

Victory Credit Union Limited
Financial Statements
December 31, 2024

Victory Credit Union Limited
Contents

For the year ended December 31, 2024

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Independent Auditor's Report

To the Members of Victory Credit Union Limited:

Opinion

We have audited the financial statements of Victory Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2024, and the statements of comprehensive income, changes in customer-owner's equity, cash flows and related schedules for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS® Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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® Accounting Standards, 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 generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

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.

Sydney, Nova Scotia

April 29, 2025

MNP LLP

Chartered Professional Accountants

Victory Credit Union Limited

Statement of Financial Position

As at December 31, 2024

	2024	2023
Assets		
Cash and cash equivalents (Note 4)	17,346,870	14,704,483
Investments and deposits (Note 5)	15,936,929	13,263,809
Customer-owners' loans (Note 6)	49,095,268	49,312,490
Income taxes receivable	21,123	-
Other assets	991,179	701,401
Deferred income taxes (Note 7)	63,776	75,474
Property and equipment (Note 8)	1,672,027	1,686,079
	85,127,172	79,743,736
Liabilities		
Customer-owners' deposits and accrued interest (Note 9)	77,716,591	72,784,468
Payables and accruals (Note 10)	98,627	142,102
Income taxes payable (Note 10)	-	64,619
	77,815,218	72,991,189
Commitments (Note 11)		
Events after the reporting period (Note 19)		
Customer-Owners' equity		
Customer-owners' shares (Note 12)	220,750	220,860
Retained earnings	7,091,204	6,531,687
	7,311,954	6,752,547
	85,127,172	79,743,736

Approved on behalf of the Board

Signed by:

Daniel Roper

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Director

Signed by:

Nick Parker

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Director

The accompanying notes are an integral part of these financial statements

Victory Credit Union Limited
Statement of Comprehensive Income
For the year ended December 31, 2024

	2024	2023
Income		
Loan interest	2,537,399	2,378,091
Investment income	1,118,604	969,864
	3,656,003	3,347,955
Interest and loan related expenses		
Interest on deposits	580,921	415,675
Patronage dividend (Note 10)	6,538	-
Borrowed money	250	1,941
	587,709	417,616
Loan impairment losses (Note 6), (Note 17)	76,828	71,989
Financial margin	2,991,466	2,858,350
Other income (Note 13)	749,636	697,264
Income before operating expenses	3,741,102	3,555,614
Operating expenses		
Salaries, benefits, and contracted services	1,429,651	1,184,358
Administrative expenses (Schedule 1)	1,202,870	1,237,653
Occupancy expenses (Schedule 2)	123,627	112,727
Depreciation of property and equipment (Note 8)	116,040	96,058
Central service charges	109,414	83,349
CUDIC assessment	94,681	73,954
	3,076,283	2,788,099
Income before provision for (recovery of) income taxes	664,819	767,515
Provision for (recovery of) income taxes (Note 7)		
Current	93,604	145,710
Deferred	11,698	(53,974)
	105,302	91,736
Comprehensive income	559,517	675,779

The accompanying notes are an integral part of these financial statements

Victory Credit Union Limited
Statement of Changes in Customer-Owners' Equity
For the year ended December 31, 2024

	<i>Customer- owners' shares (Note 11)</i>	<i>Retained earnings</i>	<i>Total equity</i>
Balance December 31, 2022	223,781	5,855,908	6,079,689
Comprehensive income	-	675,779	675,779
Common shares issued	5,460	-	5,460
Common shares redeemed	(7,900)	-	(7,900)
Surplus shares redeemed	(481)	-	(481)
Balance December 31, 2023	220,860	6,531,687	6,752,547
Comprehensive income	-	559,517	559,517
Common shares issued	6,187	-	6,187
Common shares redeemed	(5,924)	-	(5,924)
Surplus shares issued	7	-	7
Surplus shares redeemed	(380)	-	(380)
Balance December 31, 2024	220,750	7,091,204	7,311,954

The accompanying notes are an integral part of these financial statements

Victory Credit Union Limited

Statement of Cash Flows

For the year ended December 31, 2024

	2024	2023
Cash provided by (used for) the following activities		
Operating activities		
Interest received from customer-owners' loans	2,550,850	2,353,601
Interest received from investments	1,121,790	843,018
Revenue from other income	749,636	697,264
Cash paid to suppliers and employees	(3,350,438)	(3,056,531)
Net change in customer-owners' loans	119,984	(411,619)
Net change in customer-owners' deposits	4,869,344	3,309,529
Interest paid on deposits	(524,930)	(353,875)
Recovery of impaired loans	6,960	7,141
Income taxes paid	(179,346)	(106,966)
	5,363,850	3,281,562
Financing activities		
Net redemption of equity shares	(110)	(2,921)
	(110)	(2,921)
Investing activities		
Net change in investments	(2,619,365)	(2,090,567)
Purchases of property and equipment	(101,988)	(44,490)
	(2,721,353)	(2,135,057)
Increase in cash resources	2,642,387	1,143,584
Cash and cash equivalents, beginning of year	14,704,483	13,560,899
Cash and cash equivalents, end of year	17,346,870	14,704,483

The accompanying notes are an integral part of these financial statements

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

1. Reporting entity

Victory Credit Union Limited (the "Credit Union") was formed pursuant to the Credit Union Act of Nova Scotia ("the Act"). The address of the Credit Union's registered office is 150 Wentworth Road, Windsor, Nova Scotia.

