Consolidated financial statements of
Noventis Credit Union Ltd.

December 31, 2021

Management's Responsibility

To the Members of
Noventis Credit Union Ltd.

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

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

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external accountants. The Board is also responsible for recommending the appointment of the Credit Union's external auditor.

Deloitte LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

March 28, 2022

Chief Executive Officer

Chief Financial Officer

Deloitte.

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Independent Auditor's Report

To the Members of
Noventis Credit Union Ltd.

Opinion

We have audited the consolidated financial statements of Noventis Credit Union Ltd. (the "Credit Union"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of income and comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the 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 Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the 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.

Deloitte LLP

Chartered Professional Accountants
March 28, 2022
Winnipeg, Manitoba

Noventis Credit Union Ltd.

Consolidated statement of financial position

As at December 31, 2021

	Notes	2021 $	2020 $
Assets			
Cash and cash equivalents		**148,791,569**	187,990,055
Investments	5	**24,711,156**	24,089,284
Members' loans	6	**959,436,554**	831,552,355
Other assets	8	**2,298,293**	2,364,845
Investment property	9	**361,894**	-
Property and equipment	10	**12,256,516**	12,857,682
Right of use assets		**798,249**	925,712
Goodwill and intangible assets	11	**4,114,404**	4,424,547
		1,152,768,635	1,064,204,480
Liabilities			
Members' savings and deposits	12	**1,076,695,314**	991,833,291
Accounts payable and other liabilities		**6,278,761**	7,740,300
Lease liabilities		**848,444**	959,540
Income taxes payable		**508,444**	222,099
Deferred tax liability	13	**113,776**	843,857
		1,084,444,739	1,001,599,087
Commitments	20		
Members' equity			
Members' shares	14	**5,533,907**	5,744,285
Retained earnings		**62,789,989**	56,861,108
		68,323,896	62,605,393
		1,152,768,635	1,064,204,480

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

Approved by the Board

P. [signature], Director

[signature], Director

Noventis Credit Union Ltd.

Consolidated statement of income and comprehensive income

Year ended December 31, 2021

	Notes	2021 $	2020 $
Interest income			
Interest from members' loans		**28,853,823**	28,935,619
Investment income		**2,785,725**	3,328,366
		31,639,548	32,263,985
Interest expense		**11,814,572**	14,543,300
Net interest income		**19,824,976**	17,720,685
Operating expenses			
Administration		**5,049,097**	5,359,834
Member security		**919,857**	839,021
Occupancy		**2,330,097**	1,995,927
Organizational		**518,528**	500,683
Personnel		**11,967,255**	11,342,417
		20,784,834	20,037,882
Other revenue			
Fees and commissions		**5,471,832**	4,525,344
Insurance commissions		**2,602,124**	2,644,464
		8,073,956	7,169,808
Net operating expenses		**12,710,878**	12,868,074
Income from operations before provision for credit losses and income taxes		**7,114,098**	4,852,611
Provision for credit losses	7	**251,855**	956,684
Income before provision for income taxes		**6,862,243**	3,895,927
Provision for current income taxes		**1,663,443**	911,717
(Recovery) provision for deferred income taxes		**(730,081)**	129,083
		933,362	1,040,800
Net income and comprehensive income		**5,928,881**	2,855,127

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

Noventis Credit Union Ltd.

Consolidated statement of changes in members' equity

Year ended December 31, 2021

	Notes	Members' shares $	Retained earnings $	Total $
Balance January 1, 2020		6,209,235	54,005,981	60,215,216
Net income and comprehensive income		—	2,855,127	2,855,127
Issuance of member shares	14	33,525	—	33,525
Redemption of member shares	14	(498,475)	—	(498,475)
Balance December 31, 2020		5,744,285	56,861,108	62,605,393
Net income and comprehensive income		—	5,928,881	5,928,881
Issuance of member shares	14	24,214	—	24,214
Redemption of member shares	14	(234,592)	—	(234,592)
Balance December 31, 2021		**5,533,907**	**62,789,989**	**68,323,896**

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

Noventis Credit Union Ltd.

Consolidated statement of cash flows

Year ended December 31, 2021

	Notes	2021 $	2020 $
Operating activities			
Net income and comprehensive income		**5,928,881**	2,855,127
Adjustments for			
Net interest income		**(19,824,976)**	(17,720,685)
Amortization of investment property	9	**34,800**	—
Amortization of property and equipment	10	**1,030,095**	838,068
Amortization of right of use assets		**127,463**	387,246
Amortization of intangibles	11	**310,143**	310,144
Interest relating to lease liabilities		**39,315**	48,128
Provision for current income taxes		**1,663,443**	911,717
(Recovery) provision for future income taxes		**(730,081)**	129,083
Provisions for credit losses	7	**251,855**	956,684
		(11,169,062)	(11,284,488)
Changes in non-cash working capital			
Members' loans, net of repayments		**(128,650,254)**	(53,303,876)
Members' savings and deposits, net of withdrawals		**85,620,744**	96,387,049
Other assets		**66,552**	(239,498)
Accounts payable and other liabilities		**(1,461,539)**	2,932,366
		(55,593,559)	34,491,553
Cash generated from operations			
Interest received		**32,168,944**	32,568,804
Interest paid		**(12,573,293)**	(14,590,509)
Income taxes paid		**(1,377,098)**	(525,094)
		(37,375,006)	51,944,754
Investing activities			
Additions to property and equipment		**(825,623)**	(229,672)
Investments		**(637,068)**	104,673,510
Lease payments		**(150,411)**	(355,879)
		(1,613,102)	104,087,959
Financing activities			
Redemption of member shares, net of issuances	14	**(210,378)**	(464,950)
Net (decrease) increase in cash and cash equivalents during the year		**(39,198,486)**	155,567,763
Cash and cash equivalents, beginning of the year		**187,990,055**	32,422,292
Cash and cash equivalents, end of the year		**148,791,569**	187,990,055

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

1. Reporting entity information

Noventis Credit Union Ltd. (the "Credit Union" or "Noventis") was formed pursuant to the Credit Union and Caisses Populaires Act of the Province of Manitoba, Canada and operates eleven Credit Union branches in the Interlake Region and communities surrounding the City of Winnipeg. The address of the Credit Union's registered office is 34 Centre Street, Box 1139, Centre Street, Gimli, Manitoba, R0C 1B0.

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

The Credit Union conducts its principal operations through various branches, offering products and services including deposit business, individual lending, and independent business and commercial lending. The deposit business provides a wide range of deposit and investment products and sundry financial services to all members. The lending business provides a variety of credit products and services designed specifically for each particular group of borrowers. Other business comprises business of a corporate nature such as real estate and insurance, investment risk management, asset liability management, treasury operations and revenue and expenses not expressly attributed to the business units.

