in a contract that contains a lease component, CUA 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, CUA 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 CUA, and an estimate of the costs to be incurred by CUA 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, CUA measures right-of-use assets related to property and equipment 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 CUA expects that the ownership of the underlying asset will transfer to CUA by the end of the lease term or if the cost of the right-of-use asset reflects that CUA will exercise a purchase option.

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 CUA'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 CUA under a residual value guarantee, the exercise price of a purchase option that CUA is reasonably certain to exercise, and payment of penalties for terminating the lease if the lease term reflects CUA exercising an option to terminate the lease. After the commencement date, CUA measures the lease liability at amortized cost using the effective interest method.

CUA remeasures the lease liability when there is a change in the lease term, a change in CUA's assessment of an option to purchase the underlying asset, a change in CUA'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 profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. Summary of material accounting policy information (continued)

(t) Leases (continued)

CUA has elected to not recognize right-of-use assets and lease liabilities for short-term leases of equipment for when the lease term is twelve months or less or for low value leases which are leases where the underlying asset has a new value of \$5,000 USD or less. CUA recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

(u) Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method.

The consideration for each acquisition is measured at the aggregated of the fair values, at the date of exchange, of assets transferred, liabilities assumed, and equity instruments issued by CUA in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value (the date in which CUA acquired control of the acquiree). Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognized in profit or loss. Changes in the fair value of contingent consideration classified as equity are not recognized.

The acquired identifiable assets, and liabilities are recognized at their acquisition date fair values if they meet the definitions of assets and liabilities under IFRS Accounting Standards for the preparation and presentation of financial statements at acquisition date and they were exchanged as part of the business combination rather than as the result of separate transactions.

The following are exceptions to this recognition and measurement principle:

- Deferred tax assets or liabilities are recognized and measured in accordance with IAS 12 Income taxes;
- Liabilities or assets related to the acquiree's employee benefit arrangements are recognized and measured in accordance with IAS 19 Employee benefits;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with those of CUA are measured in accordance with IFRS 2 Share-based payments at the acquisition date;
- Asset and disposal groups that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured at fair value less costs to sell;
- Contingent liabilities are recognized at the acquisition date even if is not probable that an outflow of economic benefits will be required to settle the obligation;
- Indemnification assets are recognized at the same time and measured at the same basis as the indemnified item, subject to a valuation allowance for uncollectable amounts. This may lead to exceptions if the indemnified item is itself an exception; and
- The value of a reacquired right is measured as an intangible asset on the basis of the remaining contractual term regardless of whether market participants would consider potential contractual renewals in determining its fair value.

2. Summary of material accounting policy information (continued)

(v) Standards, amendments and interpretations

Standards, amendments and interpretations effective in the current period

CUA adopted amendments to the following standards, effective January 1, 2024. Adoption of these amendments had no effect on CUA's consolidated financial statements.

IAS 1 Presentation of Financial Statements (Amendment)

The International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements to change the requirement to classify a liability as current from the entity having an unconditional right to defer settlement for at least 12 months after the reporting date to the right to defer settlement must exist at the reporting date and have substance.

Standards issued but not yet effective

CUA is assessing the impact of the following amendments or revisions on its consolidated financial statements:

- IFRS 18 – presentation and disclosure of financial statements – aims to improve financial reporting by requiring additional defined subtotals in the statement of profit and loss, disclosures about management-defined performance measures, and adding new principles for the aggregation and disaggregation of items. CUA expects to apply the amendments to its consolidated financial statements dated December 31, 2027. Adoption of these amendments are anticipated to have some effect on CUA's consolidated financial statements.
- IFRS 7 and 9 – amendments to the classification and measurement of financial instruments – these amendments specify when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date; how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingency event does not relate directly to changes in basic lending risks and costs; and, new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs. CUA expects to apply the amendments to its consolidated financial statements dated December 31, 2026. Adoption of these amendments are anticipated to have no effect on CUA's consolidated financial statements.

3. Critical accounting estimates and judgments

CUA makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

3. Critical accounting estimates and judgments (continued)

The following are the estimates and judgments applied by management that most significantly affect CUA's consolidated financial statements.

Allowance for impaired members' loans and financing receivable

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 expected increases in unemployment rate and interest rates which impact the borrower's ability to meet debt obligations.

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, CUA develops a number of assumptions as follows:

- The period over which CUA 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
- 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. CUA determines adjustments needed to its historical assumptions by monitoring the correlation of the probability of default and loss rates with economic variables.

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. CUA uses judgment to weight these scenarios.

Financial instruments not traded on active markets

For financial instruments not traded in active markets or where quoted prices are not otherwise available, fair values are determined using valuation techniques. In each instance, management has reviewed the attributes of its investments and determined that fair value was liquidation value for each investment as there is no ability to otherwise sell the investments. Management also determined that liquidation value approximated historical cost.

3. Critical accounting estimates and judgments (continued)

Deferred taxes

The calculation of deferred tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. By their nature, these estimates are subject to measurement uncertainty, and the effect on the consolidated financial statements from changes in such estimates in future years could be material.

Leases

The application of IFRS 16 Leases requires assumptions and estimates in order to determine the value of the right-of-use assets and the lease liabilities which mainly relate to the implicit and incremental rates of borrowing, as applicable. Judgment must also be applied as to whether renewal options are reasonably certain of being exercised.

Securitization derecognition

CUA securitizes groups of assets by selling them to an independent third party. Such transactions create liquidity for CUA and release capital for future needs. As CUA remains exposed to credit risk, the underlying loans have not been derecognized and are reported in CUA's consolidated statement of financial position as securitization liabilities. Securitized loans are derecognized from the consolidated statement of financial position when substantially all the risks and rewards of ownership are transferred to the third party. Judgment is required in making this determination.

Classification of financial assets

Classification of financial assets requires management to make judgments regarding the business model under which CUA'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 members 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.

Impairment of non-financial assets

At each reporting date, CUA 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.

Other

Other financial statement items that use estimates include the estimated useful lives of property and equipment and certain accrued liabilities.