The Credit Union operates principally in personal and commercial banking. The Credit Union conducts its principal operations through three 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 customer-owners. 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.

Statement of compliance

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

The financial statements were approved by the Board of Directors and authorized for issue on April 29, 2025.

2. Basis of preparation

Basis of measurement

The financial statements have been prepared using the historical basis except for the revaluation of certain financial instruments. The material accounting policies are set out in Note 3.

Functional and presentation currency

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

Significant accounting judgments, estimates and assumptions

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

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

Macroeconomic environment

The Credit Union faces inherent uncertainty in estimating the impacts that inflation, local housing markets and international trade relations may have on the macroeconomic environment. As a result, a heightened level of judgment in estimating expected credit losses (ECL's) continues to be required.

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

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

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

Classification of financial assets

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

Key assumptions in determining the allowance for expected credit losses

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

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

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

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

- The period over which the Credit Union is exposed to credit risk, considering for example, prepayments, extension options, demand features
- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes
- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date
- Expected cash short falls including, recoveries, costs to recover and the effects of any collateral or other credit enhancements
- Estimates of effective interest rates used in incorporating the time value of money

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

- Interest rates
- Unemployment rates
- Loan to value ratios
- Consumer Price Index
- Inflation
- Housing construction starts

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

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

3. Summary of material accounting policies

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

Regulations to the Act specify that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. It is management's opinion that the disclosures in these financial statements and notes comply, in all material respects, with the requirements of the Act. Where necessary, reasonable estimates and interpretations have been made in presenting this information.

Financial instruments

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of deposits with Atlantic Central classified as cash and cash equivalents, investments and customer-owners' loans.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss include cash and cash equivalents other than those identified above.
- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Credit Union measures all equity investments at fair value.

Business model assessment

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

Contractual cash flow assessment

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

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

Reclassifications

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

Impairment

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments, as well as lease receivables, contract assets, and any financial guarantee contracts and loan commitments not measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The date the Credit Union commits to purchasing a financial asset is considered the date of initial recognition for the purpose of applying the Credit Union's accounting policies for impairment of financial assets.

For customer-owners' loans the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period ("Stage 1"), unless there has been a significant increase in credit risk since initial recognition ("Stage 2"). For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union applies the simplified approach for trade receivables and/or contract assets that do not contain a significant financing component. Using the simplified approach, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date ("Stage 3"). Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants, and requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

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

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

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

Refer to Note 17 for additional information about the Credit Union's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets

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

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

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

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

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

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

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

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

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

Modification of financial assets

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

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

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

Financial liabilities

Recognition and initial measurement

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

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount. Transaction costs of equity transactions are treated as a deduction from equity.

Classification and subsequent measurement

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

Derecognition of financial liabilities

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

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

Dividend income

Dividend income is recorded in profit or loss when the Credit Union's right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the Credit Union, and the amount of the dividend can be measured reliably.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

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

Collateral

The Credit Union recognizes the proceeds from the sale of any non-cash collateral that has been pledged to it and a liability measured at fair value for its obligation to return the collateral.

If a debtor defaults under the terms of its contract and is no longer entitled to the return of any collateral, the Credit Union recognizes the collateral as an asset initially measured at fair value or, if it has already sold the collateral, derecognizes its obligation to return the collateral.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Credit Union's cash management system.

Investments and deposits

Each investment is classified into one of the categories described under financial instruments. The classification dictates the accounting treatment for the carrying value and changes in that value.

Share investments

Share investments are measured at fair value through profit or loss with adjustments to fair value recognized in profit or loss.

Debentures

Investments in debentures and term deposits are measured at amortized cost.

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

Customer-owners' loans

Customer-owners' loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred. Customer-owners' loans are subsequently measured at amortized cost. Amortized cost is calculated as the loans' principal amount, less any allowance for anticipated losses. Interest revenue is recorded on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation 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.

All assets having limited useful lives are depreciated using the declining balance method over their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date of acquisition. The depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Method	Rate
Buildings	declining balance	5 %
Furniture and fixtures	declining balance	20 %
Paving	declining balance	8 %
Computer equipment	declining balance	45 %
Vaults	declining balance	20 %

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

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 recognized in comprehensive income as other operating income or other operating costs, respectively.