2. Basis of preparation

Statement of compliance

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

Basis of measurement

The consolidated financial statements have been prepared using the historical basis except financial assets held at fair value through profit and loss (FVTPL), which have been measured at fair value, which include certain investments.

These consolidated financial statements for the year ended December 31, 2021, were approved and authorized for issue by the Board of Directors on March 28, 2022.

Functional and presentation currency

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Credit Union and its wholly owned subsidiaries, Noventis Financial Ltd., Greenway Financial Services Inc., and Interlake Agencies Ltd. All intercompany assets and liabilities, equity, income and expenses relating to transactions between Noventis and its subsidiaries are eliminated in full upon consolidation.

Subsidiaries are entities controlled by the Credit Union. Control is achieved where the Credit Union has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. The consolidated financial statements have been prepared using uniform accounting policies for transactions and other events in similar circumstances.

2. Basis of preparation (continued)

Basis of consolidation (continued)

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

3. Significant accounting policies

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

Financial instruments

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

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issues of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The measurement categories are as follows:

- Fair value through profit or loss ("FVTPL");
- Amortized cost.

The application of these categories specifically is as follows:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding, are subsequently measured at amortized cost;
- All other debt instruments (e.g., debt instruments managed on a fair value basis or held for sale) and equity investments are subsequently measured at FVTPL.

For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. The principal amount may change over the life of the financial asset (e.g., if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

An originated or acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Credit Union determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business model objective. The Credit Union's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Credit Union has business models for managing its financial instruments which reflect how the Credit Union manages its financial assets in order to generate cash flows. The Credit Union's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Credit Union considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Credit Union does not reasonably expect to occur, such as so-called "worst case" or "stress case" scenarios.

(a) Debt instruments at amortized cost

The Credit Union assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Credit Union's business model for managing the asset.

For an asset to be classified and measured at amortized cost, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

At initial recognition of a financial asset, the Credit Union determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Credit Union reassesses its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Credit Union has not identified a change in its business models.

Debt instruments are measured at amortized cost using the effective interest method and are subject to impairment. See the Impairment section below. Interest income on debt instruments at amortized cost is recognized in interest on members' loans and investment income on the consolidated statement of income and comprehensive income.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability, and of allocating interest income or expense over the relevant period. The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(b) Financial assets at FVTPL

The Credit Union classifies the following financial assets at FVTPL:

- Assets with contractual cash flows that are not SPPI; and/or
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 18.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities may be designated at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities at FVTPL are measured at fair value with changes in fair value being recognized in the consolidated statement of income and comprehensive income. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Credit Union's holdings in financial liabilities are classified as measured at amortized cost.

Impairment

The Credit Union assesses loss allowance for ECL on its financial instruments that are not measured at FVTPL. Loss allowances are recognized on members' loans (Note 7).

No impairment loss is recognized on equity instruments.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e., Lifetime ECLs that result from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as Stage 1); or
- Full lifetime ECL, i.e., lifetime ECLs that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided below.

3. Significant accounting policies (continued)

Financial instruments (continued)

Impairment (continued)

ECLs are an estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Credit Union under the contract and the cash flows that the Credit Union expects to receive, discounted at the asset's EIR.

The Credit Union measures ECL on an individual basis. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

(a) *Credit-impaired financial assets*

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit impaired. The Credit Union assesses whether debt instruments that are financial assets measured at amortized cost are credit-impaired at each reporting date.

(b) *Definition of default*

The Credit Union considers a financial instrument to be in default (Stage 3) as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- Significant financial difficulty of the borrower;
- High probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- Measurable decrease in the estimated future cash flows from the loan or value of the underlying collateral.

In addition to these observable indicators, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. The Credit Union does not currently rebut this presumption except for certain insured loans where, due to the strength of the underlying credit enhancement, it is reasonably certain that collection efforts will result in a full recovery of the defaulted loan.

3. Significant accounting policies (continued)

Financial instruments (continued)

Impairment (continued)

(c) Significant increase in credit risk

At each reporting date, the Credit Union assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. In making this assessment, the Credit Union considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

There is a particular focus on assets that are included on a "watch list", given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending the Credit Union considers the credit score changes of its members and events such as bankruptcy.

There is a rebuttable presumption that the credit risk of the financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days overdue. The Credit Union currently does not rebut this presumption.

More information about credit risk is provided in Note 19.

(d) Model parameters

The following variables represent the key inputs in the Credit Union's ECLs:

- Probability of Default ("PD") – an estimate of the likelihood of default over a given time horizon.
- Loss Given Default ("LGD") – an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral.
- Exposure at Default ("EAD") – an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and expected drawdowns on committed facilities.

These parameters are generally derived from the Credit Union's own historical loss data by major asset class.

(e) Forward looking information

The measurement of ECLs for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

In its models, the Credit Union relies on forward-looking macroeconomic factors, such as housing starts, unemployment rates, and real GDP.

3. Significant accounting policies (continued)

Financial instruments (continued)

Impairment (continued)

(e) Forward looking information (continued)

The Credit Union utilizes multiple probability-weighted scenarios to estimate the forward-looking macroeconomic factors. The Credit Union considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Credit Union relies upon forecasts generated by an external vendor. The external vendor provides multiple forecasted scenarios which are then assessed and probability-weighted by the Credit Union using judgment.

Typically, the Credit Union will probability-weight the "base case" scenario most heavily as it represents the most likely outcome and is aligned with information used by the Credit Union for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

(f) Write-offs

The Credit Union writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may occur earlier. In subsequent periods, any recoveries of amounts previously written off are credited to the net provision for credit losses in the consolidated statement of income and comprehensive income.

(g) Presentation of provision for credit losses

The Credit Union presents its provision for credit losses in the consolidated financial statements as a deduction from the gross carrying amount of members' loans.

Derecognition

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or when the Credit Union has transferred substantially all the risks and rewards of ownership of the assets.

Where substantially all of the risks and rewards of ownership of the financial asset are not retained or transferred, the Credit Union derecognizes the transferred asset only if it no longer controls the asset. Control is represented by the practical ability to sell the transferred asset without the need to impose additional restrictions. If the Credit Union retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement.

When a financial asset is derecognized, a gain or loss is recognized in net income for an amount equal to the difference between the carrying amount of the derecognized asset and the value of the consideration received, including any new assets and/or liabilities recognized.

Financial liabilities are derecognized when the associated obligation has been discharged, cancelled or otherwise extinguished.

