Sunshine Coast
CREDIT UNION

2024 Management Discussion & Analysis Report

This Management Discussion and Analysis report provides a general overview of the credit union's performance and is intended to be read with the full financial statements.

While generally the economic outlook for 2024 looked more positive, there remained pockets of uncertainty. Financial institutions agreed the Bank of Canada would start lowering the overnight rate in 2024; however, the timing and magnitude were not completely aligned. SCCU's Board and management agreed the 2024 annual plan, forecast and budget should continue to reflect a cautious approach overall until there was more certainty and proven stability in the economic environment. SCCU focused much of its annual planning objectives on deepening our relationship with our existing members by enhancing advisory expertise and honing and refining our channels.

The real estate market showed fluctuations over the year; spring saw some renewed activity, but this excitement waned and even with interest rates moving lower, the second half of the year slowed for the most part, with a slight uptick in December to end the year. This mixed activity heightened an already highly competitive market for residential mortgages, with all FIs competing fiercely for that business. With current interest rates higher than most mortgages are renewing from, consumers are proving to be much more price sensitive, prioritizing low rates over existing financial institution relationships.

While demand deposit transition to terms and repricing had occurred for the bulk of deposit portfolios early in 2024, there remained a portion that renewed at high rates before interest rates started to fall later in the year. The competition for deposits remained elevated, keeping deposit rates higher. The fixed rate lending portfolio slowly repriced slightly higher; however this was offset by variable rates falling. There was some improvement in financial margin in 2024, however, the full effect on financial margin of the changing yield curve and higher deposit and lending renewals will continue into 2025 and 2026.

All in all, SCCU's 2024 results ended the year positively given the lingering hesitancy in the economic environment. Growth was moderate and earnings were stable. Liquidity and capital ratios remained strong. One exciting milestone to share – your credit union reached $1 billion in assets. Similar to 2024, we entered 2025 with some cautious economic optimism; however, as we well know over the past few years, things don't always turn out as planned as we are seeing through Q1 of 2025. The financial stability of Sunshine Coast Credit Union will once again be relied on to weather any further turbulence.

Please see further commentary below and refer to the full audited consolidated financial statements for more detailed information and comparatives to previous years.

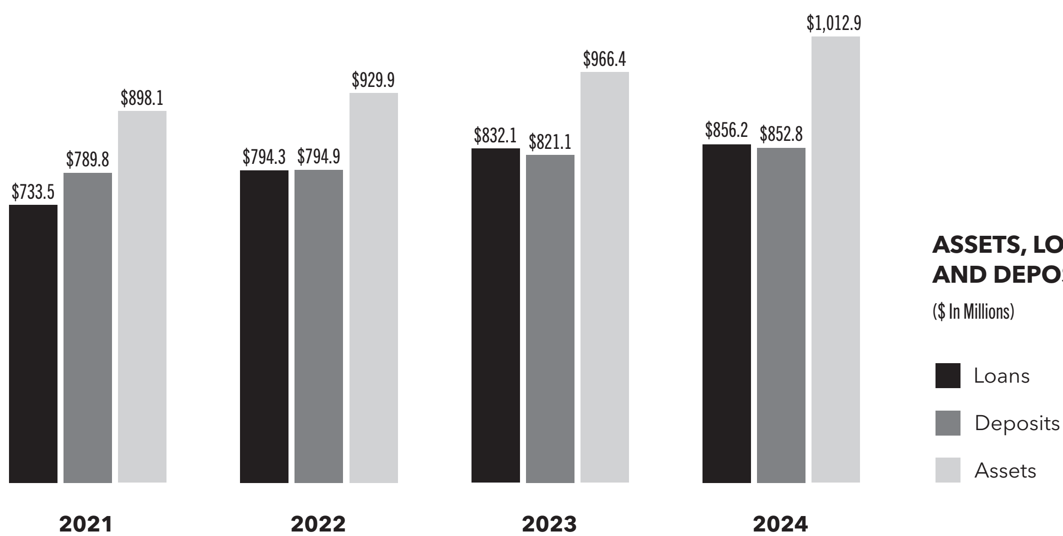
ASSETS, LOANS, AND DEPOSITS

As mentioned above, Sunshine Coast Credit Union achieved growth that resulted in total assets exceeding the $1 billion mark in 2024. This is a significant milestone in SCCU's 80+ year journey. Total assets grew by 4.81% or $46.5 million.

Net lending growth was quite modest at 2.89% or $24.1 million in 2024, which was well below its annual target of 6.16%. As noted above, the retail mortgage market did not pick up the steam anticipated with lowering rates, and as a result competition among financial institutions heightened even more to try to gain a share of the available activity. New mortgage opportunities underperformed the regular payments and payout activity, resulting in an overall drop in SCCU's retail mortgage portfolio of $20.5 million. The commercial lending opportunities remained robust and contributed to the overall positive lending growth. Commercial lending grew $46.8 million in 2024.

In addition to targeting deposit portfolio growth of 4.05%, SCCU had $320 million of its term deposit portfolio maturing in 2024 that was just as important to retain. In addition, with the imminent threat of lowering rates, the shift from demand deposits to term deposits (heightened in the last year) continued, but to a much smaller degree, as most had already done this given the very high deposit rates in 2023. Overall, deposit activity and growth returned to more normal levels and while SCCU slightly missed its annual growth target, did achieve a healthy growth rate of 3.86% or $31.7 million.

As a result of the mismatch in lending and deposit growth, and the continued strategy to use securitized borrowings as a funding option to support strong liquidity levels (securitized lending grew $11 million), Sunshine Coast Credit Union ended the year with a total liquidity ratio of over 17%. While this liquidity level was higher than targeted, it sets the credit union up nicely to support 2025 lending activity and provide a buffer for any liquidity risks that may occur.



RETAINED EARNINGS, CAPITAL, CAPITAL ADEQUACY

As noted above, while the financial sector agreed that rates would start coming down in 2024, there was some divergence among economists as to the timing and magnitude. SCCU took an average approach of the Big 5 FI's and Central 1's prime rate forecast; SCCU's 2024 financial forecast projected the first rate cut coming in early Q2 and included a total drop in prime of 1.15% by the end of the year. Actual results saw the Bank of Canada make its first rate cut in June 2024, and cut 4 more times after that for a total decrease of 1.75% in 2024.

On the lending side approximately $100 million in fixed rate retail mortgages and $67 million in fixed-rate commercial mortgages were set to renew and reprice at generally higher rates during 2024. However, on the flip side the commercial mortgage portfolio has approximately 25% of its portfolio in variable rate products whose rates dropped immediately and directly with prime changes. In addition, personal and commercial lines of credit are all variable rate and will also follow prime rate movements directly. The net effect of growth in the lending portfolio and the repricing of a significant portion of the portfolio resulted in interest on loans income to grow from $37.2 million in 2023 to $43.7 million in 2024.

The credit unions' investment portfolio also saw improvement in its interest revenue. With the higher liquidity levels, the investment portfolio grew and the existing portfolio, held in mostly shorter-term products to support liquidity requirements, continued to benefit from the higher rates in 2024. Included in Other interest revenue, this category grew from $4.5 million in 2023 to $5.6 million in 2024.

High short-term rates due to the prolonged inverted yield curve, resulted in members continuing to choose shorter term deposits that reprice much faster. In the first half of 2024, members continued to benefit from their deposits renewing and repricing at high 4%-5% rates; rates would not drop significantly until well into 2024. With much of the deposit portfolio already repriced at higher rates in 2023, the $6 million increase in interest on deposits (and borrowings) was much smaller than the previous year's increase of $13 million.

Overall, the improvement in interest income over interest expense resulted in a financial margin of $19.4 million over $17.7 million in 2023.

Included in the operating margin results, Sunshine Coast Credit Union's provision for losses increased by $109 thousand over 2023. While there are currently no material concerns regarding losses on loans, delinquency rates did increase in 2024. This combined with the growth in the lending portfolio requires more loan allowance provision to be set aside to mitigate the risk. Other income which includes transactional account, loan, commission and other fees increased by $500 thousand over 2023 (see Note 19 for details).

Operating expenses increased almost $2.0 million in 2024 to $19.5 million. In 2023, operating expenses decreased year over year as the Board and management focused its attention on ensuring expense management was top of mind due to reduced financial margins. As operating income improved in 2024, investments and expenses that were held back in previous years could be considered and included in the operating plan for the year. In particular, there was an increase in salary and benefits costs as SCCU continued to ensure one of its most valuable assets – its employees – were invested in and supported. SCCU had success in recruiting and retention of its employees in 2024 and celebrated very positive employee engagement results in 2024. Other operating and administrative expenses were another area of increase. Generally, increases occurred across most categories (see Note 20 for the breakdown of this category), but particularly in data processing (majority of which are technology expenses).

Overall earnings from operations improved slightly to $4.1 million in 2024 compared to $3.9 million in 2023.

PROFIT ALLOCATIONS

In December 2024, the Board of Directors approved a dividend return of 4.10% on membership equity shares, and 3.80% on transactional equity shares and voluntary investment equity shares, resulting in a total distribution of almost $90 thousand in dividends to our members. For information related to the calculation of dividends, please refer to the Credit Union's Rules.

As a cooperative, our mission goes beyond achieving a financial return. SCCU is committed to being the Sunshine Coast's best community partner through social impact investing, volunteerism, sharing our knowledge on committees and boards, building community financial literacy, and providing funding to non-profit organizations in support of their important work. SCCU distributed just over $140 thousand community enrichment funding in 2024.

OTHER COMPREHENSIVE INCOME

SCCU's total comprehensive income of $5.7 million includes net unrealized gains of over $2.0 million. Including unrealized gains (or in some years – losses) is an accounting treatment that requires entities reporting under International Financial Reporting Standards to apply a fair value to certain categories of financial assets. Fair value is defined as an amount that an existing asset could be exchanged or traded for at current prices as at the financial statement date.