Credit Union Atlantic Limited
Notes to the consolidated financial statements
December 31, 2024
(Expressed in Canadian dollars)

4. Cash resources

	2024	2023
	\$	\$
Cash on hand	3,389,798	3,374,380
Deposits held at Atlantic Central	44,603,887	25,182,241
Term deposits	—	4,000,000
	47,993,685	32,556,621

5. Other assets

	2024	2023
	\$	\$
Accounts receivable	1,884,023	1,770,850
Prepaid expenses	1,126,704	348,859
	3,010,727	2,119,709

6. Members' loans

	Loans	Impaired loans	Allowance	Net loans
	\$	(included in total loans)	\$	\$
December 31, 2024				
Consumer loans	173,917,056	961,493	734,018	173,183,038
Consumer mortgages	233,993,032	3,662,378	95,126	233,897,906
Commercial loans and mortgages	155,824,316	3,523,728	432,205	155,392,111
	563,734,404	8,147,599	1,261,349	562,473,055
Accrued interest	1,584,128	—	—	1,584,128
	565,318,532	8,147,599	1,261,349	564,057,183

	Loans	Impaired loans	Allowance	Net loans
	\$	(included in total loans)	\$	\$
December 31, 2023				
Consumer loans	156,384,775	231,529	666,767	155,718,008
Consumer mortgages	237,569,295	816,358	145,532	237,423,763
Commercial loans and mortgages	155,285,741	2,098,805	416,586	154,869,155
	549,239,811	3,146,692	1,228,885	548,010,926
Accrued interest	1,411,921	—	—	1,411,921
	550,651,732	3,146,692	1,228,885	549,422,847

6. Members' loans (continued)

Members' loans can have either variable or fixed rate of interest and they mature within 1 month to 5 years. The rates offered to members are determined by the type of security offered, the member's credit worthiness, competition from other lenders and the current prime rate.

CUA's prime rate at December 31, 2024 was 5.45% (7.20% in 2023).

Commercial loans that are not subject to a government guarantee are all secured by collateral ranging from specific assets to a general security agreement or personal guarantee. Consumer loans also are secured by collateral such as vehicles, investments and property.

Maturity analysis

	2024	2023
	\$	\$
Scheduled for repayment		
Overdrafts and lines of credit	1,002,586	895,941
Under 1 year	192,185,034	146,228,366
1 - 3 years	249,732,802	229,269,553
Longer than 3 years	118,633,416	170,375,640
	561,553,838	546,769,500

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of loans that are past due but not classified as impaired because they are less than 90 days past due, unless there is information to the contrary that an impairment event has occurred:

	2024	2023
	\$	\$
Consumer loans	2,713,608	167,943
Consumer mortgages	3,169,322	1,638,771
Commercial loans and mortgages	5,558,617	2,585,256
	11,441,547	4,391,970

The following is an analysis of loans in arrears based on the age of repayments outstanding:

	2024	2023
	\$	\$
31 to 60 days	9,916,371	3,698,128
61 to 90 days	1,895,618	558,121
91 to 180 days	3,884,777	768,062
Over 180 days	2,759,655	1,215,301
	18,456,421	6,239,612

6. Members' loans (continued)

The following is an analysis of the continuity for the allowance for impaired loans:

	2024	2023
	\$	\$
Allowance, beginning of year	1,228,885	1,159,720
Provision for (recovery of) impaired loans	823,406	(98,967)
Accounts written off, net of recoveries	(790,942)	168,132
Allowance, end of year	1,261,349	1,228,885

Impaired loans renegotiated during the period

CUA has nil (nil in 2023) in loans that have been renegotiated during the period which would have been considered impaired but for the restructuring of the loan. CUA works proactively with members to minimize the risk of loss to CUA as a result of a loan default.

Foreclosed collateral

There were no loans foreclosed on during the year ended December 31, 2024 (\$88,153 in 2023). Foreclosed properties are sold as soon as is practicable and when in management's opinion it is the most advantageous time to mitigate the risk of additional loss. At December 31, 2024, CUA had nil in foreclosed properties held for resale (nil in 2023), which are included in members' loans on the consolidated statement of financial position.

7. Financing receivable

	2024	2023
	\$	\$
Financing receivable consist of finance contracts and short-term loans, receivable in monthly instalments, with maturity dates ranging from January 2025 through December 2029	374,929,811	314,418,233
Less: allowance	2,331,514	2,507,095
	372,598,297	311,911,138

	2024	2023
	\$	\$
Maturity analysis		
Scheduled for repayment		
Under 1 year	259,432,892	242,596,127
1-3 years	97,364,916	62,197,084
Longer than 3 years	18,132,003	9,625,022
	374,929,811	314,418,233

7. Financing receivable (continued)

	2024	2023
	\$	\$
Allowance, beginning of year	2,507,095	1,823,134
Provision for impaired financing receivable	1,555,738	1,256,729
Write-offs, net of recoveries	(1,731,319)	(572,768)
Allowance, end of year	2,331,514	2,507,095

8. Investments

	2024	2023
	\$	\$
Shares		
Atlantic Central	7,515,789	8,726,789
Atlantic Central – LSM Class Shares	3,017,747	3,017,747
League Data Limited	100,230	100,230
CU Financial Management Limited	198,532	198,532
Other	200	200
	10,832,498	12,043,498

Investments are classified as amortized cost or FVOCI.

The securities held in Atlantic Central, League Data Limited and CU Financial Management Limited are classified as FVOCI and held at estimated fair value. Other investments consist of shares held in co-operatives, which are held at amortized cost where cost approximates fair value.

9. Right-of-use assets

	Buildings and vehicles \$
Cost	
Balance at January 1, 2023	6,893,250
Additions	1,017,068
Disposals	—
Balance at December 31, 2023	7,910,318
Additions	621,056
Disposals	(37,510)
Balance at December 31, 2024	8,493,864
Accumulated depreciation	
Balance at January 1, 2023	2,281,194
Depreciation	632,618
Accumulated depreciation on disposal	—
Balance at December 31, 2023	2,913,812
Depreciation	611,928
Accumulated depreciation on disposal	(26,049)
Balance at December 31, 2024	3,499,691
Net book value	
Balance at December 31, 2023	4,996,506
Balance at December 31, 2024	4,994,173

Depreciation in the amount of \$611,928 (\$632,618 in 2023) is recognized in occupancy expenses.

Credit Union Atlantic Limited
Notes to the consolidated financial statements
December 31, 2024
(Expressed in Canadian dollars)

10. Property and equipment

	Land \$	Buildings \$	Furniture and equipment \$	Leasehold improvements \$	Total \$
Cost					
Balance at January 1, 2023	201,908	789,878	2,120,382	3,466,042	6,578,210
Additions	—	33,742	259,839	116,499	410,080
Disposals	—	—	(275,336)	—	(275,336)
Balance at December 31, 2023	201,908	823,620	2,104,885	3,582,541	6,712,954
Additions	—	—	232,790	11,328	244,118
Disposals	—	—	(178,996)	—	(178,996)
Balance at December 31, 2024	201,908	823,620	2,158,679	3,593,869	6,778,076
Accumulated depreciation					
Balance at January 1, 2023	—	478,356	1,464,443	2,140,521	4,083,320
Depreciation expense	—	32,271	243,463	177,766	453,500
Accumulated depreciation on disposal	—	—	(275,162)	—	(275,162)
Balance at December 31, 2023	—	510,627	1,432,744	2,318,287	4,261,658
Depreciation expense	—	32,945	223,250	169,664	425,859
Accumulated depreciation on disposal	—	—	(178,092)	—	(178,092)
Balance at December 31, 2024	—	543,572	1,477,902	2,487,951	4,509,425
Net book value					
December 31, 2023	201,908	312,993	672,141	1,264,254	2,451,296
December 31, 2024	201,908	280,048	680,777	1,105,918	2,268,651