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating units ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

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

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.

Customer-owners' deposits

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

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

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.

Customer-owners' shares

Customer-owners' shares, consisting of equity shares, are presented in the statement of financial position as equity instruments in accordance with the substance of the contractual terms of the instruments. These shares qualify as capital for regulatory purposes. They are not covered by deposit insurance. Common shares are redeemable upon request of the customer-owner and approval of the directors. Payments of dividends on shares presented as equity are recognized as a distribution directly in equity.

Dividends are recorded when declared by the Board of Directors.

Revenue recognition

Service charge fees and commission

The Credit Union generates revenue from providing various financing and investing services to its members. Revenue is recognized as services are rendered.

The Credit Union does not have an enforceable right to payment until services are rendered and commission revenue is earned when the products are sold.

The amount of revenue recognized on these transactions is based on the price specified in the contract.

The Credit Union does not expect to have any contracts where the period between the transfer of the promised goods or services to a customer-owner and payment by the customer-owner exceeds one year. Consequently, the Credit Union does not adjust any of the transaction prices for the time value of money.

Revenue recognition for items outside the scope of IFRS 15 are included in the financial instruments accounting policy.

Foreign currency translation

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

Victory Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

4. Cash and cash equivalents

	2024	2023
Cash - fair value through profit and loss	2,244,524	2,785,150
Liquidity and short-term deposits - amortized cost	15,102,346	11,919,333
	17,346,870	14,704,483

5. Investments and deposits

	2024	2023
Measured at amortized cost:		
Atlantic Central guaranteed investment certificates bearing interest between 3.25 and 4.73% (2023 - 4.64% and 5.25%), and maturing between April and November 2025 (2023 - April and November 2024).	8,000,000	8,000,000
League Savings & Mortgage debenture maturing October 18, 2024 bearing interest at 5.6%	-	2,088,000
League Savings & Mortgage debenture maturing October 18, 2024 bearing interest at 5.6%	-	568,962
Concentra debenture maturing September 27, 2024 bearing interest at 5.75%	-	1,000,000
League Savings & Mortgage debenture maturing February 20, 2025 bearing interest at 5.1%	500,000	-
League Savings & Mortgage debenture maturing May 14, 2025 bearing interest at 4.95%	2,088,000	-
Concentra debenture maturing October 6, 2025 bearing interest at 4.05%	2,000,000	-
League Savings & Mortgage debenture maturing October 7, 2025 bearing interest at 3.9%	603,606	-
League Savings & Mortgage debenture maturing November 1, 2025 bearing interest at 5.05%	1,000,000	-
	14,191,606	11,656,962
Shares measured at fair value through profit or loss:		
Atlantic Central common shares	613,182	704,880
Atlantic Central provincial shares	137,000	137,000
Atlantic Central - LSM shares	587,201	587,202
League Data Limited - class B preference shares	202,090	25,670
Other	1,535	1,535
	1,541,008	1,456,287
Accrued interest	204,315	150,560
Total	15,936,929	13,263,809

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

6. Customer-owners' loans receivable

Principal and allowance by loan type:

				2024	
	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Personal loans	6,255,148	78,091	70,282	42,370	6,220,587
Residential mortgages	30,055,234	319,917	13,702	74,721	30,286,728
Commercial loans	761,181	-	-	7,003	754,178
Commercial mortgages	1,657,890	-	-	11,092	1,646,798
Mortgage pools	2,290,004	-	-	15,830	2,274,174
Syndicated loans	3,645,688	-	-	10,062	3,635,626
Lines of credit	4,171,570	103,166	92,849	36,508	4,145,379
Overdrafts	57,613	-	-	356	57,257
Accrued interest	74,541	-	-	-	74,541
Total	48,968,869	501,174	176,833	197,942	49,095,268

				2023	
	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Personal loans	6,782,896	43,419	39,077	73,194	6,714,044
Residential mortgages	28,868,393	322,454	30,449	80,379	29,080,019
Commercial loans	881,223	-	-	9,561	871,662
Commercial mortgages	1,284,789	-	-	4,182	1,280,607
Mortgage pool	1,862,872	-	-	350	1,862,522
Syndicated loans	5,030,171	-	-	16,373	5,013,798
Lines of credit	4,400,987	57,486	51,737	74,475	4,332,261
Overdrafts	70,079	-	-	494	69,585
Accrued interest	87,992	-	-	-	87,992
Total	49,269,402	423,359	121,263	259,008	49,312,490

Customer-owners' loans can have either variable or fixed rate of interest and they mature within 1 month to 6 years. The rates offered to customer-owners' are determined by the type of security offered, the customer-owner's credit worthiness, competition from other lenders and the current prime rate.