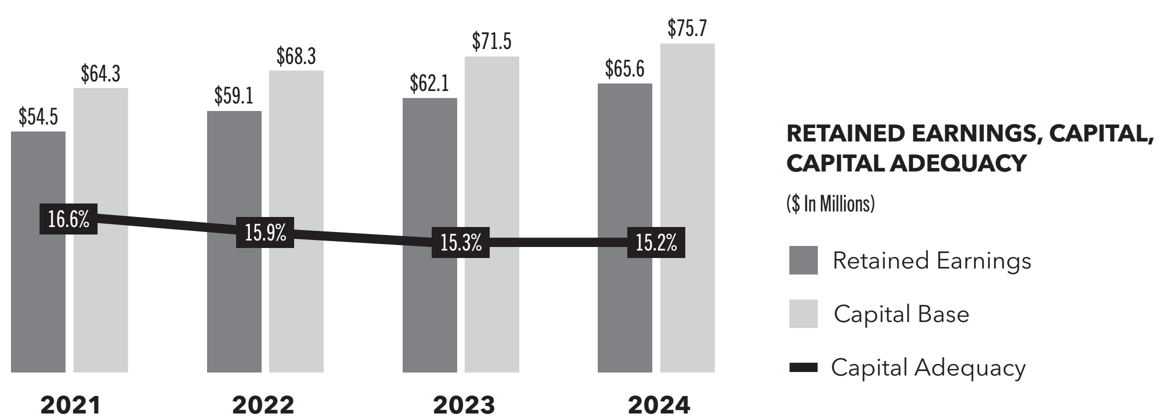
The unrealized gain on debt securities found under other comprehensive income on SCCU's Statement of Earnings and Comprehensive Income is attributable to the credit union's statutory liquidity reserve which is held in a HQLA (High Quality Liquid Asset) security portfolio plus a small portfolio of excess liquidity also invested in securities. This portfolio consists of approximately $102 million of fixed and floating rate securities. Since the last valuation on December 31 2023, the book value of this portfolio compared to its fair value has increased again resulting in other comprehensive income of almost $1.0 million in 2024.

The unrealized gain on hedges found in the same section is the gain related to the fair value calculation of the credit union's hedging transactions which were transacted to manage interest rate risk (fluctuations) and to ensure earnings remain steady and stable. These hedges ($55 million) were purchased at a time when interest rates were low, however, with interest rates decreasing in 2024, the value of this portfolio has improved compared to its fair value at the end of 2023, resulting in other comprehensive income of $1.2 million.

The hedging transactions SCCU entered into over the years have been and continue to be useful in managing interest rate risk. With interest rates continuing to shift significantly, these hedges will be held to ensure interest rate risk exposure remains within its risk tolerance levels and protects the credit union from the uncertainty and volatility of interest rate movement.

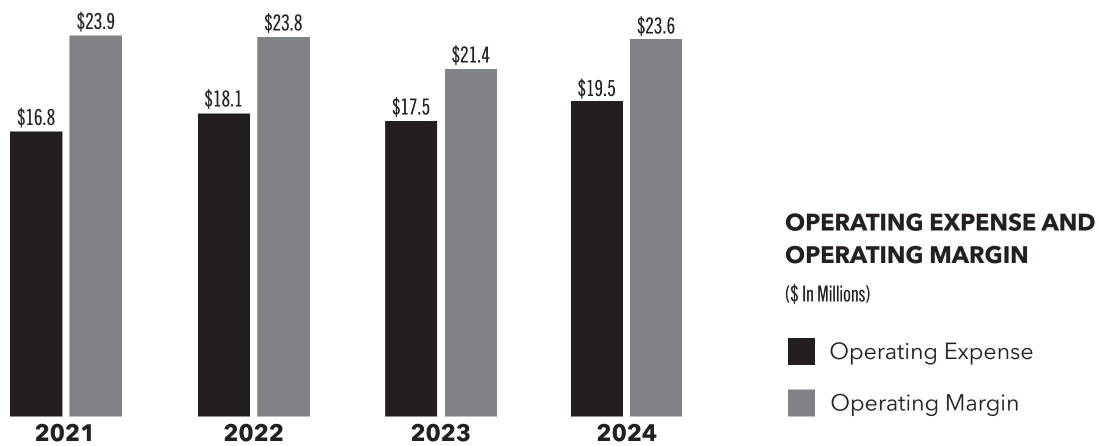
Other comprehensive income whether gains or losses are unrealized. The purpose of this required accounting treatment is to inform the readers of its financial statements the potential implication of 'cashing in' or 'selling' certain assets and liabilities prior to maturity. It is the intent of SCCU management at this time to hold the SCCU assets subject to this accounting treatment to maturity, thereby not realizing any gains (or losses) related to fair value.

SCCU transferred $3.5 million in net earnings to retained earnings (as the other comprehensive income is an unrealized accounting transaction only and is not transferred to retained earnings). Total capital, the majority of which includes retained earnings, shares, and a portion of system retained earnings grew to $75.7 million from $71.5 million in 2023. SCCU's capital ratio held steady at 15.2% (2023 15.3%) and continues to remain well above the statutory requirement of 8%.



OPERATING EXPENSES

SCCU strategically manages internal expenses while leveraging our extensive partnerships throughout the credit union system to ensure our members benefit from best-in-class products and services at an accessible cost. In addition to investing in collaborative innovations and initiatives, our commitment to building an experience that our members expect today and tomorrow requires continued investment in our people, technology, processes and channels even when the external environment is putting pressure on earnings. Regulatory and compliance requirements continue to increase and more so when the operating environment is challenging. In 2024, as noted above, the credit union Board and management were able to plan for increased investments in people and technology as operating margin improved. Total operating expenses for 2024 were $19.5 million.



ADMINISTRATION

Administrative expenses refer to the costs dedicated to operating and supporting the day-to-day activities of the credit union. These activities include managing and maintaining equipment, supplies, insurance, legal, marketing and consulting fees.

REGULATORY

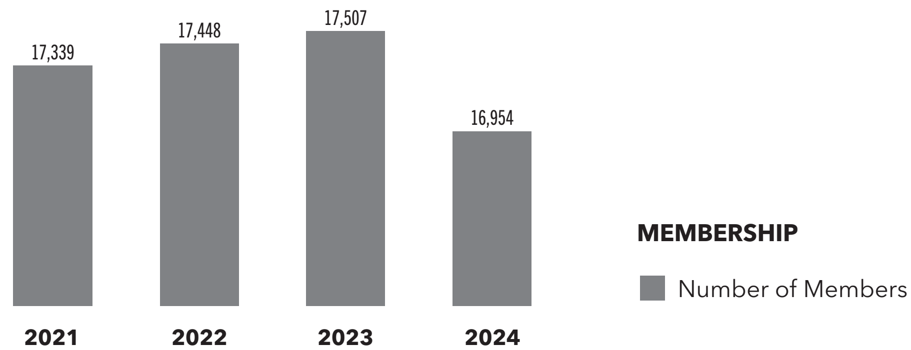
Financial institutions are built on trust: our members rely on us to keep their investments and their information safe and sound. As such, we adhere to many legislative requirements including the Financial Institutions Act, Credit Union Incorporation Act, Anti-Money Laundering, and the Foreign Account Tax Compliant Act. A significant amount of resources are dedicated to compliance each year including internal and external audits related to information technology, lending and anti-money laundering.

CHANNELS

Meeting the expectations of all of our members means an investment in our digital presence, but also a continued investment in our physical presence. We are the only member owned, community-based, full-service financial institution with physical branches and digital access spanning the Sunshine Coast so that members can meet with us personally, at their convenience. Our Sechelt branch also hosts our Member Service Centre (phone, email or Live Chat), which serves to enhance the member experience through optimized communication channels.

MEMBERSHIP

Our members are why we exist, and we are privileged to be their choice as a financial partner. Growing and retaining our membership is an important part of delivering on our vision of enriching lives and community. It also serves as a key measure of SCCU's member engagement strategy. Periodically, membership closures may outpace new membership growth over the course of a year, as was the case in 2024. In line with our Rules and regulatory requirements, SCCU processed a higher-than-average number of membership closures, the majority of which were related to dormant or inactive accounts. As a result, SCCU ended the year with 16,954 members, reflecting a net decrease of 553.



RISKS & CONTINGENCY

The Risk Department is accountable for risk reporting in the areas of credit, market, operational, strategic, regulatory, capital, earnings, liquidity, cybersecurity, and anti money laundering. This information is provided to the Board and senior management through regular monthly and quarterly reporting. SCCU works closely with our internal and external auditors, system vendors, and other network contacts to ensure we monitor and address all current and emerging risks relevant to financial institutions.

FUTURE PERFORMANCE

The financial landscape continues to evolve rapidly, shaped by economic and political volatility, high member expectations, accelerated digitization, and increasing competition across the financial sector. Building on over 80 years of mindful financial management and strengthened by surpassing $1 billion in assets, SCCU enters 2025 with a resilient foundation and a continued commitment to responsible stewardship. As economic signals fluctuate and regulatory demands increase, we are actively pursuing strategies that best position your credit union for long-term success and resilience, ensuring members receive exceptional service and communities' benefit from meaningful support.

In times of change, the cooperative model remains our compass, guiding decisions in the best interests of our members and the communities we serve. We are proud of our deep local roots and recognize that scale, collaboration, and innovation are essential to continuing to meet our members' evolving needs. We recognize that meeting members' evolving needs requires forward-thinking action. As such, SCCU is actively pursuing strategic pathways that strengthen our ability to serve today while building the capacity to support our members and communities well into the future.

Looking ahead in 2025, we anticipate a period of moderate growth tempered by economic volatility and member activity. While forecasts expect interest rate relief in the short term, we continue to plan prudently, focusing on operational efficiency, sound risk management, and the long-term financial health of our members.

Our ability to navigate uncertainty is made possible by the trust of over 16,900 members and the dedication of our team. We are deeply grateful for your continued confidence and look forward to the opportunities and possibilities ahead.