3. Significant accounting policies (continued)

Financial instruments (continued)

Modification

If the terms of a financial instrument are modified, the Credit Union evaluates whether the cash flows of the modified instrument are substantially different by comparing the present value of the original cash flows to the revised cash flows discounted at the effective interest rate. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial instrument are deemed to have expired. In this case, the original financial asset or liability is derecognized and a new financial asset or liability is recognized in the consolidated statement of financial position at fair value.

If the cash flows of the modified financial instrument carried at amortized cost are not substantially different, then the modification does not result in derecognition and the gross carrying amount of the asset or liability is adjusted to match the present value of the revised contractual cash flows. The difference between the original and revised gross carrying amount is recognized as a modification gain or loss in the consolidated statement of comprehensive income. If such a modification is carried out on a credit-impaired (Stage 3) loan, then the gain or loss is included within the provision for credit losses. In all other cases, it is recorded as other income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits and other highly liquid investments with original maturities of three months or less. Cash and cash equivalents are used by the Credit Union in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost, which is considered to be equivalent to fair value due to the short-term nature of these assets.

Members' loans

Members' loans include personal loans, mortgages, and commercial loans, and are recognized when the cash is advanced to the borrower. All members' loans are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market and which are subsequently measured at amortized cost using the effective interest method.

Syndication

The Credit Union syndicates groups of assets with various other financial institutions primarily to create liquidity and manage regulatory capital for the Credit Union. Syndicated loans transfer substantially all the risks and rewards related to the transferred financial assets and are derecognized from the Credit Union's consolidated statement of financial position. All loans syndicated by the Credit Union have been on a fully serviced basis. The Credit Union receives fee income for services provided in the servicing of the transferred financial assets. Fee income is recognized in other income over the period the services are performed.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

As at December 31, 2021, the Credit Union has no embedded derivatives that require bifurcation.

3. Significant accounting policies (continued)

Property and equipment

Property and equipment are measured at cost less accumulated amortization and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Amortization is provided using the following methods and rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	Rate
Buildings	Straight line	40 years
Furniture and equipment	Straight line	5-10 years
Parking lot	Straight line	15-25 years

The useful lives of items of property and equipment are reviewed on an annual basis and the useful life is altered if estimates have changed significantly. Gains or losses on the disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income and comprehensive income.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated amortization and impairment losses.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income and comprehensive income in the period in which the property is derecognised.

Leases

The lease liability is initially measured at the present value of the future lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Credit Union's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. The Credit Union assesses at lease commencement whether it is reasonably certain to exercise an extension or termination option to include in the lease term. The lease liability is then remeasured when there is a change in the expected future lease payments or if there is a significant event or change in circumstance that would impact whether it is reasonably certain to exercise options to extend or terminate the lease. When there is a remeasurement, a corresponding adjustment is made to the carrying amount of the right of use ("ROU") asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to below zero.

Lease payments included in the measurement of the lease liability comprise of; fixed payments, in-substance fixed payments, variable lease payments that depend on an index or a rate, lease payments in an optional renewal period if the Credit Union is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Credit Union is reasonably certain not to terminate early.

3. Significant accounting policies (continued)

Leases (continued)

The Credit Union recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability and expenditures that are directly attributable to the acquisition of the asset. The ROU asset is subsequently amortized using the straight-light method from the commencement date of the earlier of the end of the useful life of the ROU asset or the end of the lease term.

The estimated useful lives of ROU assets are determined on the same basis as those of property and equipment above. The ROU asset is periodically reviewed for impairments, if any, and adjusted for certain remeasurements of the lease liability.

The Credit Union has elected to not recognize ROU assets and lease liabilities for leases of low-value assets and short-term leases and recognizes these lease payments as an occupancy expense on a straight-line basis over the lease term. Variable lease payments that are not included in the measurement of the lease liability are included in occupancy expense.

Goodwill

Goodwill is recorded as the excess of consideration transferred over the fair value of the identifiable net assets acquired in a business combination, less accumulated impairment charges, and is allocated to the cash-generating units expected to benefit from the acquisition for the purpose of impairment testing. These cash-generating units represent the lowest level at which goodwill is monitored for internal management purposes.

Intangible assets

Intangible assets are comprised primarily of customer lists.

Intangible assets are initially recognized at cost (fair value when acquired through a business combination) and are subsequently measured at cost less accumulated amortization and impairment. Amortization expense related to the customer lists is calculated using the straight-line method based on the estimated useful life of intangible assets. The estimated useful life of customer lists is 20 years.

Impairment of non-financial assets

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

The amount recoverable is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. Significant accounting policies (continued)

Impairment of non-financial assets (continued)

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

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

Goodwill is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Credit Union's CGUs expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Accounts payable and other liabilities

Accounts payable are initially recorded at fair value and are subsequently carried at amortized cost, which approximates fair value due to the short-term nature of these liabilities. Accounts payable are categorized as other financial liabilities.

Members' savings and deposits

Members' savings and deposits are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost using the effective interest method.

Member shares

Member shares are classified as equity in accordance with their terms.

Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. The interest income is calculated by applying the effective interest rate to the gross carrying amount of the noncredit impaired financial assets. For credit-impaired financial assets the interest income is calculated by applying the effective interest rate to the amortized cost of the credit-impaired financial assets.

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

Other revenue includes service charges on products, transaction fees, insurance commissions, and other fees and commissions, which are recognized over the period that the services are performed.

3. Significant accounting policies (continued)

Income taxes

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized, or the liabilities are settled. The calculation of deferred tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

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

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the year-end date. Translation gains and losses are recognized in profit or loss for the current period.

4. Significant accounting judgments, estimates, and assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, profits, and losses during the reporting period. Accordingly, actual results may differ from those estimates. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on a continuous basis, and are based on historical experience and other factors, including expectations with regard to future events.

The COVID-19 pandemic continues to evolve and the economic environment in which the Credit Union operates continues to be subject to sustained volatility. The duration of the pandemic and the effectiveness of steps undertaken by Canadian governments in response to the pandemic remain uncertain. The current environment requires particular complex judgements and estimations in the consolidated financial statements detailed below.

4. Significant accounting judgments, estimates, and assumptions (continued)

The main effects of the COVID-19 pandemic on the Credit Union's consolidated financial statements for the year ended December 31, 2021 are as follows:

- During the early stages of the pandemic, the Credit Union offered certain relief measures to its members, including a loan deferral program. As at year end, the Credit Union has discontinued these widespread programs and the majority of members who took advantage of the program have reverted to their normal payment terms.
- The Credit Union experienced a significant increase in liquidity as public health restrictions and financial uncertainty caused many members to change their spending habits and increase their savings.
- Lower interest rates have resulted in a compressed interest margin compared to the previous year.