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

Syndicated loans consist of conventional commercial mortgages maturing within five years and secured by commercial property. The Credit Union receives monthly amounts from the loan administrators which represent blended payments of principal and interest equal to its percentage interests in the loans, less an administration fee.

The mortgage pools consist of insured residential mortgages maturing within five years and secured by residential property. The Credit Union owns 100% of the pools and receives monthly amounts from the loan administrator, which represent blended payments of principal and interest from the mortgages in the pools. The Credit Union pays an administrative fee to the loan administrator.

The Credit Union owns two (2023 - one), mortgage pools. The mortgage pool purchased in 2022 was \$2,314,059 with a premium of \$17,293. The mortgage pool purchased in 2024 was \$958,729 with a premium of \$37,755.

Victory Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

6 Customer-owners' loans receivable *(Continued from previous page)*

The allowance for loan impairment changed as follows:

	2024	2023
Balance, beginning of year	380,271	330,894
Provision for loan impairment	76,828	71,989
Less: accounts written off, net of recoveries	82,324	22,612
Balance, end of year	374,775	380,271

7. Income tax

Income tax expense recognized in profit (loss)

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

	2024	2023
Income before income taxes	664,819	767,515
Combined Canada basic federal and provincial income tax rate	29.0 %	29.0 %
Expected income tax	192,798	222,579
Effect on income tax of:		
Tax impact of non-deductible interest & penalties	4	160
Tax impact of change in tax rates & other adjustments	-	(43,503)
Tax effect of rate reduction for small business income	(87,500)	(87,500)
Total income tax expense	105,302	91,736

Deferred income taxes

The components of deferred tax balances are as follows:

	2024	2023
Deferred tax assets (liabilities)		
Customer-owners' loans, principally due to allowance for financial reporting purposes	62,531	78,629
Property and equipment, difference in net book value and undepreciated cost	40,975	36,575
Investments and deposits, difference in cost bases of Atlantic Central shares	(39,730)	(39,730)
Deferred tax asset	63,776	75,474

Victory Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

8. Property and equipment

	<i>Land</i>	<i>Buildings</i>	<i>Furniture and fixtures</i>	<i>Paving</i>	<i>Computer equipment</i>	<i>Vaults</i>	<i>Total</i>
Cost							
Balance at January 1, 2023	502,360	1,679,420	735,684	162,611	566,720	120,346	3,767,141
Additions	-	-	8,701	-	35,789	-	44,490
Balance at December 31, 2023	502,360	1,679,420	744,385	162,611	602,509	120,346	3,811,631
Balance at January 1, 2024	502,360	1,679,420	744,385	162,611	602,509	120,346	3,811,631
Additions	-	55,020	24,374	1,764	20,830	-	101,988
Balance at December 31, 2024	502,360	1,734,440	768,759	164,375	623,339	120,346	3,913,619
Accumulated depreciation							
Balance January 1, 2023	-	652,579	629,432	79,560	562,791	105,132	2,029,494
Depreciation	-	50,267	22,968	8,626	11,153	3,044	96,058
Balance at December 31, 2023	-	702,846	652,400	88,186	573,944	108,176	2,125,552
Balance at January 1, 2024	-	702,846	652,400	88,186	573,944	108,176	2,125,552
Depreciation	-	83,701	16,110	7,712	6,151	2,366	116,040
Balance at December 31, 2024	-	786,547	668,510	95,898	580,095	110,542	2,241,592
Net book value							
At December 31, 2023	502,360	976,574	91,985	74,425	28,565	12,170	1,686,079
At December 31, 2024	502,360	947,893	100,249	68,477	43,244	9,804	1,672,027

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

9. Customer-owners' deposits and accrued interest

	2024	2023
Chequing	38,214,800	36,599,401
Demand, no penalty on withdrawal	30,306,393	29,472,822
RRSP and RRIF	3,251,538	2,773,917
Term deposits	5,780,683	3,837,930
Accrued interest on deposits	163,177	100,398
	77,716,591	72,784,468

Customer owners' deposits are subject to the following terms:

- Chequing and demand deposit products are due on demand and bear interest at rates up to 1.25% (2023 - 1.50%)
- Terms, RRSP's, RRIF's, and TFSA's are subject to fixed and variable rates of interest up to 3.40% (2023 – 5.50%), with interest payments due monthly, annually or on maturity.
- Customer-owners' deposits are insured by the Nova Scotia Credit Union Deposit Insurance Corporation.

10. Trade payables and accrued liabilities

Included in payables and accruals is a patronage dividend of \$6,538 (2023 - nil). The patronage dividend is authorized by the Board of Directors and is allocated to members annually as bonus interest on deposits.