11. Intangible assets

	Customer lists \$	Technology \$	Total \$
Cost			
Balance at January 1, 2023	980,000	258,413	1,238,413
Additions	—	1,234,826	1,234,826
Disposals	—	(28,413)	(28,413)
Balance at December 31, 2023	980,000	1,464,826	2,444,826
Additions	—	1,200,310	1,200,310
Disposals	—	(34,167)	(34,167)
Balance at December 31, 2024	980,000	2,630,969	3,610,969
Accumulated amortization			
Balance at January 1, 2023	710,500	166,750	877,250
Amortization	98,000	23,000	121,000
Balance at December 31, 2023	808,500	189,750	998,250
Amortization	98,000	160,884	258,884
Balance at December 31, 2024	906,500	350,634	1,257,134
Net book value			
Balance at December 31, 2023	171,500	1,275,076	1,446,576
Balance at December 31, 2024	73,500	2,280,335	2,353,835

12. Goodwill

Goodwill, representing less than two percent of CUAs' total assets, is allocated to the entire business as a cash generating unit. The goodwill of \$15,603,201 (\$15,603,201 in 2023) represents the excess of the fair value of consideration given over CUA's share of the fair value of net identifiable assets acquired in a business combination at the date of acquisition. No impairment of goodwill was recognized during 2024 (nil in 2023).

The impairment test for goodwill relating to the IFS acquisition was based upon its value in use, determined by discounting future cash flows to be generated from the continuing use of this CGU. The key assumptions include the forecasted growth of earnings of 2% year over year, the discount rate used was 10% and the terminal multiple. These key assumptions are consistent with the assumptions used in the prior year.

The impairment test for goodwill relating to the GBC acquisition was based upon reperforming the valuation methodology that was followed when this acquisition was made using EBTDA and an industry multiplier.

	2024	2023
	\$	\$
IFS Financial Services Inc.	7,364,259	7,364,259
Graysbrook Capital Ltd.	8,154,482	8,154,482
Other	84,460	84,460
	15,603,201	15,603,201

13. Bank indebtedness

	2024	2023
	\$	\$
Operating line of credit, bearing interest at prime plus 0.5%	4,430,000	585,000
Bank overdraft	1,184,807	939,957
	5,614,807	1,524,957

One of CUA's subsidiaries has an operating line of credit of \$10,000,000 (\$10,000,000 in 2023), of which \$4,430,000 (\$585,000 in 2023) was drawn at December 31, 2024. The operating line of credit bears interest at prime plus 0.5% per annum.

Borrowings outstanding must not exceed at any time the lower of the aggregate of 70% of marginable finance receivables less potential prior-ranking claims, being \$136,207,314 (\$106,890,227 in 2023) or \$10,000,000.

The operating line of credit is secured by a general security agreement of the subsidiary, a security agreement constituting a first ranking security interest in all finance receivables of the subsidiary and a guarantee and postponement of claim by CUA of \$10,300,000.

CUA has a \$24,627,000 (\$20,849,000 in 2023) line of credit with Atlantic Central. As at December 31, 2024, CUA had drawn nil (nil in 2023) against the line of credit. Drawings on the line of credit are netted against CUA's liquidity deposits. The line of credit bears interest at Atlantic Central's prime rate of 5.45% at December 31, 2024 (7.20% in 2023). As security, CUA has provided an assignment of book debts.

14. Trade payable and other

	2024 \$	2023 \$
Accounts payable and accrued liabilities	18,823,934	17,921,397
Deferred revenue	3,105,467	2,332,830
	21,929,401	20,254,227

15. Members' deposits

	2024 \$	2023 \$
Chequing and demand deposits	425,848,061	358,156,131
Terms, RRSPs, RRIFs and TFSA's	443,919,936	439,189,344
Accrued deposit interest	7,659,987	6,260,618
	877,427,984	803,606,093

Member deposits are subject to the following terms:

- Chequing and demand deposit products are due on demand and bear interest at rates up to 2.80% (2.50% in 2023)
- Terms, RRSP's, RRIF's, and TFSA's are subject to fixed and variable rates of interest up to 6.20% (6.17% in 2023), with interest payments due monthly, annually or on maturity.

16. Securitization liabilities

CUA 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). There were no credit losses incurred on the mortgages transferred in 2024 (nil in 2023). CUA retains the responsibility for servicing the qualifying residential mortgage receivables under the program. CUA has an obligation to forward principal and interest payments from mortgagors. CUA 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 liabilities on the consolidated statement of financial position. NHA MBS mortgage pools consist of twenty-two (nineteen in 2023) pools bearing interest rates from 1.55% to 4.99% (1.55% to 4.99% in 2023). Mortgage pool maturities range from May 2025 to July 2029.

	2024 \$	2023 \$
Securitized residential mortgages	83,835,872	84,717,214
Securitization liabilities	81,977,111	81,939,510
Net position	1,858,761	2,777,704

17. Lease obligations

	\$
Balance at January 1, 2023	4,750,530
Additions	1,017,068
Accretion	57,322
Payments and interest	<u>(622,110)</u>
Balance at December 31, 2023	5,202,810
Additions	551,947
Accretion	56,942
Payments and interest	<u>(624,715)</u>
Balance at December 31, 2024	<u>5,186,984</u>

The following table presents the contractual undiscounted cash flows for lease obligations as of December 31, 2024:

	\$
Not later than one year	650,545
Later than one year and not later than five years	2,293,411
Later than five years	<u>2,656,980</u>
Total undiscounted lease obligations	<u>5,600,936</u>

Interest expense on lease obligations for the year ended December 31, 2024 was \$56,942 (\$57,322 in 2023). Total cash outflow for leases for the year ended December 31, 2024 was \$624,715 (\$622,110 in 2023). Short-term leases for the year ended December 31, 2024 of nil (nil in 2023) have been expensed and included in occupancy expenses on the consolidated statement of income and comprehensive income. All extension options anticipated to be exercised have been included in the measurement of lease obligations.

18. Capital requirements/members' equity

CUA's plan to manage equity is designed to establish a strong base for future growth, as well as provide a cushion in the event of market volatility. Members' equity consists of members' shares, restricted surplus, contributed surplus, retained earnings, and accumulated other comprehensive income. In accordance with the Act, CUA shall establish and maintain a level of equity that is not less than 5% of its assets. As at December 31, 2024, the regulated portion of CUA's equity was 10.11% (9.20% in 2023) of its assets. Members' equity ratios are monitored regularly and reported to the Board of Directors monthly. CUA equity ratios have been in compliance with the regulatory requirements throughout the year.