In response to the COVID-19 pandemic, the Government of Canada introduced a number of assistance programs to help individuals and businesses through the pandemic. The Credit Union participated in the following assistance program:

- Canada Emergency Business Account ("CEBA"): under the CEBA program, the Credit Union has provided interest-free loans until December 31, 2022 (and at a rate of 5% thereafter), funded by the Export Development Canada ("EDC"), to existing eligible small business members. As the Credit Union does not retain substantially all of the risks and rewards of the financial assets, and all cash flows are passed through to the EDC, these loans are derecognized from the Credit Union's consolidated statement of financial position.

The following are the critical judgments that management have made in the process of applying the Credit Union's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Allowance for credit losses

The Credit Union measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for debt investments that are determined to have low credit risk at the reporting date and loans where credit risk has not increased significantly since their initial recognition. The measurement of loss allowances on loans is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are also required in applying the account requirements for measuring the ECL, such as:

- Determining criteria for significant increase of credit risk: IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Credit Union takes into account qualitative and quantitative reasonable and supportable information.
- Choosing appropriate models and assumptions: The Credit Union uses various models and assumptions in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.
- When measuring ECL the Credit Union uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers.
- Probability of default ("PD"): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, and assumptions/expectations of future conditions.

4. Significant accounting judgments, estimates, and assumptions (continued)

Allowance for credit losses (continued)

- Loss Given Default ("LGD"): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral.

The allowance for credit losses on members' loans is disclosed in more detail in Note 7.

Impairment of non-financial assets

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

Income taxes

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

Fair value measurements and valuation processes

Some of the Credit Union's financial assets and liabilities are measured at fair value for financial reporting purposes or the fair value is disclosed. In estimating the fair value, the Credit Union uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Credit Union utilizes valuation techniques, such as discounted cash flow models to calculate the fair value.

Classification of financial assets

Business Model Assessment

The Credit Union assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Credit Union's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated;
- The stated objective for managing the financial asset, frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

4. Significant accounting judgments, estimates, and assumptions (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest

In assessing whether the contractual cash flows are solely payments of principal and interest, the Credit Union considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. Examples of events that could change the amount and timing of cash flows are leverage features, prepayment and extension terms, terms that limit the Credit Union's claim to cash flows from specified assets, and features that modify consideration of the time value of money.

5. Investments

	2021	2020
	$	$
Equity investments		
Credit Union Central of Manitoba shares	**12,703,875**	14,770,450
Other shares and investments	**3,656**	3,656
Debt investments		
Credit Union Central of Manitoba term deposits	**6,750,000**	4,000,000
Other term deposits	**5,000,000**	5,000,000
Municipal debentures	**113,790**	160,147
Accrued interest	**139,835**	155,031
	24,711,156	24,089,284

Term deposits bear interest at rates ranging between 0.07% to 1.42% (0.14% to 1.42% in 2020) and mature between 2022 and 2023.

The Municipal debentures bear interest at rates ranging from 5.5% to 5.75% (5.50% to 5.75% in 2020) and mature between 2022 and 2024.

The Credit Union has classified its investment in equity securities of Credit Union Central of Manitoba ("CUCM") as FVTPL. The Credit Union has assessed that these equity securities exhibit characteristics that indicate that fair value approximates cost.

The shares in CUCM are required as a condition of membership with CUCM. There is no active market for these shares as they are issued only by virtue of membership in CUCM. The shares are redeemable upon withdrawal of membership or at the discretion of the board of directors of CUCM. The shares may be surrendered upon withdrawal from membership for proceeds equal to the paid-in value, to be received in accordance with the Credit Unions Act (Manitoba) providing for the redemption of its share capital.

The Credit Union is required to maintain 8.00% of its total member deposits in specified liquidity deposits offered by CUCM. As at December 31, 2021, the Credit Union has met this requirement.

6. Members' loans

	2021	2020
	$	$
Personal	**61,334,690**	58,046,666
Mortgages	**641,272,230**	508,929,075
Commercial	**258,889,950**	266,867,413
	961,496,870	833,843,154
Less: allowance for credit losses (Note 7)	**2,060,316**	2,290,799
Members' loans, net	**959,436,554**	831,552,355

6. Members' loans (continued)

Mortgages are repayable in monthly blended principal and interest installments over a maximum term of five years based on a maximum amortization period of thirty years. Mortgages are secured by residential properties.

Commercial loans and personal loans, including line of credit loans, are repayable to the Credit Union in monthly blended principal and interest instalments over a maximum term of five years, except for line of credit loans which are repayable on a revolving credit basis and require minimum monthly payments. All loans, except for mortgage loans, are open and, at the option of the borrower, may be repaid at any time without notice. Types of collateral generally obtained by the Credit Union include, but are not limited to, the following: member's personal property such as vehicles; cash and marketable securities; mortgage charges; fixed, floating or specific general security agreements; and personal guarantees.

Concentration of credit risk and collateral held as security

	2021	2020
	$	$
Unsecured loans	**61,334,690**	58,046,666
Residential mortgages secured by residential properties		
Uninsured	**394,724,981**	361,633,119
Insured through Sagen	**34,280,819**	38,458,892
Insured through CMHC	**212,266,430**	108,837,064
Commercial loans secured by commercial properties	**258,889,950**	266,867,413
	961,496,870	833,843,154

Mortgage lending

The Credit Union holds residential properties as collateral for the mortgage loans it grants to its members. The valuation of the collateral for the loan to value ("LTV") ratio below excludes any adjustments for obtaining and selling the collateral and is typically based on the collateral value at origination.

The table below shows the exposures from mortgage loans that are credit impaired (i.e. Stage 3) by ranges of LTV.

		2021		2020
	Gross carrying amount	**Loss allowance**	Gross carrying amount	Loss allowance
	$	**$**	$	$
LTV ratio				
Sagen insured	**211,226**	**—**	—	—
CMHC insured	**—**	**—**	15,163	—
Less than 50%	**—**	**—**	—	—
50%-80%	**1,544,285**	**102,223**	2,892,401	334,625
More than 80%	**—**	**—**	—	—
	1,755,511	**102,223**	2,907,564	334,625

The estimated value of the respective collateral on the above credit-impaired mortgages is $1,652,535 ($2,557,776 in 2020) as at December 31, 2021.

Personal lending

The Credit Union's personal lending portfolio consists of unsecured loans.

6. Members' loans (continued)

Corporate lending

The Credit Union requests collateral and guarantees for corporate lending. The most relevant indicator of a corporate customer's creditworthiness is an analysis of their financial performance and their liquidity, leverage, management effectiveness, and growth ratios. For this reason, the valuation of collateral held against corporate lending is not routinely updated.