Sunshine Coast Credit Union
Consolidated Financial Statements
For the Year Ended December 31, 2024

Sunshine Coast Credit Union
Consolidated Financial Statements
For the Year Ended December 31, 2024

Contents

Tel: 250-832-7171
Fax: 250-832-2429
www.bdo.ca

BDO Canada LLP
571 6th Street NE
Suite 201
Salmon Arm BC V1E 1R6 Canada

Independent Auditor's Report

To the members of Sunshine Coast Credit Union

Opinion

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

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

Basis for Opinion

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

Other Matter

The financial statements for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 29, 2024.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

BDO Canada LLP

Chartered Professional Accountants

Salmon Arm, British Columbia
March 5, 2025

Sunshine Coast Credit Union
Consolidated Statement of Financial Position

December 31	2024	2023
Assets		
Cash and cash equivalents (Note 5)	**$47,073,431**	$42,225,914
Investments (Note 6)	**101,928,763**	84,101,799
Investments in associates (Note 7)	**775,490**	857,990
Loans (Note 8)	**856,165,252**	832,059,647
Property and equipment (Note 10)	**3,704,486**	3,786,312
Intangible assets (Note 10)	**145,803**	61,133
Right-of-use asset	**47,815**	54,807
Other assets (Note 11)	**1,791,706**	2,352,990
Deferred income tax asset (Note 17)	**1,266,758**	879,100
Total Assets	**$1,012,899,504**	$966,379,692
Liabilities		
Secured borrowings (Note 13)	**$88,383,195**	$77,244,373
Deposits (Note 14)	**852,755,046**	821,133,800
Lease liabilities	**48,546**	57,619
Payables and other liabilities (Note 15)	**4,307,778**	6,129,601
Total liabilities	**945,494,565**	904,565,393
Members' equity		
Patronage and investment shares (Note 18)	**1,740,490**	1,861,655
Retained earnings	**65,591,121**	62,118,520
Accumulated other comprehensive income (loss)	**73,328**	(2,165,876)
Total members' equity	**67,404,939**	61,814,299
	$1,012,899,504	$966,379,692

Approved on behalf of the Board:

Signed by:
335C125146344D2... Director

DocuSigned by:
Richard Wilson
9B92CEA31916469... Director

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

Sunshine Coast Credit Union
Consolidated Statement of Earnings and Comprehensive Income

For the year ended December 31	2024	2023
Financial income		
Interest on loans	$ 43,736,629	$ 37,190,751
Other interest revenue	5,620,118	4,490,346
Total financial income	49,356,747	41,681,097
Financial expense		
Interest on deposits and borrowings	29,934,535	23,962,139
Financial margin	19,422,212	17,718,958
Provision for credit losses (Note 9)	805,736	696,445
Other income (Note 19)	4,952,992	4,405,980
Operating margin	23,569,468	21,428,493
Operating expenses		
Deposit insurance	350,000	410,238
Depreciation and amortization	460,357	462,239
Director and committee	71,155	36,694
Employee salaries and benefits	11,079,255	9,958,568
Lease costs	53,729	38,889
Occupancy	546,202	816,641
Other operating and administrative (Note 20)	6,919,099	5,820,951
Total operating expenses	19,479,797	17,544,220
Earnings from operations	4,089,671	3,884,273
Distributions to members (Note 18)	22,722	30,943
Earnings before income taxes	4,066,949	3,853,330
Provision for income taxes (Note 17)		
Current income tax	930,995	955,187
Deferred income tax recovery	(387,658)	(246,100)
Total provision for income taxes	543,337	709,087
Net earnings for the year	3,523,612	3,144,243
Other comprehensive gain (loss) for the year		
Changes in unrealized gains (losses) on debt securities, net of tax (Note 6)	994,882	1,293,538
Change in unrealized gains (losses) on cash flow hedges, net of tax (Note 23)	1,244,322	682,472
Total comprehensive income for the year	$ 5,762,816	$ 5,120,253

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

Sunshine Coast Credit Union
Consolidated Statement of Changes in Members' Equity

For the year ended December 31	Patronage and investment shares	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2023	$ 2,075,664	$ 59,066,409	$ (4,141,886)	$ 57,000,187
Net earnings	-	3,144,243	-	3,144,243
Distributions to members (Note 18)	-	(92,132)	-	(92,132)
Redemption of members' shares	(214,009)	-	-	(214,009)
Change on unrealized gains on hedges, net of tax (Note 23)	-	-	682,472	682,472
Change on unrealized gains on debt securities, net of tax (Note 6)	-	-	1,293,538	1,293,538
Balance, December 31, 2023	$ 1,861,655	$ 62,118,520	$ (2,165,876)	$ 61,814,299
Net earnings	-	3,523,612	-	3,523,612
Distributions to members (Note 18)	-	(51,011)	-	(51,011)
Redemption of members' shares	(121,165)	-	-	(121,165)
Change on unrealized gains on hedges, net of tax (Note 23)	-	-	1,244,322	1,244,322
Change on unrealized gains on debt securities, net of tax (Note 6)	-	-	994,882	994,882
Balance, December 31, 2024	**$ 1,740,490**	**$ 65,591,121**	**$ 73,328**	**$ 67,404,939**

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

Sunshine Coast Credit Union
Consolidated Statement of Cash Flows

For the year ended December 31		2024		2023
Cash flows from operating activities				
Net earnings for the year	$	**3,523,612**	$	3,144,243
Adjustment for:				
Interest income, net		**(19,422,212)**		(17,718,958)
Loss included in other income		**25,523**		-
Depreciation and amortization		**460,357**		462,239
Provision for loan losses		**805,736**		696,445
Provision for current income tax		**930,995**		955,187
Net changes in non-cash working capital items (Note 26)		**441,851**		3,379,314
		(13,234,138)		(9,081,530)
Changes in member activities, net				
Increase in loans		**(24,423,918)**		(38,145,572)
Increase in deposits		**29,924,582**		21,113,918
		(7,733,474)		(26,113,184)
Cash flows related to interest and income taxes				
Interest received		**49,100,980**		41,075,012
Interest paid		**(28,237,871)**		(18,891,869)
Income taxes paid		**(930,995)**		(300,769)
Total cash flows from operating activities		**12,198,640**		(4,230,810)
Cash flows from investing activities				
Purchase of investments, net		**(17,826,964)**		(2,209,861)
Purchase of property and equipment and intangible assets		**(455,573)**		(378,168)
Proceeds on disposal of property and equipment and intangible assets		**21,666**		-
Total cash flows from investing activities		**(18,260,871)**		(2,588,029)
Cash flows from financing activities				
Increase in secured borrowings		**11,138,822**		10,059,303
Lease payments		**(56,898)**		(65,372)
Redemption of members' shares		**(121,165)**		(214,009)
(Decrease) increase in borrowings		**-**		(5,000,000)
Dividends paid		**(51,011)**		(92,132)
Total cash flow from financing activities		**10,909,748**		4,687,790
Net increase (decrease) in cash		**4,847,517**		(2,131,049)
Cash and cash equivalents, beginning of the year		**42,225,914**		44,356,963
Cash and cash equivalents, end of the year	$	**47,073,431**	$	42,225,914

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

1. Governing legislation and nature of operations

Sunshine Coast Credit Union (the "Sunshine Coast Credit Union") was incorporated under the Credit Union Incorporation Act of British Columbia and its operations are subject to the Financial Institutions Act of British Columbia. The Sunshine Coast Credit Union serves members principally in British Columbia. Products and services offered to its members include mortgages, personal and commercial loans, chequing and savings accounts, term deposits, registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), automated banking machines ("ABMs"), debit and credit cards and internet banking. The Sunshine Coast Credit Union’s head office is located at 985 Gibsons Way, Gibsons, BC, V0N 1V0.

These consolidated financial statements have been approved and authorized for issue by the board of directors on March 5, 2025.

2. Basis of presentation and statement of compliance

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

The Credit Union’s functional and presentation currency is the Canadian dollar.

The preparation of consolidated financial statements in compliance with IFRS Accounting Standards requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Sunshine Coast Credit Union’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

3. Material accounting policy information

Basis of Consolidation

The consolidated financial statements consolidate those of the Sunshine Coast Credit Union and its subsidiary, SunCu Financial Services Inc. The subsidiary is an entity over which the Sunshine Coast Credit Union has the power to control the financial and operating policies. All transactions and balances between the Sunshine Coast Credit Union and the subsidiary are eliminated on consolidation and amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Sunshine Coast Credit Union. The subsidiary has a reporting date of December 31.

3. Material accounting policy information (continued)

Adoption and future changes in accounting policies

Some accounting standards which have become effective January 1, 2024 and have therefore been adopted do not have a significant impact on the Credit Union's financial results or position.

Certain new standards, amendments to standards, and interpretations were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2025 or later that the Credit Union has decided not to adopt early.

IFRS 18 Presentation and Disclosure in Financial Statements is effective for reporting periods beginning on January 1, 2027. IFRS 18 will supersede IAS 1 and will result in amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements. Even though IFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorization and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits with banks, other short-term highly liquid investments with original maturities of three months or less, and, for the purpose of the statement of cash flows, bank overdrafts that are repayable on demand.

3. Material accounting policy information (continued)

Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Sunshine Coast Credit Union becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost;
- fair value through other comprehensive income ("FVOCI"); or
- fair value through profit or loss ("FVTPL").

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

<u>Financial assets at amortized cost</u>

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. The Sunshine Coast Credit Union's cash and cash equivalents, term deposits and accrued interest, loans and other accounts receivable fall into this category of financial instruments.

3. Material accounting policy information (continued)

Financial assets at FVOCI

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Sunshine Coast Credit Union's debt securities fall into this category of financial instruments. For debt securities measured at FVOCI, realized gains or losses and impairments are reclassified to profit and loss.

In addition, on initial recognition, the Sunshine Coast Credit Union may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVTPL

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply, as disclosed below.

The Sunshine Coast Credit Union accounts for its equity investment in Central 1, CUPP Services Ltd., Genifi Inc. and Stabilization Central Credit Union at FVTPL and did not make the irrevocable election to account for these investments at FVOCI.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of financial assets

Impairment of financial assets is determined using forward-looking information to recognize expected credit losses – the 'expected credit loss ("ECL") model'. Instruments using this model to calculate impairment include loans, term deposits, other accounts receivable measured at amortized cost and debt instruments measured at FVOCI.

The Sunshine Coast Credit Union considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

3. Material accounting policy information (continued)

Impairment of financial assets (continued)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. See Note 9 for details on allowance for credit losses.

Classification and measurement of financial liabilities

The Sunshine Coast Credit Union's financial liabilities include borrowings, secured borrowings, deposits, payables and other liabilities and Class B members' shares.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Sunshine Coast Credit Union designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Hedge accounting

The Sunshine Coast Credit Union, in accordance with its risk management strategies, enters into various derivative financial instruments to protect itself against the risk of fluctuations in interest rates.

The Sunshine Coast Credit Union manages interest rate risk through interest rate swaps.

3. Material accounting policy information (continued)

Hedge accounting (continued)

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

For the reporting periods under review, the Credit Union has designated the interest rate swap contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to modify exposure to variability in cash flows for variable rate interest bearing instruments or the forecasted assurance of fixed rate liabilities. The Credit Union's hedges are primarily hedges of floating rate commercial and personal loans. The Credit Union has not entered into any fair value hedges at this time.