Restricted surplus

In 2011, CUA received a non-cash stock dividend from Atlantic Central of \$1,238,000 in the form of 12,380 Class NS shares having a redemption value of \$100 per share. This amount was included in income for 2011 with a corresponding future tax liability of \$334,260, resulting in net income of \$903,740 from this transaction.

Pursuant to directives issued by the Credit Union Deposit and Insurance Company ("CUDIC"), the \$903,740 net income and retained earnings resulting from this stock dividend transaction cannot be distributed until such time as total equity of CUA is equal to or greater than 8% of total assets and retained earnings are equal to or greater than 4% of total assets.

19. Members' shares

Authorized

Class A special equity shares ("Class A shares")

Limited Class A non-voting (except as provided in Section 39 of the Act), non-cumulative special equity shares, having a par value of \$100 each, redeemable under certain conditions and retractable at their par value. The Class A shares are available only to the holders of the common and surplus shares ("member shares").

Holders of the Class A shares shall be entitled to receive, when, as, and if declared by the Board of Directors, non-cumulative dividends at a rate approved by the Board of Directors, provided that the annual dividend rate, if declared, shall not be less than the greater of 5% or 125 basis points above CUA's then current five year GIC rate calculated on the par value of the Class A shares. The Class A shares rank senior and superior to the member shares with respect to return of capital.

The Class A shares may be redeemed at the option of the member, subject to Board of Directors approval once a period of not less than five years following their issuance date has passed, by giving ten days written notice and payment by CUA shall be within thirty days of such notice.

The Class A shares are also immediately redeemed upon the death of a shareholder. Subject to the provisions of the Act, CUA may upon giving thirty days written notice, redeem the whole or any part of the Class A shares at any time.

Members' shares

Unlimited redeemable under certain conditions, voting equity shares with a par value of \$5. Each member of CUA is required to hold one member share. Each member over the age of nineteen years is entitled to one vote. Members' shares may be withdrawn at any time by giving ninety days written notice and by obtaining approval from the Board of Directors. Payment by CUA shall be within thirty days of such notice.

Surplus shares

Unlimited redeemable under certain conditions, non-voting equity shares with a par value of \$1. Surplus shares may be withdrawn at any time by giving ninety days written notice and by obtaining approval from the Board of Directors. Payment by CUA shall be within thirty days of such notice.

	2024	2023
	\$	\$
Issued and outstanding		
16,953 (16,959 in 2023) members' shares	84,760	84,632

19. Members' shares (continued)

Continuity of members' shares:

	#	Members' \$
Balance, January 1, 2023	16,951	84,168
Net issued	8	464
Net redeemed	—	—
Balance, December 31, 2023	16,959	84,632
Balance, January 1, 2024	16,959	84,632
Net issued	—	128
Net redeemed	(6)	—
Balance, December 31, 2024	16,953	84,760

20. Commitments

(a) Credit commitments

The following amounts represent the maximum amount of additional credit that CUA could be obligated to extend. These amounts are not necessarily indicative of credit risk as many of these arrangements may expire or terminate without being utilized:

	2024 \$	2023 \$
Undrawn lines of credit	70,896,867	92,487,037
Commitments to extend credit	44,673,258	34,721,299
Letters of credit	1,860,406	2,012,077

(b) Other commitments

CUA has various other commitments that include information technology maintenance contracts. Total other commitments are as follows:

	\$
Not later than one year	1,748,436
Later than one year and not later than five years	5,427,235
Later than five years	250,100
Total other commitments	<u>7,425,771</u>

(c) Contingencies

In the ordinary course of business, CUA has legal proceedings brought against it and provisions have been included in liabilities where appropriate. Based on current knowledge, CUA expects that final determination of these claims will not have a material adverse effect on its financial position or operating results.

21. Related party transactions

Related parties exist when one party has the ability to directly or indirectly exercise control or significant influence over the other, or is a member of the key management personnel of CUA.

CUA entered into the following transactions with key management personnel, which are defined by IAS 24 - "*Related Party Disclosures*", as those persons having authority and responsibility for planning, direction and controlling the activities of CUA. Key management personnel include CUA's Board of Directors and the Executive. The Executive consists of the President and Chief Executive Officer and Vice Presidents of CUA and Presidents of its subsidiaries.

	2024	2023
	\$	\$
Compensation		
Salaries and other short-term employee benefits	2,229,480	1,758,921
Post-employment pension plans	121,022	98,676
	2,350,502	1,857,597
Loans to key management personnel		
Loans, mortgages and lines of credit advanced	5,816,206	6,106,660
Interest received on loans, mortgages and lines of credit	342,649	331,180
Value of unadvanced loans, mortgages and lines of credit	2,221,395	350,821
Deposits from key management personnel		
Deposits	3,380,117	2,665,600
Interest paid on deposits	29,948	17,098

CUA enters into transactions, arrangements and agreements involving Directors, Senior Management and staff in the ordinary course of business. Terms and conditions on the transactions, arrangements and agreements are the same terms and conditions which apply to members, except they are offered reduced market interest rates on loans. They are also offered reduced fees on deposit accounts. None of the loans outstanding by key management personnel are impaired.

As required by the Act, remuneration paid to Directors was as follows:

	2024	2023
	\$	\$
Aggregate remuneration (included in compensation listed above)	91,249	62,165
Reimbursement of Directors' expenses	1,169	1,480

22. Fair values of financial instruments

The estimated fair values of CUA's financial instruments are set out below. Fair value represents the amount at which a financial investment could be exchanged in an orderly transaction between market participants at the measurement date.

Fair value amounts disclosed represent point in time estimates that may change in subsequent reporting periods due to market conditions or other factors. Where there is no quoted market value, fair value is determined using a variety of valuation techniques and assumptions. CUA has estimated fair values taking into account changes in interest rates and credit risk that have occurred since the assets and liabilities were acquired.

These calculations represent management's best estimates based on a range of methods and assumptions; since they involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the instruments. Interest rate changes are the main cause of changes in the fair value of CUA's financial instruments. The carrying value is a reasonable approximation of fair value for CUA's cash resources, interest-bearing deposits, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities, due to their short-term nature.

CUA categorizes valuation methods used for financial instruments carried at fair value under a hierarchy of valuation techniques based on whether inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect CUA's market assumptions. These two inputs create the following fair value hierarchy:

- Level 1 - Quoted prices for active markets for identical financial instruments.
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar financial instruments in markets that are not active; and model-derived valuation in which all significant inputs are observable in active markets.
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

CUA considers a fair value measurement to have transferred between the levels in the fair value hierarchy on the beginning of the reporting period, the date of the event or change in circumstances that cause the transfer. There were no transfers between Level 1 and Level 2, as well as no transfers into or out of Level 3 during the period.