For credit-impaired loans the Credit Union updates the valuation of collateral to inform its credit risk management actions. At December 31, 2021, the gross carrying amount of credit-impaired commercial loans was $8,828,957 ($10,083,969 in 2020) and the estimated value of the respective collateral was $8,536,316 ($9,407,898 in 2020).

7. Allowance for credit losses

	Personal $	Mortgages $	Commercial $	2021 Total $	2020 Total $
Balance, beginning of year	**235,126**	**617,282**	**1,438,391**	**2,290,799**	1,787,393
Amounts written off	**(130,371)**	**(118,654)**	**(233,313)**	**(482,338)**	(610,765)
Provision for credit losses	**139,834**	**(80,118)**	**192,139**	**251,855**	1,114,171
Balance, end of year	**244,589**	**418,510**	**1,397,217**	**2,060,316**	2,290,799

The tables below analyze the movement of the IFRS 9 loss allowance during the fiscal 2021 year:

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Personal				
Loss allowance				**—**
Loss allowance as at January 1, 2021				**—**
Net addit ions (disposals) to stage	**152,427**	**515**	**62,164**	**215,106**
Newly recognized financial assets	**(161,535)**	**192**	**161,343**	**—**
Change in model inputs	**43,089**	**—**	**—**	**43,089**
Amounts wr itten off	**96,745**	**—**	**—**	**96,745**
Loss allowance as at December 31, 2021	**—**	**—**	**(130,371)**	**(130,371)**
	130,726	**707**	**93,136**	**224,569**

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Mortgages				
Loss allowance				
Loss allowance as at January 1, 2021	**281,747**	**1,478**	**334,057**	**617,282**
Net additions (disposals) to stage	**113,810**	**(630)**	**(113,180)**	**—**
Newly recognized financial assets	**111,771**	**—**	**—**	**111,771**
Change in model inputs	**(191,889)**	**—**	**—**	**(191,889)**
Amounts written off	**—**	**—**	**(118,654)**	**(118,654)**
Loss allowance as at December 31, 2021	**315,439**	**848**	**102,223**	**418,510**

7. Allowance for credit losses (continued)

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Commercial				
Loss allowance				
Loss allowance as at January 1, 2021	698,532	64,931	674,928	1,438,391
Net additions (disposals) to stage	201,646	(52,672)	(148,974)	—
Newly recognized financial assets	256,536	—	—	256,536
Change in model inputs	(64,397)	—	—	(64,397)
Amounts written off	—	—	(233,313)	(233,313)
Loss allowance as at December 31, 2021	1,092,317	12,259	292,641	1,397,217

The tables below analyze the movement of the IFRS 9 loss allowance during the fiscal 2020 year:

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Loss allowance				
Loss allowance as at January 1, 2020	495,007	11,312	1,281,074	1,787,393
Net additions (disposals) to stage	(476,472)	55,612	420,860	—
Newly recognized financial assets	502,418	—	—	502,418
Change in model inputs	611,753	—	—	611,753
Amounts written off	—	—	(610,765)	(610,765)
Loss allowance as at December 31, 2020	1,132,706	66,924	1,091,169	2,290,799

Credit quality of member loans is summarized in the below tables, for the year ending December 31, 2021. The gross carrying amount of financial assets below also represents the Credit Union's maximum exposure to credit risk on these assets.

	ECL Staging			
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Personal				
Loans to members				
Credit grading				
Standard monitoring	60,679,075	—	—	60,679,075
Under 30 days past due	—	—	—	—
Greater than 30 days past due, but not in default	—	148,465	—	148,465
Increase in credit risk	—	—	45,611	45,611
Default	—	—	461,539	461,539
Gross carrying amount	60,679,075	148,465	507,150	61,334,690
Loss allowance	(130,726)	(707)	(113,156)	(244,589)
Net carrying amount	60,548,349	147,758	393,994	61,090,101

7. Allowance for credit losses (continued)

	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Mortgages				
Loans to members				
Credit grading				
Standard monitoring	**638,962,148**	**—**	**—**	**638,962,148**
Under 30 days past due	**—**	**—**	**—**	**—**
Greater than 30 days past due, but not in default	**—**	**554,571**	**—**	**554,571**
Increase in credit risk	**—**	**—**	**364,050**	**364,050**
Default	**—**	**—**	**1,391,461**	**1,391,461**
Gross carrying amount	**638,962,148**	**554,571**	**1,755,511**	**641,272,230**
Loss allowance	**(315,439)**	**(848)**	**(102,223)**	**(418,510)**
Net carrying amount	**638,646,709**	**553,723**	**1,653,288**	**640,853,720**

	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Commercial				
Loans to members				
Credit grading				
Standard monitoring	**249,489,469**	**—**	**—**	**249,489,469**
Under 30 days past due	**—**	**—**	**—**	**—**
Greater than 30 days past due, but not in default	**—**	**571,524**	**—**	**571,524**
Increase in credit risk	**—**	**—**	**2,562,119**	**2,562,119**
Default	**—**	**—**	**6,266,838**	**6,266,838**
Gross carrying amount	**249,489,469**	**571,524**	**8,828,957**	**258,889,950**
Loss allowance	**(1,092,317)**	**(12,259)**	**(292,641)**	**(1,397,217)**
Net carrying amount	**248,397,152**	**559,265**	**8,536,316**	**257,492,733**

Credit quality of member loans is summarized in the below tables, under IFRS 9 for the year ending December 31, 2020. The gross carrying amount of financial assets below also represents the Credit Union's maximum exposure to credit risk on these assets.

	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Loans to members				
Credit grading				
Standard monitoring	815,626,818	—	—	815,626,818
Under 30 days past due	—	85,162	—	85,162
Greater than 30 days past due, but not in default	—	6,024,353	—	6,024,353
Increase in credit risk	—	—	5,201,519	5,201,519
Default	—	—	6,905,302	6,905,302
Gross carrying amount	815,626,818	6,109,515	12,106,821	833,843,154
Loss allowance	(1,132,706)	(66,924)	(1,091,169)	(2,290,799)
Net carrying amount	814,494,112	6,042,591	11,015,652	831,552,355

8. Other assets

	2021	2020
	$	$
Accounts receivable	**1,278,074**	1,371,489
Prepaid expenses and deposits	**917,399**	656,445
Foreclosed assets	**102,820**	336,911
	2,298,293	2,364,845

9. Investment property

	Land	Buildings	Total
	$	$	$
Cost			
Balance at December 31, 2020	—	—	—
Transferred from property and equipment	48,000	954,240	1,002,240
Balance at December 31, 2021	**48,000**	**954,240**	**1,002,240**
Depreciation and impairment losses			
Balance at December 31, 2020	—	—	—
Transferred from property and equipment	—	605,546	605,546
Additions	—	34,800	34,800
Balance at December 31, 2021	**—**	**640,346**	**640,346**
Net book value			
At December 31, 2020	—	—	—
At December 31, 2021	**48,000**	**313,894**	**361,894**

The fair value of the Credit Union's investment property at December 31, 2021 is $294,500 and has been arrived at on the basis of the estimated market price less costs to sell.