11. Commitments

The following amounts represent the maximum amount of additional credit that the Credit Union could be obligated to extend. These amounts are not necessarily indicative of the credit risk as many of these arrangements may expire or terminate without being utilized. The Credit Union as of December 31, 2024 had undrawn lines of credit and overdrafts of \$7,469,121 (2023 - \$6,200,982), and commitments to extend credit of \$485,750 (2023 - \$258,222).

12. Customer-owners' shares

Authorized:

Common shares

Unlimited redeemable, voting equity shares with a par value of \$5 per share. Each customer-owner must hold 10 common shares except for customer-owners under 19 and students, who must hold 1 share. Common shares may be withdrawn on demand or withdrawal from membership, subject to the Credit Union meeting capital adequacy requirements and the discretion of the Board of Directors.

Surplus shares

Unlimited redeemable, non-voting equity shares with a par value of \$1 per share. Surplus shares may be withdrawn on demand or withdrawal from membership, subject to the Credit Union meeting capital adequacy requirements and the discretion of the Board of Directors.

Issued:

	2024	2023
42,228 Common shares (2023 - 42,176)	211,142	210,879
9,961 Surplus shares (2023 - 10,348)	9,608	9,981
	220,750	220,860

During the year, the Credit Union issued 1,237 (2023 - 1,092) Common shares, redeemed 1,185 (2023 - 1,580) Common shares, issued 7 (2023 - nil) Surplus shares and redeemed 380 (2023 - 481) Surplus shares.

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

13. Other income

	2024	2023
Account and transaction fees	597,923	577,975
Commissions	57,133	49,271
Other	94,580	70,018
	749,636	697,264

14. Bank indebtedness

The Credit Union has an authorized line of credit from the Atlantic Central with a limit of \$1,990,000 (2023 - \$1,889,000) bearing interest at 5.45% (2023 - 7.20%). The line of credit is secured by an assignment of book debts and is to be reviewed on an annual basis. Drawings on the line of credit are netted against cash resources. At December 31, 2024 the line of credit balance was nil (2023 - nil).

15. Capital requirements

The Credit Union's objectives when managing capital are designed to establish a strong base for future growth, to pay dividends on the equity shares and to provide a cushion in the event of market instability. Customer-owners' equity consists of equity shares and retained earnings. In accordance with the Credit Union Act, Victory Credit Union shall establish and maintain equity at a level equal to 5% of its assets. At December 31, 2024, equity was 8.60% (2023 - 8.47%) of its assets. Customer-owners' equity ratios are monitored regularly and reported to the Board monthly. The Credit Union's equity ratios have been in compliance with the regulatory requirements throughout the year.

16. Related party transactions

Key management compensation of the Credit Union

Key management of the Credit Union are the General Manager, Accounting Manager, Manager Lending Services, Branch Managers and members of the Board of Directors. Key management personnel (KMP) remuneration includes the following expenses:

	2024	2023
Direct compensation	465,466	410,615
Contributions to defined contribution pension plans	20,365	18,552
Total salaries and benefits	485,831	429,167

Victory Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

Transactions with key management personnel

	2024	2023
The total value of the loans outstanding from KMP as at the year-end:		
Mortgages	2,133,699	1,256,577
Loans	351,868	397,394
Revolving credit	142,547	163,037
Less: Approved and undrawn lines of credit	(119,520)	(18,196)
	2,508,594	1,798,812

	2024	2023
Interest and other revenue earned on loans and revolving credit facilities to KMP	118,029	70,731

	2024	2023
The total value of customer-owners' deposits from KMP as at the year-end:		
Chequing and demand deposits	211,257	253,459
Term deposits	117,464	5,641
Registered plans	247,212	166,894
	575,933	425,994

Transactions with key management personnel

Deposit accounts are maintained under the same terms and conditions as accounts of other customer-owners, and are included in deposit accounts on the balance sheet.

Loans made to key management personnel were made in the normal course of operations with interest rates at regular rates offered to all customer-owners of the Credit Union. Interest rates on deposits and dividends on shares were at identical rates offered to all customers-owners of the Credit Union.

Directors' fees and expenses

	2024	2023
Directors fees and committee remuneration	8,120	7,280
Directors expenses	5,250	4,700

17. Financial instruments

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

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

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

- Ensure all activities are consistent with the mission, vision and values of the Credit Union
- Balance risk and return
- Manage credit, market and liquidity risk through preventative and detective controls
- Ensure credit quality is maintained

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

- Ensure credit, market, and liquidity risk is maintained at acceptable levels
- Diversify risk in transactions, member relationships and loan portfolios
- Price according to risk taken, and
- Using consistent credit risk exposure tools.

Various Board of Directors committees are involved in financial instrument risk management oversight, including the Audit Committee and Credit Committee.

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

Credit risk

Credit risk is the risk of financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Credit Union. Credit risk primarily arises from customer-owners' loans and the Credit Union's lending activities.