The fair values of financial instruments are as follows:

Financing receivable

Financing receivable consist of finance contracts and short-term loans. With the financing receivables having a fixed rate, fair values are determined by discounting remaining contractual cash flows at current market interest rates offered for loans with similar terms.

22. Fair values of financial instruments (continued)

Members' loans

In determining the fair value of loans, CUA incorporates the following assumptions:

- For fixed rate performing loans, fair values are determined by discounting remaining contractual cash flows at current market interest rates offered for loans with similar terms.
- For floating rate performing loans, changes in interest rates have minimal impact on the fair value since loans reprice to market. On that basis, fair value is assumed to equal carrying value.
- The total value of loans determined using the above assumptions is reduced by the allowance for impaired loans to determine the fair value of CUA's loan portfolio.

Securitization liabilities

In determining the fair value of other securitization liabilities, the interest rate is compared to rates for debt of similar characteristics and risk. Where the market interest rates are materially different from the securitization liabilities rates a discounted cash flow is prepared using current market interest rates.

Deposits

In determining the fair value of deposits, CUA incorporates the following assumptions:

- For fixed rate and fixed maturity deposits, CUA discounts the remaining contractual cash flows, at market interest rates offered for deposits with similar terms and risks.
- For floating rate deposits, changes in interest rates have minimal impact on the fair value since deposits reprice to market. On that basis, fair value is assumed to equal carrying value.

For variable rate loans and deposits, the carrying value is also considered to be a reasonable estimate of fair value. For fixed rate loans and mortgages and deposits, the fair value is calculated using a discounted cash flow model, based on weighted average interest rates and the term to maturity of the instrument. The discount rates applied were based on the current market rate offered by the average remaining term to maturity.

CUA's financial assets and financial liabilities measured at fair value in the statement of financial position on a recurring basis have been categorized into the fair value hierarchy as follows:

Financial instruments measured at FVOCI

	Level 1	Level 2	2024 Level 3	Level 1	Level 2	2023 Level 3
	\$	\$	\$	\$	\$	\$
Investments	—	10,832,298	—	—	12,043,298	—

22. Fair values of financial instruments (continued)

The carrying amount, fair value and categorization into the fair value hierarchy of all other financial assets and liabilities held by CUA and not measured at fair value on the consolidated statement of financial position are as follows:

Financial instruments measured at amortized cost

	2024				
	Carrying value \$	Fair value \$	Level 1 \$	Level 2 \$	Level 3 \$
Financial assets					
Cash resources	47,993,685	47,993,685	47,993,685	—	—
Interest-bearing deposits	74,792,989	74,792,989	—	74,792,989	—
Accounts receivable	1,884,023	1,884,023	—	1,884,023	—
Members' loans	564,057,183	548,728,935	—	548,728,935	—
Financing receivable	372,598,297	352,387,684	—	352,387,684	—
Investments	200	200	—	—	200
Financial liabilities					
Bank indebtedness	5,614,807	5,614,807	5,614,807	—	—
Accounts payable and accrued liabilities	18,823,934	18,823,934	—	18,823,934	—
Securitization liabilities	81,977,111	77,964,013	—	77,964,013	—
Members' deposits	877,427,984	879,383,629	—	879,383,629	—
					2023
	Carrying value \$	Fair value \$	Level 1 \$	Level 2 \$	Level 3 \$
Financial assets					
Cash resources	32,556,621	32,556,621	32,556,621	—	—
Interest-bearing deposits	68,817,456	68,817,456	—	68,817,456	—
Accounts receivable	1,770,850	1,770,850	—	1,770,850	—
Members' loans	549,422,847	527,114,271	—	527,114,271	—
Financing receivable	311,911,138	296,560,043	—	296,560,043	—
Investments	200	200	—	—	200
Financial liabilities					
Bank indebtedness	1,524,957	1,524,957	1,524,957	—	—
Accounts payable and accrued liabilities	17,921,397	17,921,397	—	17,921,397	—
Securitization liabilities	81,939,510	72,720,096	—	72,720,096	—
Members' deposits	803,606,093	818,809,192	—	818,809,192	—

23. Investment income

	2024 \$	2023 \$
Atlantic Central financial margin rebate	—	688,866
League Data Limited rebate	5,012	5,012
CCUA rebate	8,418	—
	13,430	693,878

24. Other income

	2024	2023
	\$	\$
Service charges and other	1,641,214	1,758,562
Fees	5,765,815	4,888,157
Commissions	337,951	433,663
	7,744,980	7,080,382

25. Income taxes

The components of the income tax expense are as follows:

	\$	\$
Current tax expense	7,414,178	7,335,185
Deferred tax expense recovery	(62,691)	(135,976)
Total income tax expense	7,351,487	7,199,209

Deferred taxes

Deferred tax assets (liability) is attributable to the following items:

	2024	2023
	\$	\$
Deferred tax asset (liability)		
Property and equipment	(122,645)	(126,232)
Stock dividend	(274,920)	(274,920)
Allowance for impaired loans and financing receivable	815,574	804,903
Customers lists	(21,315)	(49,735)
Developed technology	(5,002)	(11,673)
Lease obligations	73,839	64,732
Investments	(52,283)	(52,283)
	413,248	354,792

25. Income taxes (continued)

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian basic federal and provincial statutory income tax rates to income before taxes. This difference results from the following:

	2024	2023
	\$	\$
Income before income taxes	25,653,749	25,214,380
Combined Canadian basic federal and provincial statutory income tax rate	29.00%	29.00%
Expected income tax expense	7,439,587	7,312,170
Effect on income tax of		
Permanent differences	15,326	18,309
Impact of rates	(103,616)	(139,512)
Other	190	8,242
Income tax expense	7,351,487	7,199,209

26. Pension plan

Defined contribution pension plan costs amounted to \$565,804 (\$518,676 in 2023).

27. Risk management

It is the policy of CUA to manage significant risks efficiently and effectively through an Enterprise Risk Management Process, which includes a comprehensive infrastructure of policies, procedures, methods, oversight and independent review, designed to reduce the significant risks and to manage those risks within an appropriate threshold. The Board of Directors is provided with timely, relevant, accurate and complete reports on the management of significant risks. Significant risks managed by CUA include liquidity, credit and market risks.

Liquidity risk

Liquidity risk is defined as the risk that CUA will not be able to pay obligations when they fall due or not be able to repay depositors when funds are withdrawn. To mitigate this risk, the Act requires that CUA maintain, at all times liquidity that is adequate in relation to the business carried on. CUA is required to maintain liquidity levels as defined in Regulation 19 of the Act, which include maintaining a minimum of 9% of total deposits and borrowings in deposit and eligible investment accounts.