The property rental income earned by the Credit Union from its investment property, all of which is leased out under operating leases, amounted to $9,500 ($nil in 2020). Direct operating expenses arising on the investment property, all of which generated rental income in the year, amounted to $20,000 ($nil in 2020).

10. Property and equipment

	Land	Buildings	Furniture and equipment	Parking lot	Total
	$	$	$	$	$
Cost					
Balance at December 31, 2019	1,204,789	13,087,855	7,591,854	435,173	22,319,671
Additions	—	—	229,672	—	229,672
Balance at December 31, 2020	1,204,789	13,087,855	7,821,526	435,173	22,549,343
Additions	—	5,141	820,482	—	825,623
Disposal	—	—	(40,915)	—	(40,915)
Transferred to investment property	(48,000)	(954,240)	—	—	(1,002,240)
Balance at December 31, 2021	**1,156,789**	**12,138,756**	**8,601,093**	**435,173**	**22,331,811**
Depreciation and impairment losses					
Balance at December 31, 2019	—	3,772,226	4,833,163	248,204	8,853,593
Additions	—	354,828	466,556	16,684	838,068
Balance at December 31, 2020	—	4,127,054	5,299,719	264,888	9,691,661
Additions	—	306,186	707,151	16,758	1,030,095
Disposal	—		(40,915)	—	(40,915)
Transfer to investment property	—	(605,546)	—	—	(605,546)
Balance at December 31, 2021	**—**	**3,827,694**	**5,965,955**	**281,646**	**10,075,295**
Net book value					
At December 31, 2020	1,204,789	8,960,801	2,521,807	170,285	12,857,682
At December 31, 2021	**1,156,789**	**8,311,062**	**2,635,138**	**153,527**	**12,256,516**

11. Goodwill and intangible assets

	2021	2020
	$	$
Customer lists	**7,240,951**	7,240,951
Accumulated amortization	**(3,711,965)**	(3,401,822)
Goodwill	**585,418**	585,418
	4,114,404	4,424,547

Amortization expense related to the customer lists amounted to $310,143 ($310,144 in 2020). This amount is included within administration expense in the consolidated statement of income and comprehensive income.

12. Members' savings and deposits

	2021	2020
	$	$
Chequing	**301,022,380**	257,193,220
Savings	**397,827,790**	350,365,425
Term deposits	**145,657,116**	155,057,692
Registered savings plans	**228,554,126**	224,824,549
Unclaimed and inactive accounts	**92,694**	92,476
Accrued interest	**3,541,208**	4,299,929
	1,076,695,314	991,833,291

Member deposits are subject to the following terms:

Chequing and savings products are due on demand and bear interest at rates up to 1.70% (1.70% in 2020).

Term deposits are subject to fixed and variable rates of interest ranging from 0.9% to 3.75% (1.25% to 2.40% in 2020), with interest payments due monthly, annually or on maturity.

Registered savings plans are subject to fixed and variable rates of interest ranging from 0.9% to 3.75% (1.25% to 2.54% in 2020), with interest payments due monthly, annually or on maturity.

13. Income taxes

Income tax expense is comprised of:

	2021	2020
	$	$
Current income tax expense		
Current period	**1,663,443**	911,717
Adjustments for pr ior periods	**—**	—
	1,663,443	911,717
Deferred income tax recovery (expense)		
Origination and reversal of temporary diffe rences	**(135,417)**	129,083
Adjustments for prior periods	**(594,664)**	—
Provision for income taxes	**933,362**	1,040,800

13. Income taxes (continued)

The income tax expense for the year can be reconciled to the accounting net income as follows:

	2021 $	2020 $
Income before provision for income taxes	**6,862,243**	3,895,927
Combined federal and provincial tax rate	**27.00%**	27.00%
Income tax expense at statutory rate	**1,852,806**	1,051,900
Adjusted for effect of		
Non-deductible expenses	**4,743**	10,657
Non-taxable dividends	**—**	—
Manitoba rate reduction for Credit Unions	**(313,926)**	(249,759)
Deferred income tax expense resulting from rate changes	**—**	—
Prior year true-up adjustments	**(594,664)**	—
Other	**(15,597)**	228,002
	933,362	1,040,800
Effective rate of tax	**13.60%**	26.72%

Deferred tax liabilities recognized are attributable to the following:

	2021 $	2020 $
Deferred tax liability		
Allowance for impaired loans	**(432,015)**	543,228
Property and equipment and intangibles	**545,791**	300,629
	113,776	843,857

14. Members' shares

Authorized, unlimited number

Common shares: Authorized common share capital consists of an unlimited number of common shares with an issue price of $5 per share and redeemable in the amount of consideration received for the share.

Surplus shares: Authorized surplus share capital consists of an unlimited number of surplus shares, with an issue price per share of $1 and redeemable at $1 per share.

Issued

	2021 $	2020 $
28,384 Common shares (28,168 in 2020)	**141,919**	140,841
5,391,988 Surplus shares (5,603,444 in 2020)	**5,391,988**	5,603,444
	5,533,907	5,744,285

14. Members' shares

During the year, the Credit Union issued 3,812 (2,396 in 2020) and redeemed 3,596 (2,109 in 2020) common shares, and also redeemed 211,458 (466,386 in 2020) surplus shares.

When an individual becomes a member of the Credit Union, they are issued a common share at $5 per share. Each member of the Credit Union has one vote, regardless of the number of shares held.