All derivative financial instruments used for hedge accounting are recognized initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognized in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognized immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognized as a result of the hedged transaction, the gains and losses previously recognized in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognized in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

3. Material accounting policy information (continued)

The Credit Union has chosen to test the effectiveness of its hedges on a monthly basis, the hedging impact is described in Note 23. A hedging relationship is terminated, and the Credit Union discontinues hedge accounting prospectively, if:

- The hedge ceases to be effective;
- The underlying asset or liability being hedged is derecognized; or
- The derivative instrument is no longer designed as hedging instrument.

Mortgage securitization

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

Investment in Associates

The shares of investments which the Credit Union has acquired significant influence are accounted for using the equity method. Under the equity method, the investment is initially recognized at cost and adjusted thereafter to recognize the Credit Union's share of the profit or loss and other comprehensive income of the investment. When the Credit Union's share of losses of investment exceeds the Credit Union's interest in that associate, the Credit Union discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Credit Union has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Revenue Recognition

Revenue arises mainly from interest earned on loans. Interest income is recognized on an effective interest basis over the term of the underlying financial instrument. Other income from the provision of services to members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured.

The accounting treatment for loan fees varies depending on the transaction. Loan administration fees are deferred and amortized over the term of the loans using the effective interest method. Significant fees that would result in an adjustment to the overall loan yield are capitalized and amortized using the effective interest method. Mortgage prepayment fees are recognized in other income when received, unless they relate to a minor modification to the terms of the mortgage, in which case the fees are capitalized and amortized over the average remaining term of the original mortgage.

3. Material accounting policy information (continued)

Property, Plant and Equipment

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized in net earnings and is provided on a straight-line basis over the estimated useful life of the assets to a maximum as follows:

Buildings and renovations	40 years
Building components	15-30 years
Computer hardware	5 years
Furniture and fixtures	10 years
Leasehold improvements	Lease term

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

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in net earnings within 'other income' or 'other expenses'.

The carrying amount of property and equipment are reviewed each reporting period to determine whether events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized, to net earnings, for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Intangible assets

Intangible assets include acquired computer software used in administration that qualifies for recognition as an intangible asset. Software is initially accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over its estimated useful life of not more than 5 years. Residual values and useful lives are reviewed at each reporting date.

Amortization has been included within 'depreciation and amortization'. Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred.

3. Material accounting policy information (continued)

Impairment of property and equipment and intangible assets

In the event that facts and circumstances indicate that the Sunshine Coast Credit Union's long-lived assets may be impaired, a test of recoverability would be performed.

Such a test entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to fair value is required.

For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group. An asset group is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

Income Taxes

Tax expense recognized in net earnings comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases; however, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Credit Union and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income, based on the Credit Union’s forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Credit Union has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in net earnings.

3. Material accounting policy information (continued)

Deposits

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

Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

Post-employment benefit and short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in 'other liabilities', measured at the undiscounted amount that the Credit Union expects to pay as a result of the unused entitlement.

The Credit Union participates in a multi-employer defined benefit pension plan; however, sufficient information is not available to use defined benefit accounting. Therefore, the Credit Union accounts for the plan as if it were a defined contribution plan, recognizing contributions as an expense in the year to which they relate.

The Credit Union also participates in a supplemental retirement plan for eligible employees. This is a defined benefit plan, which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

Provisions

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Credit Union and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Credit Union can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset; however, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3. Material accounting policy information (continued)

Members' shares

Members’ shares are classified as liabilities or as member equity according to their terms. Where shares are redeemable at the option of the member, either on demand or on withdrawal from membership, the shares are classified as liabilities. Where shares are redeemable at the discretion of the Credit Union board of directors, namely patronage and investment shares, the shares are classified as equity (Note 18).

Patronage distributions

Patronage distributions are accrued as per annual budget and/or when approved by the board of directors.

Lease liability and right-of-use assets

At inception of a contract, the Credit Union assesses whether a contract is a lease. A contract is 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. The Credit Union has leases for one of its buildings and some equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability.

The Credit Union depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the end of the lease term. The Credit Union also assesses the right-of-use asset for impairment when such indicators exist.

The liability will be reduced for payments and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

Each lease generally imposes a restriction that, unless there is a contractual right for the Credit Union to sublet the asset to another party, the right-of-use asset can only be used by the Credit Union. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Credit Union is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings, the Credit Union must keep the property in a good state of repair and return the property in its original condition at the end of the lease. Further, the Credit Union must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Credit Union using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from remeasurement of monetary items at year end exchange rates are recognized in net earnings.

4. Critical accounting judgment and estimates

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful Lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At December 31, 2024, management assesses that the useful lives represent the expected utility of the assets to the Credit Union. The carrying amounts are analyzed in Note 10. Actual results, however, may vary due to technical obsolescence, particularly for software and IT equipment.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities.

In applying the valuation techniques, management makes maximum use of market inputs and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make.

These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

4. **Critical accounting judgment and estimates (continued)**

Allowance for credit losses

The expected credit loss model requires the recognition of credit losses based on up to 12 months of expected losses for performing loans and the recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination. The determination of a significant increase in credit risk takes into account many different factors and varies by loan type and risk segment. The main factors considered in making this determination are relative changes in probability of default since origination, certain other criteria, and forward looking information such as 30-day past due and delinquency status, home pricing index and real gross domestic products. The assessment of a significant increase in credit risk requires experienced credit judgment.

In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, we must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

Significant influence investments

The Credit Union has assessed that it exerts significant influence over certain companies and accounts for them as ‘investments in associates’ using the equity method (Note 7). Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The assessment of the existence of significant influence was based on the fact that the Credit Union holds more than 20% but less than 50% interest in the investments in associates, and has significant representation on the board of directors.

Income Taxes

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

5. Cash and cash equivalents

The Credit Union's cash and cash equivalents are held with Central 1 Credit Union ("Central 1"). The average yield on the accounts at December 31, 2024 is 4.93% (2023 - 4.52%).

	2024	2023
Cash and cash equivalents	**$ 42,845,585**	$ 23,312,260
Term deposits and accrued interest	**4,227,846**	18,913,654
	$ 47,073,431	$ 42,225,914

6. Investments

The following tables provide information on the investments by type of security and issuer. The maximum exposure to credit risk would be the fair value as detailed below.

	2024	2023
Non-callable term deposits and accrued interest, amortized cost	**$ 2,208,868**	$ 926,498
Shares		
Central 1 Credit Union	**254,628**	255,454
CUPP Services Ltd.	**2**	2
Genifi Inc.	**4,690**	32,290
Other shares	**22,110**	24,414
Stabilization Central Credit Union	**324**	324
Debt securities (Mandatory and Excess Liquidity Pool)		
Government bonds	**33,414,284**	33,586,524
Corporate bonds	**24,271,149**	12,692,391
Provincial bonds	**39,810,232**	33,551,206
Mortgage-backed securities	**1,408,900**	2,736,242
Accrued interest on debt securities	**533,576**	296,454
	$ 101,928,763	$ 84,101,799

The Mandatory Liquidity Pool ("MLP") and Excess Liquidity Pool, consisting of high quality liquid assets ("HQLA"), meets regulatory requirements and ensures the funds are bankruptcy remote and creditor-proof.

Non-callable term deposits are due between three months and one year. The carrying amounts for deposits approximate fair value due to them having similar characteristics as cash and cash equivalents.

6. Investments (continued)

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the board of directors of Central 1. In addition, the member Credit Unions are subject to additional capital calls at the discretion of the board of directors. Central 1 shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. All such shares are classified as fair value through profit or loss.

The market values are not readily available and the potential variability in the range of fair value estimates based on valuation models is not deemed to be material. The likelihood and timing of any future redemption of the shares cannot be determined.

The Credit Union is not intending to dispose of any Central 1 shares as the services supplied by Central 1 are relevant to the day to day activities of the Credit Union. Dividends on these shares are at the discretion of the board of directors of Central 1.

7. Investment in associates

	2024	2023
Coast Venture Root Three	**$ 455,000**	$ 500,000
Sunshine Coast Venture Partners	**270,000**	270,000
Rhiza Capital Inc.	**50,000**	50,000
Coast Community Investment Corporation	**-**	37,500
Sunshine Coast Insurance Services	**490**	490
	$ 775,490	$ 857,990

The Credit Union invested in common shares of Rhiza Capital Inc., a company which creates and manages venture capital funds. The Credit Union also invested in non-voting shares of Coast Venture Root Three, Sunshine Coast Venture Partners Inc. and Sunshine Coast Insurance Services, and preferred shares of Coast Community Investment Corporation, venture capital funds owned and managed by Rhiza Capital Inc. As the Credit Union owns 39% of the shares of the parent company, Rhiza Capital Inc., the Credit Union has significant influence over these investments and accounts for them using the equity method.

The above companies generated revenue and had profits or losses from operations in fiscal 2024 and 2023, however, the proportionate share attributed to the Credit Union is negligible and have not been reported during the year.

8. Loans

	2024	2023
Residential mortgages	**$ 498,973,798**	$ 519,477,474
Commercial loans	**314,901,984**	268,064,900
Personal loans and lines of credit	**44,680,691**	46,912,765
	858,556,473	834,455,139
Accrued interest receivable	**2,186,290**	1,930,522
Deferred loan fees	**(938,675)**	(1,170,330)
	859,804,088	835,215,331
Allowance for credit losses (Note 9)	**(3,638,836)**	(3,155,684)
Net loans to members	**$ 856,165,252**	$ 832,059,647

Terms and conditions

Loans to members can have either a variable or fixed rate of interest with a maturity date of up to 7 years.

Variable rate loans are based on a "prime rate" formula, ranging from prime to prime plus 8%. The Credit Union's prime rate at December 31, 2024 was 5.45% (2023 - 7.20%).

The interest rate offered on fixed rate loans being advanced at December 31, 2024 ranges from 4.29% to 13.25% (2023 - 5.80% to 14.00%).

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

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

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

8. Loans (continued)

Average yields to maturity

Loans bear interest at both variable and fixed rates with the following average yields at:

	2024		2023	
	Principal	**Yield**	Principal	Yield
Variable rate	**$ 168,551,149**	**5.46%**	$ 133,810,959	8.92%
Fixed rate due less than one year	**253,547,847**	**5.32%**	198,045,057	5.44%
Fixed rate due between one and seven years	**436,457,477**	**4.75%**	502,599,123	4.57%
	$ 858,556,473	**5.06%**	$ 834,455,139	5.47%

Credit Quality of Loans

Valuations of collateral are updated periodically depending on the nature of the collateral. It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions. A majority of loans to members are residential and commercial loans secured by residential and commercial properties. The amount of unsecured loans held in fiscal year 2024 is $4,542,661 (2023 - $5,621,048).