CUA calculates its liquidity position on a monthly basis to assess compliance with statutory and mandatory liquidity requirements. These balances are communicated to the Board of Directors regularly throughout the year. CUA manages liquidity by continuously monitoring actual daily cash flows, monitoring the maturity dates of financial assets and financial liabilities, and maintaining adequate cash reserves. CUA has a strong liquidity base and has a well-established liquidity management plan to access if required.

27. Risk management (continued)

Liquidity risk (continued)

Exposure to liquidity risk:

CUA is required to maintain 9% of members' deposits in liquid investments of which 90% must be held with Atlantic Central. CUA was in compliance with this requirement at December 31, 2024.

	2024 \$	2023 \$
Liquid assets	122,666,500	101,374,100
Required liquidity	(85,406,500)	(79,699,100)
Excess liquidity	37,260,000	21,675,000
Liquid assets comprise		
Cash on hand	3,389,798	3,374,380
Interest bearing deposits, liquidity deposits and other cash items	119,276,702	97,999,720
	122,666,500	101,374,100

Cash flows payable under financial liabilities by remaining contractual liabilities are as follows:

	On demand \$	Under 1 year \$	1 - 3 years \$	2024 Over 3 years \$
Bank indebtedness	5,614,807	—	—	—
Accounts payable and accrued liabilities	18,823,934	—	—	—
Members' deposits	145,483,105	486,544,916	131,852,305	113,547,658
Securitization liabilities	—	16,342,105	51,355,164	14,279,842
Lease obligations and non-lease components	—	1,358,276	3,697,512	6,808,972
	169,921,846	504,245,297	186,904,981	134,636,472
				2023
	On demand \$	Under 1 year \$	1 - 3 years \$	Over 3 years \$
Bank indebtedness	1,524,957	—	—	—
Accounts payable and accrued liabilities	17,921,397	—	—	—
Members' deposits	173,382,543	397,215,144	115,607,103	117,401,303
Securitization liabilities	—	6,831,583	45,516,823	29,591,104
Lease obligations and non-lease components	—	1,284,683	3,343,805	6,894,436
	192,828,897	405,331,410	164,467,731	153,886,843

CUA manages liquidity risk on a net asset and liability basis. The contractual maturities of financial assets are shown as part of the market and interest rate risk section of this note.

27. Risk management (continued)

Credit risk

Credit risk is defined as the risk of financial loss to CUA as the result of a member failing to meet their obligations in accordance with contractual terms.

Providing credit facilities to qualified members is one of CUA's primary sources of income and is the area where CUA is exposed to the most significant risk. Approval of these facilities is based on the member's ability to repay principal and interest over the term of the facility which is determined by following Board approved policies and procedures, which includes assessing the member's credit history, character, collateral and debt servicing capacity.

In addition, CUA provides to its employees comprehensive training to ensure compliance with its lending policies and procedures. In addition, formal policies governing approval of credit facilities including acceptable risk assessment and security requirements are in place.

Overdue loan accounts, or lending delinquency, is closely monitored and reported to senior management on a timely and frequent basis to ensure that all allowances for potential loan losses are adequately provided for and written-off when collection efforts have been exhausted. Credit risk is mitigated primarily by the nature and quality of the underlying security as prescribed by CUA's lending agreements.

CUA's loan portfolio is focused in two main areas; consumer and commercial loans and mortgages, the latter to small and mid-size companies. Commercial loans to larger companies are available through a syndication process with other Credit Unions in order to appropriately mitigate CUA's credit risk. Consumer mortgages are made available on a conventional basis up to eighty percent of the appraised value of a residential property with all mortgages in excess of that amount being insured through a third party, for example Canada Mortgage and Housing Corporation. Other credit facilities provided include personal overdrafts accounts that have no recourse to CUA.

CUA is exposed to credit risk on its financing receivable held in IFS. The financing receivable are insurance finance contracts placed by its' customers with approved insurance underwriters. The company has control procedures in place to assess and routinely monitor the financial health of the insurance underwriters it writes contracts for and, accordingly, believes its credit risk is minimal.

CUA is exposed to credit risk on its financing receivable held in GBC. Approval of these loans is based on the customer's ability to repay principal and interest over the term of the facility, which is determined by following policies and procedures, which include assessing the customer's credit history, character, collateral and debt servicing capacity. Credit risk is mitigated primarily by the nature and quality of the underlying security.

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.

CUA considers 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 CUA's internal credit risk management practices and has been selected because it most closely aligns the definition of default to CUA's past credit experience, and the covenants placed in standard borrowing contracts. Relatively few financial instruments subsequently return to performing status after a default has occurred under this definition without further intervention on the part of CUA.

27. Risk management (continued)

Credit risk (continued)

Inputs, assumptions and techniques (continued)

Definition of default and assessments of credit risk (continued)

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. CUA takes into account all reasonable and supportable information, including forward-looking information, available without undue cost or effort in making this assessment. CUA considers past due information of its balances and information about the borrower available through regular commercial dealings, such as requests for loan modifications.

Loans with an acceptable credit risk consistent with that upon origination of the loan are considered to be Stage 1. 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). The increase in credit risk designates the loans to be Stage 2.

CUA identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its customers. Loans greater than 90 days past due are considered credit-impaired. Credit impaired loans are classified as Stage 3.

Measurement of expected credit losses

CUA measures expected credit losses for members' loans receivable 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. For financing receivable the assets are grouped based on loan type.

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. CUA assesses that there is no reasonable expectation of recovery when the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating that CUA will receive funds, such amounts are recognized at their fair value.

27. Risk management (continued)

Credit risk (continued)

Inputs, assumptions and techniques (continued)

The following tables sets out information about the members' loans classified by stage based on the credit quality of financial assets assessed for impairment under IFRS 9 Financial instruments for 2024 and 2023.