Risk management process

Credit risk management is integral to the Credit Union's activities. The Board of Directors is responsible for developing and implementing the credit risk management practices of the Credit Union by establishing the relevant policies and procedures. Management carefully monitors and manages the Credit Union's exposure to credit risk by reviewing member credit extension policies and guidelines and reviewing the performance of loan portfolios, including default events and past due status. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid. The primary credit risk management policies and procedures include the following:

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

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

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

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

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

To meet the needs of its members and to manage its own exposure to fluctuations in interest rates, the Credit Union participates in various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of customers. These are subject to normal credit standards, financial controls, risk management and monitoring procedures.

The Credit Union makes the following instruments available to its members:

- Guarantees and standby letters of credit representing irrevocable assurances that the Credit Union will pay if a member cannot meet their obligations to a third party
- Commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans (including lines of credit and credit cards), guarantees or letters of credit.

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

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

The Credit Union considers loans and advances to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists, such as notification from the borrower or breach of major covenants. This definition is consistent with the definitions used for the Credit Union's internal credit risk management practices and has been selected because it most closely aligns the definition of default to the Credit Union's past credit experience, and the covenants placed in standard borrowing contracts. Relatively few financial instruments subsequently return to performing status after a default has occurred under this definition without further intervention on the part of the Credit Union.

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

The Credit Union uses the expected loss model to record an allowance against customer-owners' loans. The allowance is broken into three stages. Stage 1 contains all loans that are not delinquent and do not have any known additional risk. Stage 2 contains all loans delinquent between 31 and 90 days, and any loan that has been assessed to have additional risk.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its customers. Stage 3 contains all loans delinquent over 90 days, bankruptcy, consumer proposals, credit counselling, debt consolidations and accounts that are in serious default with little chance of recovery.

Each stage is broken down into pools of customer-owners' loans that have similar risk characteristics. The probability of default, risk adjustment and loss given default are used to determine the expected credit loss for each pool of customer-owners' loans.

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

17. Financial instruments (Continued from previous page)

Measurement of expected credit losses

The Credit Union measures expected credit losses for customer-owners' loans on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type. Otherwise, expected credit losses are measured on an individual basis.

Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

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

The Credit Union has taken into consideration the macroeconomic impacts of the Bank of Canada interest rate increases on its collective allowance.

Write-offs

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

Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 *Financial instruments*. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

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

	Stage 1 12-month ECL	2024 Stage 2 Lifetime ECL (not credit impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
Residential mortgages				
Low risk	29,841,389	213,845	-	30,055,234
High risk	-	-	319,917	319,917
Total gross carrying amount	29,841,389	213,845	319,917	30,375,151
Less: loss allowance	72,253	2,468	13,702	88,423
Total carrying amount	29,769,136	211,377	306,215	30,286,728
Personal loans and lines of credit				
Low risk	9,957,619	32,629	-	9,990,248
High risk	-	-	139,245	139,245
Total gross carrying amount	9,957,619	32,629	139,245	10,129,493
Less: loss allowance	59,700	9,710	125,321	194,731
Total carrying amount	9,897,919	22,919	13,924	9,934,762

Commercial loans, mortgages and lines of credit				
Low risk	2,858,465	54,689	-	2,913,154
High risk	-	-	42,012	42,012
Total gross carrying amount	2,858,465	54,689	42,012	2,955,166
Less: loss allowance	15,965	11,533	37,810	65,308
Total carrying amount	2,842,500	43,156	4,202	2,889,858
Syndicated loans				
Low risk	3,645,688	-	-	3,645,688
Total gross carrying amount	3,645,688	-	-	3,645,688
Less: loss allowance	10,062	-	-	10,062
Total carrying amount	3,635,626	-	-	3,635,626
Mortgage Pool				
Low risk	2,290,004	-	-	2,290,004
Total gross carrying amount	2,290,004	-	-	2,290,004
Less: loss allowance	15,830	-	-	15,830
Total carrying amount	2,274,174	-	-	2,274,174
Loan commitments				
Low risk	7,469,121	-	-	7,469,121
High risk	-	-	-	-
Total gross carrying amount	7,469,121	-	-	7,469,121
Less: loss allowance	421	-	-	421
Total carrying amount	7,468,700	-	-	7,468,700
Total				
Low risk	56,062,286	301,163	-	56,363,449
High risk	-	-	501,174	501,174
Total gross carrying amount	56,062,286	301,163	501,174	56,864,623
Less: loss allowance	174,231	23,711	176,833	374,775
Total carrying amount	55,888,055	277,452	324,341	56,489,848
		2023		
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
		(not credit impaired)	(credit impaired)	
Residential mortgages				
Low risk	28,432,805	435,588	-	28,868,393
High risk	-	-	322,454	322,454
Total gross carrying amount	28,432,805	435,588	322,454	29,190,847
Less: loss allowance	74,493	5,886	30,449	110,828
Total carrying amount	28,358,312	429,702	292,005	29,080,019