Fair value

The fair value of loans to members at December 31, 2024 was $847,815,925 (2023 - $803,741,366).

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

8. Loans (continued)

Transfers of mortgage and mortgage loan receivables

The Credit Union enters into arrangements to fund mortgage growth by selling loans to unrelated third parties. The Credit Union reviews these securitization arrangements in order to determine whether they should result in transferred loans being derecognized from the consolidated statement of financial position.

The amount of residential loans, including accrued interest, that were transferred at December 31, 2024 was $Nil (2023 - $2,055,557). The Credit Union has transferred substantially all of the risks and rewards of ownership to the third party.

9. Allowance for credit losses

The Credit Union classifies a loan as impaired when one or more loss events have occurred, such as bankruptcy, default or delinquency. Generally, personal loans are classified as impaired when payment is contractually 90 days past due. For the purpose of measuring the amount to be written off, the determination of the recoverable amount includes an estimate of future recoveries.

Commercial loans are classified as impaired when the Credit Union determines there is no longer reasonable assurance that principal or interest will be collected in their entirety on a timely basis. Generally, the Credit Union considers commercial loans to be impaired when payments are 90 days past due. Commercial loans are written off following a review on an individual loan basis that confirms all recovery attempts have been exhausted.

A loan will be reclassified to performing status when the Credit Union determines that there is reasonable assurance of full and timely repayment of interest and principal in accordance with the terms and conditions of the loan, and that none of the criteria for classification of the loan as impaired continue to apply.

Loans are in default when the borrower is unlikely to pay its credit obligations in full without recourse, such as realizing security, or when the borrower’s payments are past due more than 90 days.

Once a loan is identified as impaired, the Credit Union continues to recognize interest income based on the original effective interest rate on the loan amount, net of its related allowance. In the periods following the recognition of impairment, adjustments to the allowance are made to reflect the time value of money. These adjustments are recognized and presented as interest income.

9. Allowance for credit losses (continued)

Total allowance for impaired loans as at December 31, 2024:

	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Allowance for credit losses	$ 206,168	$ 727,688	$ 180,954	$ 1,114,810
Loan balance	479,939,323	16,811,580	2,222,896	498,973,799
Commercial loans				
Allowance for credit losses	126,975	1,540,601	328,882	1,996,458
Loan balance	254,061,366	55,852,504	4,988,114	314,901,984
Personal loans and lines of credit				
Allowance for credit losses	229,174	183,955	114,439	527,568
Loan balance	42,363,571	2,100,672	216,447	44,680,690
Total allowance for credit losses	$ 562,317	$ 2,452,244	$ 624,275	$ 3,638,836
Total loan balances	$ 776,364,260	$ 74,764,756	$ 7,427,457	$ 858,556,473

Total allowance for impaired loans as at December 31, 2023:

	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Allowance for credit losses	$ 165,511	$ 721,552	$ 64,268	$ 951,331
Loan balance	505,627,072	12,526,266	1,324,136	519,477,474
Commercial loans				
Allowance for credit losses	51,838	1,381,311	227,657	1,660,806
Loan balance	204,323,821	60,422,419	3,318,660	268,064,900
Personal loans and lines of credit				
Allowance for credit losses	243,944	272,862	26,741	543,547
Loan balance	43,735,033	3,126,007	51,725	46,912,765
Total allowance for credit losses	$ 461,293	$ 2,375,725	$ 318,666	$ 3,155,684
Total loan balances	$ 753,685,926	$ 76,074,692	$ 4,694,521	$ 834,455,139

9. Allowance for credit losses (continued)

The following table shows the continuity in the loss allowance by each product type as at December 31, 2024:

	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Balance as at January 1, 2024	$ 165,511	$ 721,552	$ 64,268	$ 951,331
Transfer to Stage 1	24,337	(24,337)	-	-
Transfer to Stage 2	(4,938)	4,938	-	-
Transfer to Stage 3	(574)	-	574	-
Net remeasurement of allowance	15,358	22,362	116,112	153,832
Loan originations	24,817	11,774	-	36,591
Derecognition and maturities	(18,343)	(8,601)	-	(26,944)
Total provision for credit losses	40,657	6,136	116,686	163,479
Balance as at December 31, 2024	$ 206,168	$ 727,688	$ 180,954	$ 1,114,810

	Stage 1	Stage 2	Stage 3	Total
Commercial loans				
Balance as at January 1, 2024	$ 51,838	$ 1,381,311	$ 227,657	$ 1,660,806
Transfer to Stage 1	568,677	(568,677)	-	-
Transfer to Stage 2	(5,872)	5,872	-	-
Transfer to Stage 3	(293)	(18,380)	18,673	-
Net remeasurement of allowance	(521,511)	961,882	209,484	649,855
Loan originations	38,029	41,761	-	79,790
Derecognition and maturities	9,407	(248,239)	(78,804)	(317,636)
Total provision for credit losses	88,437	174,219	149,353	412,009
Write-offs	(13,300)	(14,929)	(48,128)	(76,357)
Balance as at December 31, 2024	$ 126,975	$ 1,540,601	$ 328,882	$ 1,996,458

	Stage 1	Stage 2	Stage 3	Total
Personal loans and lines of credit				
Balance as at January 1, 2024	$ 243,944	$ 272,862	$ 26,741	$ 543,547
Transfer to Stage 1	172,359	(163,991)	(8,368)	-
Transfer to Stage 2	(13,350)	13,350	-	-
Transfer to Stage 3	-	(8,513)	8,513	-
Net remeasurement of allowance	(164,858)	121,906	103,232	60,280
Loan originations	15,375	2,646	-	18,021
Derecognition and maturities	(9,315)	41,427	119,835	151,947
Total provision for credit losses	211	6,825	223,212	230,248
Write-offs	(14,981)	(95,732)	(135,514)	(246,227)
Balance as at December 31, 2024	229,174	183,955	114,439	527,568
Total as at December 31, 2024	$ 562,317	$ 2,452,244	$ 624,275	$ 3,638,836
Percentage of total loan balances				0.42%

9. Allowance for credit losses (continued)

The following table shows the continuity in the loss allowance by each product type as at December 31, 2023:

	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Balance as at January 1, 2023	$ 165,907	$ 729,028	$ 72,851	$ 967,786
Transfer to Stage 1	41,791	(41,791)	-	-
Transfer to Stage 2	(3,910)	67,314	(63,404)	-
Transfer to Stage 3	(2,348)	-	2,348	-
Net remeasurement of allowance	(43,758)	(24,929)	61,921	(6,766)
Loan originations	18,666	2,058	-	20,724
Derecognition and maturities	(10,837)	(10,128)	(9,448)	(30,413)
Total provision for credit losses	(396)	(7,476)	(8,583)	(16,455)
Balance as at December 31, 2023	$ 165,511	$ 721,552	$ 64,268	$ 951,331

	Stage 1	Stage 2	Stage 3	Total
Commercial loans				
Balance as at January 1, 2023	$ 211,808	$ 807,666	$ -	$ 1,019,474
Transfer to Stage 1	260,414	(260,414)	-	-
Transfer to Stage 2	(12,407)	12,407	-	-
Transfer to Stage 3	(303)	(26,408)	26,711	-
Net remeasurement of allowance	(417,632)	847,859	200,946	631,173
Loan originations	16,631	72,905	-	89,536
Derecognition and maturities	12,186	(66,109)	50,087	(3,836)
Total provision for credit losses	(141,111)	580,240	277,744	716,873
Write-offs	(18,859)	(6,595)	(50,087)	(75,541)
Balance as at December 31, 2023	$ 51,838	$ 1,381,311	$ 227,657	$ 1,660,806

	Stage 1	Stage 2	Stage 3	Total
Personal loans and lines of credit				
Balance as at January 1, 2023	$ 411,323	$ 158,426	$ 27,881	$ 597,630
Transfer to Stage 1	65,207	(65,207)	-	-
Transfer to Stage 2	(20,273)	30,681	(10,408)	-
Transfer to Stage 3	(142)	(311)	453	-
Net remeasurement of allowance	(193,029)	137,650	4,243	(51,136)
Loan originations	12,734	4,460	-	17,194
Derecognition and maturities	(15,638)	(9,913)	55,520	29,969
Total provision for credit losses	(151,141)	97,360	49,808	(3,973)
Write-offs	(16,238)	17,076	(50,948)	(50,110)
Balance as at December 31, 2023	243,944	272,862	26,741	543,547
Total as at December 31, 2023	$ 461,293	$ 2,375,725	$ 318,666	$ 3,155,684
Percentage of total loan balances				0.38%

9. Allowance for credit losses (continued)

Undrawn commitment is disclosed in Note 25.

Write-off

Member loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, member loans written off could still be subject to enforcement activities in order to comply with the Credit Union’s procedures for recovery of amounts due. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience.