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

15. Related party transactions

Directors and key management personnel

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

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

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

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

The total carrying value of members' loans to KMP as at year-end:

	2021	2020
	$	$
Carrying value of advanced loans	**4,406,693**	3,580,205
Carrying value of utilized lines of credit	**1,408,252**	1,997,151
Carrying value of unutilized lines of credit	**718,045**	1,121,770
	6,532,990	6,699,126

During the year the aggregate carrying value of loans disbursed to KMP amount to:

	2021	2020
	$	$
Lines of credit	**695,803**	938,000
Mortgages	**590,723**	—
Loans	**36,322**	27,010
	1,322,848	965,010

The total carrying value of members' savings and deposits from KMP as at year-end:

	2021	2020
	$	$
Chequing and demand deposits	**1,956,405**	2,522,007
Term deposits	**256,361**	250,000
Registered plans	**1,114,802**	1,133,371
	3,327,568	3,905,378

15. Related party transactions (continued)

Directors and key management personnel (continued)

The total value of members' shares issued to KMP as at year-end:

	2021 $	2020 $
Common shares	**230**	250
Surplus shares	**12,375**	19,021
	12,605	19,271

During the year the interest earned on loans and interest paid on deposits for KMP amounted to:

	2021 $	2020 $
Interest collected and other revenue earned	**127,676**	130,127
Interest paid on deposits	**42,613**	153,198
	170,289	283,325

The total aggregate compensation of KMP during the year consisted of:

	2021 $	2020 $
Salary and short-term benefits	**1,677,742**	1,692,262

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

During the year, payments made for remuneration to Directors amounted to $77,600 ($69,150 in 2020) and meeting, training and conference costs amounted to $26,908 ($21,929 in 2020).

Loans to Directors and staff as at December 31, 2021 amounted to 2.17% (2.17% in 2020) of total assets of the Credit Union.

16. Pension plan

The Credit Union has a defined contribution pension plan for qualifying employees. The Credit Union matches employee contributions at a rate of 6% of the employees' salary up to the maximum allowed under pension legislation.

The expense and payments for the year were $450,416 ($442,885 in 2020) and are recorded as personnel expenses. As a defined contribution pension plan, the Credit Union has no further liability or obligation for future contributions to fund benefits to plan members.

17. Capital management

The Credit Union provides financial services to its members and is subject to the capital requirements set out in the Credit Unions and Caisses Populaires Act of Manitoba (the "Act").

Capital management: The Credit Union's objectives when managing capital are:

- To ensure the long-term viability of the Credit Union and the security of member deposits by holding a level of capital deemed sufficient to protect against unanticipated losses.
- To comply at all times with the capital requirements set out in the Act.

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

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

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

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

The Regulations to the Act require that the Credit Union establish and maintain a level of capital as follows:

	2021	2020
	$	$
Equity not less than 5% of assets, as calculated in accordance with the Act	**5.93**	5.88
Retained earnings not less than 3% of assets	**5.45**	5.34
Capital not less than 8% of risk-weighted value of assets	**14.41**	13.08

The Credit Union has met all of the above capital requirements as at December 31, 2021.

The Credit Union manages its capital as calculated below.

	2021	2020
	$	$
Members' shares	**5,533,907**	5,744,285
Retained earnings	**62,789,989**	56,861,108
Total eligible capital	**68,323,896**	62,605,393

There have been no changes to what the Credit Union considers to be capital since the previous period.

18. Fair value of financial instruments

The amounts reflect the approximate fair value of the Credit Union's financial instruments using the valuation methods and assumptions described below. Since many of the Credit Union's financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in market rates that have occurred since their origination. Due to the use of subjective assumptions and uncertainties, the fair value amounts should not be interpreted as being realizable in an immediate settlement of instruments. The estimated fair values disclosed do not reflect the value of items that are not considered financial instruments, such as property and equipment or intangible assets. Differences between carrying value and fair value of the investments, loans, deposits and other financial assets and liabilities are caused by differences between the interest rate obtained at the time of the original investment, loan or deposit and the current rate for the same product.

Fair values were determined as follows:

Short-term financial instruments

For items that are short term in nature, the carrying value is estimated to approximate the fair value. These include cash and cash equivalents, accounts receivable and accounts payable and other liabilities.

Floating rate financial instruments

For floating rate investments, members' loans and members' savings and deposits value is equal to carrying value as the interest rates automatically re-price to market.

Fixed rate financial instruments

For fixed rate members' loans, fair value is determined by discounting the expected future cash flows at market rates for loans with similar credit risks.

For fixed rate members' savings and deposits and investments, fair value is determined by discounting the contractual cash flows, using market interest rates currently offered for deposits with similar terms.

(in thousands)			**2021**			2020
	Fair value	**Carrying value**	**Fair value differential**	Fair value	Carrying value	Fair value differential
	$	**$**	**$**	$	$	$
Financial assets						
Cash and cash equivalents	**148,792**	**148,792**	**—**	187,990	187,990	—
Investments	**29,999**	**24,711**	**5,288**	24,091	24,089	2
Members' loans	**960,065**	**959,437**	**628**	837,399	831,552	5,847
Accounts receivable	**1,278**	**1,278**	**—**	1,371	1,371	—
	1,140,134	**1,134,218**	**5,916**	1,050,851	1,045,002	5,849
Financial liabilities						
Members' savings and deposits	**1,081,561**	**1,076,695**	**4,866**	996,274	991,833	4,441
Accounts payable and other liabilities	**6,279**	**6,279**	**—**	7,740	7,740	—
	1,087,840	**1,082,974**	**4,866**	1,004,014	999,573	4,441

18. Fair value of financial instruments (continued)

Fair value hierarchy

Assets and liabilities recorded at fair value in the consolidated statement of financial position are measured and classified in a hierarchy consisting of three levels for disclosure purposes; the three levels are based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation.

The input levels are defined as follows:

- Level 1: Unadjusted quoted prices in an active market for identical assets and liabilities.

  Assets measured at fair value and classified as Level 1 include cash and cash equivalents.

- Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e. derived from prices).

  Level 2 inputs include quoted prices for assets in markets that are considered less active. There are no financial assets or liabilities measured at fair value and classified as Level 2. The fair value of members' loans, investments and members' savings and deposits are estimated at fair value based on a level 2 classification.

- Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities.

  Level 3 assets and liabilities would include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation. There are no financial assets or liabilities measured at fair value classified as Level 3.

There were no transfers between fair value hierarchy levels for the year ended December 31, 2021.

19. Nature and extent of risk arising from financial instruments

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

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

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

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

19. Nature and extent of risk arising from financial instruments (continued)

Various Board of Directors committees are involved in financial instrument risk management oversight, including the Audit Committee. The risk policies, procedures and objectives have not changed materially from the prior year.

Credit risk

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Credit Union. Credit risk arises principally as a result of the Credit Union's lending activities with members.

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

Risk measurement

The Credit Union employs a risk measurement process for its loan portfolio which is designed to assess and quantify the level of risk inherent in credit granting activities. Risk is measured by reviewing qualitative and quantitative factors that impact the loan portfolio.

Credit quality performance

The Credit Union's maximum exposure to credit risk relating to drawn and undrawn members' loans is $1,106,205,294 ($967,497,912 in 2020). It is not practical to value all collateral as at year end due to the variety of assets and conditions. Refer to Note 6 and Note 7 for additional information on the potential loss exposure related to the Credit Union's loan portfolio.