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Notes to the Financial Statements
For the year ended December 31, 2024

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

Personal loans and lines of credit

Low risk	10,666,314	160,500	-	10,826,814
High risk	-	-	64,931	64,931
Total gross carrying amount	10,666,314	160,500	64,931	10,891,745
Less: loss allowance	72,508	54,410	58,437	185,355
Total carrying amount	10,593,806	106,090	6,494	10,706,390

Commercial loans, mortgages, and lines of credit

Low risk	2,593,160	-	-	2,593,160
High risk	-	-	35,975	35,975
Total gross carrying amount	2,593,160	-	35,975	2,629,135
Less: loss allowance	18,378	-	32,378	50,756
Total carrying amount	2,574,782	-	3,597	2,578,379

Syndicated loans

Low risk	5,030,171	-	-	5,030,171
Total gross carrying amount	5,030,171	-	-	5,030,171
Less: loss allowance	16,373	-	-	16,373
Total carrying amount	5,013,798	-	-	5,013,798

Mortgage Pool

Low risk	1,862,872	-	-	1,862,872
Total gross carrying amount	1,862,872	-	-	1,862,872
Less: loss allowance	350	-	-	350
Total carrying amount	1,862,522	-	-	1,862,522

Loan commitments

Low Risk	6,200,982	-	-	6,200,982
High Risk	-	-	-	-
Total gross carrying amount	6,200,982	-	-	6,200,982
Less: loss allowance	16,611	-	-	16,611
Total carrying amount	6,184,371	-	-	6,184,371

Total

Low Risk	54,786,304	596,088	-	55,382,392
High Risk	-	-	423,359	423,359
Total gross carrying amount	54,786,304	596,088	423,359	55,805,751
Less: loss allowance	198,712	60,296	121,263	380,271
Total carrying amount	54,587,592	535,792	302,096	55,425,480

Concentrations of credit risk

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

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

17. Financial instruments (Continued from previous page)

Amounts arising from expected credit losses

Reconciliation of the loss allowance

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
Balance at January 1, 2023	179,509	31,325	120,060	330,894
Transfer to (from) lifetime ECL (not credit impaired)	(59,064)	28,971	30,093	-
Provision for impaired loans	71,989	-	-	71,989
Accounts written off, net of recoveries	6,278	-	(28,890)	(22,612)
Balance at December 31, 2023	198,712	60,296	121,263	380,271
Balance at January 1, 2024	198,712	60,296	121,263	380,271
Transfer to (from) lifetime ECL (not credit impaired)	(101,309)	(36,585)	137,894	-
Provision for impaired loans	76,828	-	-	76,828
Accounts written off, net of recoveries	-	-	(82,324)	(82,324)
Balance at December 31, 2024	174,231	23,711	176,833	374,775

Financial instruments for which the impairment requirements of IFRS 9 do not apply

The carrying amount of Atlantic Central and League Data Limited shares, as disclosed in Note 6, best represents the Credit Union's maximum exposure to credit risk for those items. The Credit Union holds no collateral or other credit enhancements for these balances.

Market risk

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors such as interest rates, equity prices and credit spreads. The Credit Union's exposure changes depending on market conditions. Market risks that have a significant impact on the Credit Union include fair value risk and interest rate risk.

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

Risk measurement

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

Objectives, policies and processes

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

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

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

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

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of the Credit Union's financial instruments will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in prevailing market interest rates. Interest margins reported in the profit or loss may increase or decrease in response to changes in market interest rates.

In managing interest rate risk, the Credit Union relies primarily upon use of asset - liability and interest rate sensitivity simulation models, which is monitored by management and reported to the Board of Directors which is responsible for managing interest rate risk.

Sensitivity analysis is used to assess the change in value of the Credit Union's financial instruments against a range of incremental basis point changes in interest rates over a twelve month period. Interest rate shock analysis is calculated in a similar manner to sensitivity analysis but involves a more significant change of 100 basis points or greater in interest rates. Sensitivity analysis and interest rate shock analysis are calculated on a monthly basis and are reported to the Board of Directors. Based on current differences between financial assets and financial liabilities as at year-end, the Credit Union's risk related to a 1% decrease in rates was 24 basis points of assets or approximately \$200,000 decrease in income before income taxes.

Other types of interest rate risk are the risk of loss arising from changes in the relationship of interest rates which have similar but not identical characteristics; for example, the difference between prime rates and the Canadian Deposit Offering Rate and prepayment risk (the risk of loss of interest income arising from early repayment of fixed rate mortgages and loans), both of which are monitored on a regular basis and are reported to the Board of Directors.

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

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

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

Contractual repricing and maturity

All financial instruments are reported in the table below based on the earlier of their contractual repricing date or maturity date. The schedule below does not identify management's expectations of future events where repricing and maturity dates differ from contractual dates.