Amount arising from ECL

The Credit Union recognizes allowance for loan losses for expected credit losses ("ECL") on member loans. The measurement of ECL is a complex calculation that involves a large number of interrelated inputs and assumptions. The Credit Union measures allowance for loan losses at each reporting period date according to a three-stage ECL model as follows:

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

9. Allowance for credit losses (continued)

Amount arising from ECL (continued)

Stage	1 – No Significant Increase in Credit Risk Since Initial Recognition	2 – Significant Increase in Credit Risk Since Initial Recognition	3 – Credit-Impaired
Criteria for movement	At origination, all member loans are categorized into stage 1. A commercial loan that has experienced a SICR or default may migrate back to stage 1 if the increase in credit risk and/or default is cured and the movement in the credit risk grading is approved by credit managers. For personal loans, migration back to stage 1 may occur upon approval of loan officers, if all signs of previous credit deterioration are remedied and the member has 6 months of principal and interest payments made with no delinquency.	The Credit Union determines a SICR has occurred when: • the loan moves to the Credit Union's watch list; the member migrates to a credit risk grade of 4; or • a contractual payment is more than 30 days past due. Additionally, the Credit Union incorporates forward-looking information into its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition.	A member loan is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the member loan have occurred: • a breach of contract such as a default or delinquency in interest or principal payments; • significant financial difficulty of the borrower; • the restructuring of a loan by the Credit Union on terms that the Credit Union would not consider otherwise; • there is no longer reasonable assurance that principal and interest will be collected; • payment on a loan is overdue 90 days or more; or • has entered bankruptcy or it is becoming probable that the borrower will enter bankruptcy or other financial reorganization. A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired, unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

9. Allowance for credit losses (continued)

Amount arising from ECL (continued)

Stage	1 – No Significant Increase in Credit Risk Since Initial Recognition	2 – Significant Increase in Credit Risk Since Initial Recognition	3 – Credit-Impaired
ECL methodology	Impairment is estimated based on the expected losses over the expected life of member loans arising from default events occurring in the next 12 months (12-month expected credit loss).	Impairment is estimated based on the expected losses over the expected life of member loans arising from default events occurring in the lifetime of the instrument (lifetime expected credit loss).	
Collective or individual assessment	Collective assessment of member loans grouped on the basis of similar risk characteristics based on loan type, industry, geographical location, type of loan security, the length of time the loans are past due, and the historical loss experience. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.		Each credit-impaired member loan is individually assessed.
Application of ECL methodology	Expected credit loss on a group of member loans is measured on the basis of a loss rate approach. The Credit Union develops loss rates for member loans in stage 1 and loss rates for member loans in stage 2, based on historical default and loss experiences for those types of member loans, adjusted for current economic conditions and forecasts of future economic conditions. The loss rates are also applied to the estimate of drawdown for undrawn loan commitments (unadvanced loans, unused lines of credit, letters of credit). For member loans in stage 1 with undrawn loan commitments, the estimate of drawdown within 12 months of the reporting date is based on historical drawdown information. For member loans in stage 2 with undrawn loan commitments, the estimate of drawdown over the life of the loan commitment is also based on historical drawdown information.		The probability of default on credit-impaired member loans is 100%, therefore, the key estimation relates to the amount of the default. Expected credit loss on a credit-impaired member loan is measured based on the Credit Union's best estimate of the difference between the loan's carrying value and the present value of expected cash flows discounted at the loan's original effective interest rate.

9. Allowance for credit losses (continued)

Amount arising from ECL (continued)

<table>
<tr><th>Stage</th><th>1 – No Significant Increase in Credit Risk Since Initial Recognition</th><th>2 - Significant Increase in Credit Risk Since Initial Recognition</th><th>3 - Credit-Impaired</th></tr>
<tr><td>Key forward-looking information</td><td colspan="3">Local unemployment rates, local economic outlook, credit environment, and other relevant economic variables impacting subsets of the Credit Union's members.

The ECL calculation is sensitive to forward looking scenarios and their respective probability weightings as at the reporting date.

Global economic instability continues to impact the Canadian economy. Loan delinquency data has been showing increases in certain categories. Although, interest rates decreased significantly in 2024 and are projected to continue decreasing in 2025, it’s not certain whether the resulting relief on cash flows will be sufficient to avoid further increases in delinquencies.

Subsequent to year end, uncertainty in the Canadian economy increased. On February 1, 2025, the United States imposed tariffs on goods imported from Canada, effective February 4, 2025. In response, Canada introduced counter-tariffs on U.S. goods entering Canada. However, on February 3, 2025, a 30-day delay in the implementation of these tariffs was announced. Subsequently, additional industry and product specific tariffs (e.g. tariffs on steel and aluminum) have been imposed, and in effect as of March 4, 2025. The impact of U.S. tariffs on the Canadian economy continues to evolve. This specific uncertainty, combined with the continuing and broader global economic instability, makes it difficult to predict whether significant write-offs will be experienced by the Credit Union. It is also uncertain whether the Credit Union will recognize additional increases in expected credit losses in subsequent periods. Information obtained after the reporting period will be considered in a future period and may cause significant volatility in the ECL.</td></tr>
</table>

10. Property and equipment and intangible assets

	Property and equipment						Intangible assets
	Land	Buildings	Leasehold improvement	Computer hardware	Furniture and fixtures	Total	Total
Cost							
Balance on December 31, 2023	$ 962,157	$ 6,021,321	$ 244,580	$ 588,138	$ 2,118,354	$ 9,934,550	$ 2,625,322
Additions	-	235,141	-	52,305	8,778	296,224	159,349
Disposals	-	(220,771)	-	-	(9,932)	(230,703)	(7,807)
Balance on December 31, 2024	962,157	6,035,691	244,580	640,443	2,117,200	10,000,071	2,776,864
Accumulated depreciation							
Balance on December 31, 2023	-	3,565,023	244,580	506,255	1,832,380	6,148,238	2,564,189
Depreciation and amortization	-	192,882	-	57,375	80,604	330,861	74,679
Disposals	-	(183,514)	-	-	-	(183,514)	(7,807)
Balance on December 31, 2024	-	3,574,391	244,580	563,630	1,912,984	6,295,585	2,631,061
Net book value							
December 31, 2024	$ 962,157	$ 2,461,300	$ -	$ 76,813	$ 204,216	$ 3,704,486	$ 145,803

10. Property and equipment and intangible assets (continued)

	Property and equipment						Intangible assets
	Land	Buildings	Leasehold improvement	Computer hardware	Furniture and fixtures	Total	Total
Cost							
Balance on December 31, 2022	$ 962,157	$ 5,993,514	$ 244,580	$ 542,399	$ 2,161,394	$ 9,904,044	$ 2,591,894
Additions	-	27,807	-	58,469	256,589	342,865	35,303
Disposals	-	-	-	(12,730)	(299,629)	(312,359)	(1,875)
Balance on December 31, 2023	962,157	6,021,321	244,580	588,138	2,118,354	9,934,550	2,625,322
Accumulated depreciation							
Balance on December 31, 2022	-	3,374,929	244,580	449,971	2,095,244	6,164,724	2,471,691
Depreciation and amortization	-	190,094	-	63,177	42,602	295,873	94,373
Disposals	-	-	-	(6,893)	(305,466)	(312,359)	(1,875)
Balance on December 31, 2023	-	3,565,023	244,580	506,255	1,832,380	6,148,238	2,564,189
Net book value							
December 31, 2023	$ 962,157	$ 2,456,298	$ -	$ 81,883	$ 285,974	$ 3,786,312	$ 61,133

11. Other assets

	2024	2023
Prepaid expenses	**$ 1,786,820**	$ 2,306,900
Other accounts receivable	**4,886**	46,090
	$ 1,791,706	$ 2,352,990

12. Borrowings

The Credit Union has authorized lines of credit with Central 1 totalling $26,500,000 denominated in Canadian dollars; however, $1,000,000 is held as security for secured letters of credit. These credit facilities are secured by a registered assignment of book debts and a general security agreement covering all assets of the Credit Union. As at December 31, 2024, drawings on the operating line were $Nil (2023 - $Nil) incurring interest at a rate of 4.15% (2023 - 5.00%).

13. Secured borrowings

The Credit Union enters into loan securitization transactions for residential mortgages. In accordance with the Credit Union's accounting policy, the transferred financial assets continue to either be recognized in their entirety or to the extent of the continuing involvement or are derecognized in their entirety.

Transferred financial assets that are not derecognized in their entirety

All loans to members are measured at amortized cost in the statement of financial position.

	2024	2023
Carrying amounts of assets, including loans to members	**$ 90,750,334**	$ 79,139,661
Carrying amounts of associated liabilities recognized as secured borrowings	**$ 88,383,195**	$ 77,244,373

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

14. Deposits

	2024	2023
Term	$ **399,024,174**	$ 369,526,916
Chequing	**153,330,695**	161,728,732
Savings	**143,040,293**	142,773,349
Tax free savings account	**77,532,150**	68,584,379
Registered retirement savings plan	**34,502,053**	36,204,150
Registered retirement income funds	**28,114,380**	27,091,601
Accrued interest and dividends	**11,679,243**	9,982,580
Registered education savings plan	**3,001,575**	2,963,346
Registered disability savings plan	**1,913,126**	1,679,809
Members' shares (Note 18)	**617,357**	598,938
	$ **852,755,046**	$ 821,133,800

Terms and conditions

Chequing deposits are due on demand and bear interest at a variable rate up to 0.25% at December 31, 2024 (2023 - 0.25%). Interest is calculated daily and paid on the accounts monthly.

Savings deposits are due on demand and bear interest at a variable rate up to 1.60% at December 31, 2024 (2023 - 1.60%). Interest is calculated daily and paid on the accounts monthly.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semi-annually, monthly or upon maturity. The interest rates offered on term deposits issued on December 31, 2024 range from 0.40% to 3.60% (2023 - 0.40% to 5.20%).

The registered retirement savings plans ("RRSPs") accounts can be fixed or variable rate. The fixed rate RRSPs have terms and rates similar to the term deposit accounts described above. The variable rate RRSPs bear interest at rates up to 1.00% at December 31, 2024 (2023 -1.00%).

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

Registered education savings plan ("RESPs") and registered disability savings plan ("RDSPs") consist of both fixed and variable rate products with terms and conditions similar to those of the RRSPs described above.

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

See Note 22 on liquidity risk and fair value risk for members deposits.

14. Deposits (continued)

Average yields to maturity

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

	2024		2023	
	Principal	**Yield**	Principal	Yield
Non-interest sensitive	**$ 266,760,486**	**0.67%**	$ 273,716,666	0.62%
Variable rate	**47,057,187**	**1.06%**	48,330,354	2.04%
Fixed rate due less than one year	**360,592,195**	**3.98%**	311,017,746	4.57%
fixed rate due between one and five years	**166,665,934**	**3.62%**	178,086,454	3.98%
	841,075,802	**2.70%**	811,151,220	2.96%
Accrued interest and dividends payable	**11,679,243**	**0.00%**	9,982,580	0.00%
	$ 852,755,045	**2.70%**	$ 821,133,800	2.96%

Fair value

The fair value of member deposits at December 31, 2024 was $853,537,942 (2023 - $813,368,737).

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

15. Payables and other liabilities

	2024	2023
Derivatives	**$ 810,187**	$ 3,001,820
Payables and accruals	**3,364,044**	2,632,791
Income taxes payable	**133,547**	494,990
	$ 4,307,778	$ 6,129,601

16. Pension plan

The Credit Union is one of several employers participating in the 1.75% Defined Benefit Division of the BC Credit Union Employees' Pension Plan (the "Plan"). The BC Credit Union Employees' Pension Plan is a contributory, multi-employer, multi-divisional registered pension plan governed by a Board of Trustees which is responsible for overseeing the management of the Plan, including the investment of the assets and administration of the benefits. Based on the fourth quarter's information for 2024, this Plan Division covers about 3,200 active members, 2,000 inactive members, and approximately 1,700 retired plan members for a total membership count of 6,900, with reported assets estimated at $1.25 billion (as of November 2024).