Objectives, policies, and procedures

The Credit Union is committed to the following principles in managing credit risk exposure:

- Credit risk assessment includes the establishment of policies and processes related to credit risk management;
- Credit risk mitigation includes credit restructuring, collateral, and guarantees;
- Credit risk approval limits include establishing credit limits and reporting exceptions thereto;
- Credit risk documentation focuses on documentation and administration; and
- Credit risk monitoring and review.

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

19. Nature and extent of risk arising from financial instruments (continued)

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union incurs interest rate risk on all interest-bearing financial instruments.

All financial instruments are reported in the schedule below based on the earlier of their contractual repricing date or maturity date. Management's expectations of future events or the impact of repayments that may occur prior to maturity are not factored into the interest rate re-pricing information provided.

(in thousands)	**Assets** **$**	**Average yield** **%**	**Liabilities and equity** **$**	**Average costs** **%**	**2021 Differential** **$**	2020 Differential $
Interest rate sensitivity						
Variable	**409,500**	**2.71**	**559,265**	**0.89**	**(149,765)**	4,444
Less than 12 months	**127,385**	**3.49**	**176,982**	**1.87**	**(49,597)**	(26,949)
1 to 2 years	**131,591**	**2.40**	**58,211**	**2.22**	**73,380**	18,542
2 to 3 years	**80,800**	**3.00**	**44,261**	**2.76**	**36,539**	67,845
3 to 4 years	**120,263**	**2.73**	**15,879**	**2.28**	**104,384**	25,195
Over 4 years	**242,182**	**2.32**	**7,929**	**1.75**	**234,253**	115,697
Noninterest sensitivity	**41,048**	**—**	**290,242**	**—**	**(249,194)**	(204,774)
	1,152,769		**1,152,769**		**—**	—

Based on the current financial instruments, it is estimated that a 1.0% increase in the interest rate would decrease net income by $1,763,028 (decrease by $2,141,000 in 2020). A 1.0% decrease in the interest rate would increase net income by $948,538 (decrease by $1,295,000 in 2020).

Liquidity risk

Liquidity risk is the risk of having insufficient financial resources to meet the Credit Union's cash and funding requirements, statutory liquidity requirements, or both.

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

Key features of liquidity management include:

- Daily monitoring of expected cash inflows and outflows and tracking and forecasting the liquidity position; and
- Consideration of the term structure of loans and deposits, with emphasis on deposit maturities, as well as expected loan funding and other commitments to ensure the Credit Union can maintain required levels of liquidity, while meeting its obligations.

19. Nature and extent of risk arising from financial instruments (continued)

The following tables detail the contractual maturities of financial instruments:

(in thousands)					**2021**
	On demand	**Within 1 year**	**1-5 years**	**Greater than 5 years**	
	$	**$**	**$**	**$**	**$**
Liabilities					
Members' savings and deposits	**332,434**	**173,389**	**125,445**	**445,427**	**1,076,695**
Accounts payable and other liabilities	**6,279**	**—**	**—**	**—**	**6,279**
	338,713	**173,389**	**125,445**	**445,427**	**1,082,974**

(in thousands)					2020
	On demand	Within 1 year	1-5 years	Greater than 5 years	
	$	$	$	$	$
Liabilities					
Members' savings and deposits	311,409	143,823	168,235	368,366	991,833
Accounts payable and other liabilities	7,740	—	—	—	7,740
	319,149	143,823	168,235	368,366	999,573

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 primarily related to cash, investments and deposits denominated in US dollars. Foreign currency holdings are monitored by management and holdings are adjusted when offside of the investment policy.

Risk measurement

The Credit Union's position is measured weekly. Measurement of risk is based on rates charged to clients as well as currency purchase costs.

As at December 31, 2021 the Credit Union held total assets of $9,084,164 ($7,351,021 in 2020) and $9,113,292 of total liabilities ($7,227,739 in 2020) denominated in US dollars.

Objectives, policies, and procedures

The Credit Union limits its mismatch of assets and liabilities held to $500,000. At December 31, 2021, the Credit Union's exposure to foreign exchange risk is within policy. 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.

20. Commitments

Credit commitments

The Credit Union has the following authorized but unadvanced credit commitments at year-end:

	2021	2020
	$	$
Lines of credit	**131,086,137**	126,346,347
Members' loans	**12,070,052**	4,341,455
Letters of credit	**3,543,906**	2,966,956
	146,700,095	133,654,758

The Credit Union has issued authorized line of credit loans totaling $207,738,675 ($212,818,235 in 2020).

Other commitments

The Credit Union has entered into various other commitments relating to community investment, equipment purchases and information technology contracts. The total contractual commitment of these items for 2021 is $461,676 ($571,086 in 2020).

Director and officer indemnification

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

21. Loan facility

The Credit Union has an approved borrowing limit of 10% of members' savings and deposits. Borrowings are payable to Credit Union Central of Manitoba and are secured by an assignment of term and contract deposits. At the end of the year, this facility was not drawn upon.

22. Subsequent events

On January 27, 2022 a two-third majority vote in favour of amalgamating Access Credit Union, Noventis Credit Union, and Sunova Credit Union was announced. The amalgamation will be effective July 1, 2022. The Credit Union is currently assessing the impact that the amalgamation will have on its financial statements, however an estimate of its financial effect cannot be made at this time.

23. Summary Operating Information

			2021			2020
	Noventis	**Interlake**	**Consolidated**	Noventis	Interlake	Consolidated
	$	**$**	**$**	$	$	$
Net interest income	**19,824,976**	**—**	**19,824,976**	17,720,685	—	17,720,685
Operating expenses	**17,895,197**	**1,514,599**	**19,409,796**	17,239,700	1,649,970	18,889,670
Amortization of investment property	**34,800**	**—**	**34,800**	—	—	—
Amortization of property and equipment	**882,813**	**147,282**	**1,030,095**	744,731	93,337	838,068
Amortization of customer list	**233,643**	**76,500**	**310,143**	233,644	76,500	310,144
Other revenues	**(5,471,832)**	**(2,602,124)**	**(8,073,956)**	(4,525,344)	(2,644,464)	(7,169,808)
	13,574,621	**(863,743)**	**12,710,878**	13,692,731	(824,657)	12,868,074
Income from operations before other items and taxes	**6,250,355**	**863,743**	**7,114,098**	4,027,954	824,657	4,852,611
Provision for credit losses	**(251,855)**	**—**	**(251,855)**	(956,684)	—	(956,684)
Provision for income taxes	**(721,826)**	**(211,536)**	**(933,362)**	(856,012)	(184,788)	(1,040,800)
Net income	**5,276,674**	**652,207**	**5,928,881**	2,215,258	639,869	2,855,127