Allowance for credit losses 2024

	Performing Stage 1 \$	Performing Stage 2 \$	Impaired Stage 3 \$	2024 Total \$
Balance, beginning of year	683,819	9,346	535,720	1,228,885
Provision for credit losses				
Transfers in (out) to Stage 2	(756,652)	756,652	—	—
Transfers in (out) to Stage 3	—	(698,052)	698,052	—
Provision for impaired loans	823,406	—	—	823,406
Interest on impaired loans	—	—	238,295	238,295
Recovery of loans written off	(150,201)	(10,680)	(868,356)	(1,029,237)
Write-offs, net	—	—	—	—
Balance, end of year	600,372	57,266	603,711	1,261,349

Allowance for credit losses 2023

	Performing Stage 1 \$	Performing Stage 2 \$	Impaired Stage 3 \$	2023 Total \$
Balance, beginning of year	776,932	11,215	371,573	1,159,720
Provision for credit losses				
Transfers in (out) to Stage 2	118,059	(118,059)	—	—
Transfers in (out) to Stage 3	—	164,392	(164,392)	—
Recovery of impaired loans	(98,967)	—	—	(98,967)
Interest on impaired loans	—	—	290,183	290,183
Recovery of loans written off	—	—	113,481	113,481
Write-offs, net	(112,205)	(48,202)	(75,125)	(235,532)
Balance, end of year	683,819	9,346	535,720	1,228,885

CUA reviews the credit quality of the member loans' and has determined the credit quality of loans in Stage 1 and Stage 2 is within an acceptable range. The loans in Stage 3 have been included on the delinquent loans report as the credit quality on these loans has declined.

27. Risk management (continued)

Credit risk (continued)

Inputs, assumptions and techniques (continued)

Except as noted below, the gross carrying amount of financial assets represents the maximum exposure to credit risk for that class of financial asset.

				2024
	12-month ECL	Lifetime ECL	Lifetime	Total
	\$	(not credit	ECL (credit	\$
		impaired)	impaired)	
		\$	\$	
Consumer loans				
Low risk	170,387,503	2,568,060	—	172,955,563
High risk	—	—	961,493	961,493
Total gross carrying amount	170,387,503	2,568,060	961,493	173,917,056
Less: loss allowance	448,549	35,780	249,689	734,018
Total carrying amount	169,938,954	2,532,280	711,804	173,183,038
Consumer mortgages				
Low risk	226,630,055	3,700,599	—	230,330,654
High risk	—	—	3,662,378	3,662,378
Total gross carrying amount	226,630,055	3,700,599	3,662,378	233,993,032
Less: loss allowance	15,617	7,276	72,233	95,126
Total carrying amount	226,614,438	3,693,323	3,590,145	233,897,906
Consumer loans and mortgages				
Low risk	148,554,803	3,745,785	—	152,300,588
High risk	—	—	3,523,728	3,523,728
Total gross carrying amount	148,554,803	3,745,785	3,523,728	155,824,316
Less: loss allowance	136,206	14,210	281,789	432,205
Total carrying amount	148,418,597	3,731,575	3,241,939	155,392,111
Total risk				
Low risk	545,572,361	10,014,444	—	555,586,805
High risk	—	—	8,147,599	8,147,599
Total gross carrying amount	545,572,361	10,014,444	8,147,599	563,734,404
Less: loss allowance	600,372	57,266	603,711	1,261,349
Total carrying amount	544,971,989	9,957,178	7,543,888	562,473,055

27. Risk management (continued)

Credit risk (continued)

Inputs, assumptions and techniques (continued)

				2023
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
	\$	\$	\$	\$
Consumer loans				
Low risk	156,029,893	123,353	—	156,153,246
High risk	—	—	231,529	231,529
Total gross carrying amount	156,029,893	123,353	231,529	156,384,775
Less: loss allowance	503,803	7,008	155,956	666,767
Total carrying amount	155,526,090	116,345	75,573	155,718,008
Consumer mortgages				
Low risk	235,927,743	825,194	—	236,752,937
High risk	—	—	816,358	816,358
Total gross carrying amount	235,927,743	825,194	816,358	237,569,295
Less: loss allowance	20,300	—	125,232	145,532
Total carrying amount	235,907,443	825,194	691,126	237,423,763
Consumer loans and mortgages				
Low risk	150,680,827	2,506,109	—	153,186,936
High risk	—	—	2,098,805	2,098,805
Total gross carrying amount	150,680,827	2,506,109	2,098,805	155,285,741
Less: loss allowance	159,716	2,338	254,532	416,586
Total carrying amount	150,521,111	2,503,771	1,844,273	154,869,155
Total risk				
Low risk	542,638,463	3,454,656	—	546,093,119
High risk	—	—	3,146,692	3,146,692
Total gross carrying amount	542,638,463	3,454,656	3,146,692	549,239,811
Less: loss allowance	683,819	9,346	535,720	1,228,885
Total carrying amount	541,954,644	3,445,310	2,610,972	548,010,926

Included in the lifetime ECL (credit impaired) column is nil (nil in 2023) of real estate held for resale in which nil (nil in 2023) has been set up as a loss allowance.

27. Risk management (continued)

Credit risk (continued)

The following tables sets out information about the financing receivable classified by stage based on the credit quality of financial assets assessed for impairment under IFRS 9 Financial instruments for 2024 and 2023.

Allowance for credit losses 2024

	Performing Stage 1 \$	Performing Stage 2 \$	Impaired Stage 3 \$	2024 Total \$
Balance, beginning of year	2,029,907	38,771	438,417	2,507,095
Provision for credit losses				
Transfers in (out) to Stage 2	(1,521,088)	1,521,088	—	—
Transfers in (out) to Stage 3	—	(1,505,500)	1,505,500	—
Provision for impaired loans	1,555,738	—	—	1,555,738
Write-offs, net	—	—	(1,731,319)	(1,731,319)
Balance, end of year	2,064,557	54,359	212,598	2,331,514

Allowance for credit losses 2023

	Performing Stage 1 \$	Performing Stage 2 \$	Impaired Stage 3 \$	2023 Total \$
Balance, beginning of year	1,470,721	27,407	325,006	1,823,134
Provision for credit losses				
Transfers in (out) to Stage 2	(697,544)	697,544	—	—
Transfers in (out) to Stage 3	—	(686,180)	686,180	—
Provision for impaired loans	1,256,730	—	—	1,256,730
Write-offs, net	—	—	(572,769)	(572,769)
Balance, end of year	2,029,907	38,771	438,417	2,507,095

CUA reviews the credit quality of the financing receivable and has determined the credit quality of the receivables in Stage 1 and Stage 2 is within an acceptable range. The receivables in Stage 3 have been included on the delinquent loans report as the credit quality on these loans has declined.

27. Risk management (continued)

Credit risk (continued)

Except as noted below, the gross carrying amount of financial assets represents the maximum exposure to credit risk for that class of financial asset.