At least once every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of the funding levels. The most recent actuarial valuation of the 1.75% Division of the Plan was conducted as at December 31, 2021. This latest actuarial valuation indicated a going concern surplus of $112.5M and a solvency deficiency of $10.4M. The next formally scheduled actuarial valuation date will be performed as at December 31, 2024. The results of the 2024 valuation are expected to be finalized by the end of September 2025.

Employer contributions to the Plan are established by the Trustees upon advice from the Plan's actuary. The employer contribution rate schedule as determined under the 2021 valuation will continue to remain the same in 2025 as it was in 2024.

The Credit Union paid $840,797 (2023 - $764,012) in employer contributions to the plan in fiscal year 2024.

17. Income Taxes

Net deferred income tax asset is composed of the following:

	2024	2023
Allowance for credit losses	**$ 982,486**	$ 613,000
Deferred loan fee	**253,442**	246,000
Other	**30,830**	20,100
Net deferred income tax asset	**$ 1,266,758**	$ 879,100

17. Income Taxes (continued)

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 27.0% (2023 - 27.0%) are as follows:

	2024	2023
Anticipated income tax	**$ 1,098,076**	$ 1,040,399
Tax effect of the following:		
Provincial credit union rate reduction	**(202,390)**	(383,613)
Other	**(352,349)**	52,301
	$ 543,337	$ 709,087

18. Members' shares

Members' shares issued and outstanding are included in deposit balances (see Note 14). Patronage and investment shares are not guaranteed by the Credit Union Deposit Insurance Corporation of BC.

Terms and conditions

Membership shares

Membership shares are Class B shares that are a requirement for membership in the Credit Union and are redeemable on withdrawal from membership. They are considered voting shares and have minimum deposit requirements based on age of member and a maximum of 1,000 shares.

Patronage shares

Patronage shares were issued as part of patronage refunds and dividends. These shares are non-voting, redeemable at the option of the board of directors of the Credit Union and have a maximum of 1,000 shares.

Investment shares

Investment shares are non-voting, can be issued only to members of the Credit Union, and pay dividends at the discretion of the board of directors in the form of cash or additional shares. They are subject to a maximum of 5,000 shares and are redeemable only at the option of the board of directors of the Credit Union.

18. Members' shares (continued)

Distributions to members

	2024		2023	
	Net earnings	**Net equity**	**Net earnings**	**Net equity**
Dividends on patronage shares	**$ -**	**$ 5,455**	$ -	$ 9,354
Dividends on investment shares	**-**	**64,423**	-	107,949
Dividends on membership shares	**22,722**	**-**	30,943	-
Less related income taxes	**-**	**(18,867)**	-	(25,171)
	$ 22,722	**$ 51,011**	$ 30,943	$ 92,132

19. Other income

	2024	2023
Loan administration fees	**$ 1,619,514**	$ 1,311,721
Commissions	**1,458,449**	1,266,163
Account service fees	**1,284,532**	1,186,509
Foreign exchange and other	**590,497**	641,587
	$ 4,952,992	$ 4,405,980

20. Other operating and administrative expenses

	2024	2023
Advertising and member relations	**$ 484,314**	$ 461,682
Write down of investment in associates	**82,500**	-
Clearing and processing charges	**1,010,812**	880,912
Data processing	**1,879,007**	1,379,131
MBS administration expenses	**254,580**	250,420
Office and general	**1,177,169**	1,002,941
Professional fees	**1,698,912**	1,488,575
Regulatory costs	**331,805**	357,290
	$ 6,919,099	$ 5,820,951

21. Related party transactions

The Credit Union's related parties include key management personnel. Key management personnel are those persons with authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, as well as the directors of the Credit Union, and close family members. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

	2024	2023
Compensation		
Salaries and other short-term employee benefits	**$ 1,634,154**	$ 1,510,086
Total pension and other post-employment benefits	**150,944**	186,766
	$ 1,785,098	$ 1,696,852
Loans to key management personnel		
Aggregate value of loans advanced	**$ 2,961,670**	$ 3,869,552
Interest received on loans advanced	**137,039**	179,943
Aggregate value of lines of credit advanced	**276,562**	338,646
Interest received on lines of credit advanced	**15,764**	26,845
Unused value of lines of credit	**53,438**	71,354
	$ 3,444,473	$ 4,486,340

The Credit Union's policy for lending to key management personnel is that all such loans were granted in accordance with normal lending terms.

	2024	2023
Deposits from key management personnel		
Aggregate value of term and savings deposits	**$ 2,092,476**	$ 1,516,046
Interest paid on term and savings deposits	**7,978**	39,367
	$ 2,100,454	$ 1,555,413

The Credit Union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted in accordance with the same conditions which apply to members for each type of deposit.

(b) Remuneration to directors for the fiscal year 2024 was $81,776 (2023 - $66,918).

22. Financial Instrument risk management general objectives, policies and processes

The board of directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's finance function. The board of directors receives quarterly reports from the Credit Union's executive through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Sunshine Coast Credit Union holds cash and cash equivalents and investments, which have been determined to have minimal credit risk. The Sunshine Coast Credit Union is exposed to credit risk resulting from the possibility that a borrower or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty located in the same geographic region; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. Geographic risk exists for the Credit Union due to its primary service area being the Sunshine Coast and surrounding areas.

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

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

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

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

22. Financial Instrument risk management general objectives, policies and processes (continued)

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

- 1 – Excellent risk - assigned to undoubted member loans with virtually no risk
- 2 – Very good risk - assigned to member loans that have minimal risk of any loss
- 3 – Satisfactory risk – assigned to member loans that have normal risk of any loss
- 4 – Less than satisfactory risk – assigned to member loans that are higher risk and that should be placed on a watch list for increased monitoring
- 5 – Poor risk – assigned to member loans that are no longer supported by security value, specific provision may be required

Member loans are subject to ongoing monitoring, which may result in the member loan being moved to a different credit risk grade. The monitoring typically involves the use of information obtained during periodic review of customer files, for example, audited financial statements, data from credit reference agencies, actual and expected significant changes in the regulatory and technological environment of the borrower or in its business activities, payment record including overdue status and existing and forecast changes in business, financial and economic conditions.

The following table discloses the breakdown of debt securities held (Note 6) by credit rating:

	2024	2023
R-1H	**$ 6,999,003**	$ 5,692,617
R-1L	**2,984,448**	-
BBB	**4,955,979**	-
AAA	**41,199,736**	40,116,382
AA (high)	**3,711,167**	1,803,055
AA (low)	**38,554,987**	34,465,894
A (low)	**499,245**	488,415
	$ 98,904,565	$ 82,566,363

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

22. Financial Instrument risk management general objectives, policies and processes (continued)

Liquidity risk

Liquidity risk is the risk that the Sunshine Coast Credit Union will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Sunshine Coast Credit Union will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Credit Union's business requires such capital for operating and regulatory purposes.

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

The Credit Union manages liquidity risk by:

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

The board of directors receives monthly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was in compliance with the liquidity requirements throughout the fiscal year.

The maturities of liabilities are shown below under market risk. The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Credit Union segregates market risk into two categories: fair value risk and interest rate risk. The Credit Union is not significantly exposed to currency risk or other price risk.

22. Financial Instrument risk management general objectives, policies and processes (continued)

Market risk (continued)

Fair value risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Credit Union incurs fair value risk on its loans, term deposits and investments held. The Credit Union does not hedge its fair value risk.

The fair value hierarchy establishes three levels to classify the significance of inputs to valuation techniques used in making fair value measurements.

- Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs are based on unobservable market data.

The following table presents the financial instruments carried on the statement of financial position at fair value by asset class and by level within the valuation hierarchy:

	($'000)			
	Level 1	Level 2	Level 3	Total fair value
2024				
Financial assets				
Central 1 and CUPP Services Ltd. shares	$ -	$ 255	$ -	$ 255
Investment, other shares	-	27	-	27
Government bonds	33,414	-	-	33,414
Corporate bonds	24,271	-	-	24,271
Provincial bonds	39,810	-	-	39,810
Mortgage-backed securities	1,409	-	-	1,409
	$ 98,904	$ 282	$ -	$ 99,186

22. Financial Instrument risk management general objectives, policies and processes (continued)

Market risk (continued)

Fair value risk (continued)

($'000)

	Level 1	Level 2	Level 3	Total fair value
2023				
Financial assets				
Central 1 and CUPP Services Ltd. shares	$ -	$ 255	$ -	$ 255
Investment, other shares	-	57	-	57
Government bonds	33,587	-	-	33,587
Corporate bonds	12,692	-	-	12,692
Provincial bonds	33,551	-	-	33,551
Mortgage-backed securities	2,736	-	-	2,736
	$ 82,566	$ 312	$ -	$ 82,878

Measurement of fair value of financial instruments

The Credit Union performs valuations of financial items for financial reporting purposes, including Level 2 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

Level 2 financial instruments consist of statutory deposits, investments with Central 1 and debt securities. Typically, the Central 1 shares are not available for trade in an active market but the effects of non-observable inputs are not significant for shares at year end.

Level 2 financial instruments also include derivative instruments, which is determined by using quoted market benchmark rates from an independent source. The Credit Union uses a valuation method that includes discounted cash flows on the remaining contractual life of a derivative instrument and valuation models that use observable market data.

The following table sets out the fair values of the remaining financial instruments by asset class and by level in the valuation in the hierarchy into which each fair value measurement is categorized:

22. Financial Instrument risk management general objectives, policies and processes (continued)

Market risk (continued)

Fair value risk (continued)

Measurement of fair value of financial instruments (continued)

	($'000)			
	Level 1	Level 2	Level 3	Total fair value
2024				
Assets				
Cash and cash equivalents	$ 4,228	$ 42,846	$ -	$ 47,074
Term deposits	2,209	-	-	2,209
Loans	-	847,816	-	847,816
Other accounts receivable	-	5	-	5
Total assets	$ 6,437	$ 890,667	$ -	$ 897,104
Liabilities				
Secured borrowings	-	88,383	-	88,383
Deposits	-	853,538	-	853,538
Payables and other liabilities	-	4,308	-	4,308
Total liabilities	$ -	$ 946,229	$ -	$ 946,229
2023				
Assets				
Cash and cash equivalents	$ 18,914	$ 23,312	$ -	$ 42,226
Term deposits	926	-	-	926
Loans	-	803,741	-	803,741
Other accounts receivable	-	46	-	46
Total assets	$ 19,840	$ 827,099	$ -	$ 846,939
Liabilities				
Secured borrowings	-	77,244	-	77,244
Deposits	-	813,369	-	813,369
Payables and other liabilities	-	6,130	-	6,130
Total liabilities	$ -	$ 896,743	$ -	$ 896,743

22. Financial Instrument risk management general objectives, policies and processes (continued)

Market risk (continued)

Interest rate risk

Where available, the fair value of loans and receivables is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques.

There were no movements between the fair value levels during the year.

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union incurs interest rate risk on its loans, deposits and other interest bearing financial instruments.

The Credit Union's position is measured quarterly. Measurement of risk is based on rates charged to clients as well as funds transfer pricing rates.

The Credit Union is exposed to interest rate risk as a consequence of the mismatch, or gap between the assets, liabilities and off balance sheet instruments scheduled to reprice on particular dates.

Maturity dates substantially coincide with interest adjustment dates. Amounts with floating interest rates, or due on demand, are classified as maturing within three months, regardless of maturity. Amounts that are not interest sensitive are grouped together, regardless of maturity.

As at December 31, 2024, the Credit Union had entered into interest rate swap contracts for a total of $55.0 million of notional principal (2023 - $60.0 million) maturing at various times between 2025 and 2027 (2023 - 2024 and 2027). Interest rate swaps involve the exchange of interest flows between two parties on a specified notional principal amount for a predetermined period at agreed upon fixed and floating rates. Principal amounts are not exchanged and are not indicative of a credit exposure. The Credit Union's goal is to manage the interest rate risk of the statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

The following tables do not incorporate management’s expectation of future events where re-pricing or maturity dates of certain loans and deposits differ significantly from the contractual date.

22. Financial Instrument risk management general objectives, policies and processes (continued)

Market risk (continued)

Interest rate risk (continued)

2024		($'000)				
		Interest sensitive balances				
	Average rates	Within 3 months	4 months to 1 year	Over 1 to 7 years	Non-interest rate sensitive	Total
Assets						
Cash and investments	3.63%	$ 65,226	$ 18,207	$ 60,070	$ 2,000	$ 145,503
Loans	5.08%	251,720	170,163	436,457	(3,553)	$ 854,787
Other	0.04%	-	-	-	12,610	$ 12,610
		$ 316,946	$ 188,370	$ 496,527	$ 11,057	$ 1,012,900
Liabilities						
Deposits and shares	2.70%	$ 147,338	$ 259,487	$ 166,666	$ 266,760	$ 840,251
Others	2.47%	7,356	24,419	54,670	86,204	172,649
		$ 154,694	$ 283,906	$ 221,336	$ 352,964	$ 1,012,900
Balance sheet mismatch		$ 162,252	$ (95,536)	$ 275,191	$ (341,907)	$ -
Derivatives		(55,000)	-	55,000	-	-
Interest sensitivity position 2024		$ 107,252	$ (95,536)	$ 330,191	$ (341,907)	$ -

22. Financial Instrument risk management general objectives, policies and processes (continued)

Market risk (continued)

Interest rate risk (continued)

2023		($'000)				
		Interest sensitive balances				
	Average rates	Within 3 months	4 months to 1 year	Over 1 to 7 years	Non-interest rate sensitive	Total
Assets						
Cash and investments	4.19%	$ 59,034	$ 15,428	$ 51,081	$ 1,643	$ 127,186
Loans	5.49%	190,214	141,642	503,361	(3,157)	$ 832,060
Other	0.04%	-	-	-	7,134	$ 7,134
		$ 249,248	$ 157,070	$ 554,442	$ 5,620	$ 966,380
Liabilities						
Deposits and shares	2.95%	$ 119,545	$ 239,803	$ 176,944	$ 284,842	$ 821,134
Others	2.29%	3,248	17,929	58,524	65,545	145,246
		$ 122,793	$ 257,732	$ 235,468	$ 350,387	$ 966,380
Balance sheet mismatch		$ 126,455	$ (100,662)	$ 318,974	$ (344,767)	$ -
Derivatives		(60,000)	5,000	55,000	-	-
Interest sensitivity position 2023		$ 66,455	$ (95,662)	$ 373,974	$ (344,767)	$ -

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity.

An analysis of the Credit Union's risk due to changes in interest rates determined that an increase in interest rates of 1% could result in an increase to net earnings of $638,000 (2023 - $453,000) and a decrease in interest rates of 1% could result in a decrease to net earnings of $1,116,000 (2023 - $689,000).

22. Financial Instrument risk management general objectives, policies and processes (continued)

Market risk (continued)

Interest rate risk (continued)

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

Risk Measurement

The Credit Union's position is measured quarterly. Measurement of risk is based on rates charged to clients as well as funds transfer pricing rates.

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

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management.

Currency risk

Currency risk relates to the Credit Union operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Credit Union’s foreign exchange risk is related to US dollar deposits. As at December 31, 2024, the Credit Union has $3,454,152 (2023 - $4,778,000) of US dollars included in cash and cash equivalents and deposits of $4,818,570 (2023 - $5,012,287) denominated in US dollars.

23. Derivative financial instruments

As at December 31, 2024, the Credit Union holds an outstanding position in interest rate swap contracts with a notional principal totaling $55.0 million (2023 - $60.0 million) where the Credit Union has agreed to pay at floating interest rates based on banker's acceptance rates and receive at fixed interest rates. These swaps contracts have fixed interest rates ranging from 1.358% to 3.650% (2023 - 1.358% to 3.650%) and mature from May 27, 2026 to December 13, 2027 (2023 - December 12, 2024 to December 12, 2027). The agreements are secured by a general security agreement covering all assets of the Credit Union.

The hedging gain of the derivative recognized in Other Comprehensive Income net of tax effect in the current year is $1,244,322, and there is no impact on net income during the year.

The derivatives described above are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value, in both cases shown on the statement of financial position.

All derivative valuations are Level 2 (Note 22) valuations and there were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2024 and 2023.

24. Capital Management

The Credit Union requires capital to fund existing and future operations and to meet regulatory capital requirements.

In the management of capital, the Credit Union included retained earnings and members’ shares totalling $67.3 million (2023 - $63.7 million).

The Credit Union is required under provincial legislation to maintain a minimum capital base equal to 8% of the total risk weighted value of assets, each asset being assigned a risk factor based on the probability that a loss may be incurred on ultimate realization of that asset.

The Credit Union’s current capital base is equal to approximately 15% (2023 - 15%) of the total value of risk weighted assets.

The Credit Union employs a Capital Management Plan and a Capital Appreciation Plan that are reviewed by management and the board of directors. The Capital Appreciation Plan forecasts the Credit Union’s capital position over a five-year period.

The Capital Management Plan dictates management's approach to growth, loan mix, credit quality, fixed assets, profitability objectives and dividend/patronage rebate policy, and has a significant influence on member service objectives. It also establishes the criteria to maintain a cushion beyond the minimum statutory capital requirements. Management and the board of directors ensure the Credit Union's Investment and Lending Policy and credit risk profile reflect loan portfolio composition and levels of risk that are consistent with the Credit Union's Capital Management Plan objectives. There has been no change in the overall capital requirements strategy employed during the year ended December 31, 2024 .

24. Capital Management (continued)

Management will continue to develop business plans targeting capital adequacy ratio which exceed the minimum ratio established by the internal target. Capital adequacy ratio is driven by the risk weighting of the Credit Union's assets. Accordingly, capital adequacy objectives must take into account factors such as loan mix, investment quality and the level of fixed assets.

Decisions relating to strategic objectives that impact the risk weighting of the Credit Union's assets are analyzed by management to determine their effect on the Credit Union's capital adequacy ratio.

25. Commitments

Loans to members

The Credit Union has the following commitments to its members at the year-end date on account of loans, unused lines of credit and letters of credit:

Unadvanced loans	$ 22,105,768
Unused lines of credit	$ 77,332,552
Letters of credit	$ 4,590,231

Contractual obligations

IT outsourcing services

The Credit Union is committed to acquiring outsourced IT and network services until October 1, 2025 at an approximate cost of $661,750 per year. IT and network service charges are a flat fee with annual increases occurring only up to the level of Consumer Price Index increases for the prior year.

Data processing services

The Credit Union is committed to purchasing online data processing services until March 31, 2026 at an approximate cost of $553,937 per year. Data processing charges are based on the level of equipment and services utilized and on the number of Credit Union members.

Off balance sheet

Letters of credit

In the normal course of business, the Credit Union enters into various off balance sheet commitments such as letters of credit. Letters of credit are not reflected on the balance sheet.

At December 31, 2024, the Credit Union has outstanding letters of credit on behalf of members in the amount of $4,590,231 (2023 - $4,112,646). These letters of credit have various levels of security.

25. Commitments (continued)

Funds under administration

Off balance sheet funds under administration by the Credit Union are comprised of loans that have been syndicated, sold mortgages to other Credit Unions and are administered in the capacity as an agent. Off balance sheet funds are not included in the statement of financial position and the balance as at year end is $19,188,463 (2023 - $17,266,641). As at December 31, 2024, the Credit Union has unadvanced loans of $Nil (2023 - $1,127,165) related to these syndicated loans.

Canada Emergency Business Account ("CEBA")

At December 31, 2024, the Credit Union has disbursed loans in the amount of $820,000 (2023 - $4,778,000) on behalf of Central 1 related to the CEBA program. This amount has not been included in the loans balance on the statement of financial position.

26. Supplemental cash flow disclosures

Net changes in non-cash working capital items are comprised of the following:

	2024	2023
Change in derivatives	**$ 1,244,322**	$ 682,472
Change in financial instruments at FVOCI	**994,882**	1,293,538
Change in investments in associates	**82,500**	-
Change in assets held for sale	**-**	15,215
Change in other assets	**561,284**	859,765
Change in deferred income tax	**(387,658)**	(246,100)
Change in deferred loan fees	**(231,656)**	261,889
Change in payables and other liabilities	**(1,821,823)**	512,535
	$ 441,851	$ 3,379,314