				2024
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
	\$	\$	\$	\$
Financing receivable				
Low risk	361,310,000	8,578,063	—	369,888,063
High risk	—	—	5,041,748	5,041,748
Total gross carrying amount	361,310,000	8,578,063	5,041,748	374,929,811
Less: loss allowance	2,064,557	54,359	212,598	2,331,514
Total carrying amount	359,245,443	8,523,704	4,829,150	372,598,297

				2023
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
	\$	\$	\$	\$
Financing receivable				
Low risk	302,894,956	5,166,762	—	308,061,718
High risk	—	—	6,356,515	6,356,515
Total gross carrying amount	302,894,956	5,166,762	6,356,515	314,418,233
Less: loss allowance	2,029,907	38,771	438,417	2,507,095
Total carrying amount	300,865,049	5,127,991	5,918,098	311,911,138

CUA's maximum exposure to credit risk at the reporting date was:

	2024	2023
	\$	\$
Cash resources	47,993,685	32,556,621
Interest-bearing deposits	74,792,989	68,817,456
Members' loans	564,057,183	549,422,847
Financing receivable	372,598,297	311,911,138
Investments	10,832,498	12,043,498
Loan commitments (Note 20)	117,430,531	129,220,413
	1,187,705,183	1,103,971,973

Cash resources have a low credit risk exposure as these assets are high quality investments with low risk counterparties. For the loan portfolio, CUA's underwriting methodologies and risk modeling is customer based rather than product based. CUA reviews the member's capacity to repay the loan rather than relying exclusively on collateral, although it is an important component in establishing credit risk.

27. Risk management (continued)

Market and interest rate risk

Market risk is defined as the risk that CUA will not have the ability to meet its business objectives and will be adversely affected by volatility in market rates, including interest rates and foreign exchange rates.

Interest rate risk is the risk that a movement in interest rates will have a material impact on the financial position of CUA. CUA manages and controls interest rate risk primarily by managing asset and liability maturities. CUA measures interest rate risk on a quarterly basis and reports the results to the Board of Directors and to CUDIC.

Interest rate risk policies and processes

CUA meets its objectives for interest rate risk management by structuring the consolidated statement of financial position to take advantage of the yield curve and mismatch opportunities while limiting risk exposure to approved levels to ensure that net interest income and net market values are not significantly impacted when there is an adverse change in interest rates.

Interest rate risk measurement techniques

CUA uses a number of techniques to manage interest rate risk. In order to manage the repricing of assets and liabilities, CUA will alter the product mix through the marketing of particular products and pricing initiatives. Decisions on determining the appropriate mix of assets and liabilities are based on economic conditions, member behaviour, capital levels, liquidity levels and policies that limit exposure by instrument and counterparty.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of CUA's net interest revenue for a 1% movement in rates. At December 31, 2024, CUA's risk related to a 1% movement in rates was 5 basis points or approximately \$494,000.

The determination of interest rate sensitivity encompasses numerous assumptions. It is based on the earlier of the repricing date or the maturity date of assets and liabilities used to manage interest rate risk.

The assumptions for the year ended December 31, 2024 were as follows:

Assets

- Fixed term assets, such as mortgages and personal loans, are reported based on scheduled repayments.
- Variable rate assets that are related to the prime rate or other short-term market rates are reported within the one year category.

Liabilities

- Fixed rate liabilities, such as term deposits, securitization liabilities and other term debt, are reported at scheduled maturity.
- Interest-bearing deposits on which the member interest rate changes with prime or other short-term market rates are reported within the one year category.

Rates

- Rates are based on the weighted average interest rates for the assets and liabilities on December 31.

Credit Union Atlantic Limited
Notes to the consolidated financial statements
December 31, 2024
(Expressed in Canadian dollars)

27. Risk management (continued)

Market and interest rate risk (continued)

Interest rate risk measurement techniques (continued)

The following table, in thousands of dollars, sets out the scheduled maturities or repricing dates, whichever occurs earlier, of the financial assets and liabilities as at December 31, 2024 and 2023, together with the weighted average interest rates, subject to interest rate fluctuations.

								2024	
	Within 1 year \$	1 to 2 years \$	2 to 3 years \$	3 to 4 years \$	4 to 5 years \$	Over 5 years \$	Non- interest sensitive \$	Total \$	Average rate %
Financial assets									
Cash resources, interest bearing deposits, and investments	74,958	—	—	—	9,884	—	48,777	133,619	1.97%
Accounts receivable	—	—	—	—	—	—	1,884	1,884	—
Financing receivable	259,433	64,004	33,361	14,386	3,746	—	—	374,930	4.96%
Members' loans	160,707	118,098	104,125	55,239	40,676	2,139	83,073	564,057	4.90%
	495,098	182,102	137,486	69,625	54,306	2,139	133,734	1,074,490	
Financial liabilities									
Bank indebtedness	5,615	—	—	—	—	—	—	5,615	5.95%
Accounts payable and accrued liabilities	—	—	—	—	—	—	18,824	18,824	—
Members' deposits	486,545	73,862	57,990	73,168	40,379	—	145,484	877,428	2.23%
Securitization liabilities	16,342	25,291	26,064	11,766	2,514	—	—	81,977	2.96%
	508,502	99,153	84,054	84,934	42,893	—	164,308	983,844	
Asset/liability gap	(13,404)	82,949	53,432	(15,309)	11,413	2,139	(30,574)	90,646	
									2023
	Within 1 year \$	1 to 2 years \$	2 to 3 years \$	3 to 4 years \$	4 to 5 years \$	Over 5 years \$	Non- interest sensitive \$	Total \$	Average rate %
Financial assets									
Cash resources, interest bearing deposits, and investments	72,904	—	—	—	11,095	—	29,419	113,418	2.57%
Accounts receivable	—	—	—	—	—	—	1,771	1,771	—
Financing receivable	240,089	37,438	24,759	9,336	289	—	—	311,911	4.59%
Members' loans	108,960	81,879	119,965	89,642	52,225	703	96,049	549,423	4.37%
	421,953	119,317	144,724	98,978	63,609	703	127,239	976,523	
Financial liabilities									
Bank indebtedness	1,525	—	—	—	—	—	—	1,525	7.70%
Accounts payable and accrued liabilities	—	—	—	—	—	—	17,921	17,921	—
Members' deposits	397,215	75,908	39,699	48,389	69,012	—	173,383	803,606	2.74%
Securitization liabilities	6,832	18,428	27,089	25,226	4,365	—	—	81,940	2.90%
	405,572	94,336	66,788	73,615	73,377	—	191,304	904,992	
Asset/liability gap	16,381	24,981	77,936	25,363	(9,768)	703	(64,065)	71,531	

Foreign currency risk exposure results if financial assets or financial liabilities are denominated in a currency other than Canadian dollars. CUA holds US dollars, pounds sterling and euros. The pound sterling and euros are held in cash for trading purposes. The balances held are relatively low, therefore the currency risk is low. CUA follows a policy of holding US dollars in an amount slightly below the US dollar deposit account levels. These levels are monitored and recorded daily. The buy and sell rates are also monitored and recorded daily. Excess US cash holdings are converted into Canadian funds.

28. Canada Emergency Business Account Program

CUA 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 risk 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, 2024, the outstanding balance of loans issued under the CEBA program were approximately \$1,678,948 (\$9,671,904 in 2023).