Victory Credit Union Limited

Notes to the Financial Statements

For the year ended December 31, 2024

17. Financial instruments (Continued from previous page)

					2024	2023
('000s)	Assets	Average yield %	Liabilities	Average costs %	Net Asset Liability Mismatch	Net Asset Liability Mismatch
Within 1 year	43,053	3.92 %	(64,534)	0.94 %	(21,481)	(24,543)
1 to 2 years	7,945	3.33 %	(753)	4.84 %	7,192	4,347
2 to 3 years	9,293	4.61 %	(51)	3.14 %	9,242	8,651
3 to 4 years	5,899	4.84 %	(69)	3.24 %	5,830	10,519
4 to 5 years	5,705	5.25 %	(196)	4.47 %	5,509	3,306
Non-interest sensitive	10,484	- %	(12,212)	- %	(1,728)	2,124
	82,379		(77,815)		4,564	4,404

Liquidity risk

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due. The Credit Union's management oversees the Credit Union's liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. To mitigate this risk, Atlantic Central requires the Credit Union to maintain, at all times, liquidity that is adequate in relation to the business carried on. The level of liquidity is based on a prescribed percentage of total deposit liabilities. At December 31, 2024 the prescribed liquidity requirement was 9% (2023 - 9%).

The Credit Union manages its liquidity position from three perspectives:

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

The primary liquidity risk policies and procedures include the following:

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

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

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

As at December 31, 2024:

	2024	2023
Required liquidity	(6,994,493)	(6,550,602)
Liquid assets	17,346,870	14,704,483
Excess liquidity	10,352,377	8,153,881

Victory Credit Union Limited **Notes to the Financial Statements** *For the year ended December 31, 2024*

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

Liquid assets comprise:

	2024	2023
Cash held at Atlantic Central and on hand	2,244,524	2,785,150
Liquidity and short-term deposits held at Atlantic Central	15,102,346	11,919,333
	17,346,870	14,704,483

The Credit Union manages liquidity risk on a net asset and liability basis. The following table details contractual maturities of financial liabilities:

As at December 31, 2024

	< 1 year	1-3 years	> 3 years	Total
Customer-owner deposits	76,647,366	803,868	265,357	77,716,591
Payables and accruals	92,089	-	-	92,089
Total	76,739,455	803,868	265,357	77,808,680

As at December 31, 2023

	< 1 year	1-3 years	> 3 years	Total
Customer-owner deposits	70,135,200	2,566,646	82,622	72,784,468
Payables and accruals	142,102	-	-	142,102
Total	70,277,302	2,566,646	82,622	72,926,570

18. Fair value measurements

The Credit Union classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for which there is little or no market data and which require the Credit Union to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is assessed to be significant to that fair value measurement. This assessment requires the use of judgment in considering factors specific to an asset or a liability and may affect the placement of the fair value measurement within the hierarchy.

The Credit Union considers a fair value measurement to have transferred between the levels in the fair value hierarchy on the date of the event or change in circumstances that caused the transfer.

In determining fair value measurements, the Credit Union uses valuation techniques including net present value techniques and inputs consisting of actual balances, actual results, market values (for similar instruments) and pay frequency. These calculations represent management's best estimates based on a range of methods and assumptions; since they involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the instruments. Interest rate changes are the main cause of changes in the value for the Credit Union's cash resources, demand deposits, certain other assets and certain other liabilities, due to their short-term nature.

Victory Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

Financial instruments measured at fair value

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

	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2024 Level 3</i>
Financial assets				
Cash	2,244,524	2,244,524	-	-
Investments at fair value through profit and loss	1,541,008	-	-	1,541,008
Total financial assets	3,785,532	2,244,524	-	1,541,008

	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2023 Level 3</i>
Financial assets				
Cash	2,785,150	2,785,150	-	-
Investments at fair value through profit and loss	1,456,287	-	-	1,456,287
Total financial assets	4,241,437	2,785,150	-	1,456,287

For fair value measurements of Level 2 investments at fair value through profit and loss, the Credit Union has assumed the fair value of the amounts is comparable to their amortized cost, which equals the par value of the shares. The shares are not quoted or traded, however when new shares are offered the price remains the same as the par value of all currently available shares. There was no impact of the measurement on profit or loss for the year. There have been no transfers between Level 1, 2 and 3 during the year.

Financial instruments not measured at fair value

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

	<i>Carrying amount</i>	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2024 Level 3</i>
Financial assets measured at amortized cost					
Liquidity and short-term deposits	15,102,346	15,102,346	-	15,102,346	-
Investments and deposits	14,395,921	14,395,921	-	14,395,921	-
Customer-owner loans	49,095,268	48,781,295	-	48,781,295	-
	78,593,535	78,279,562	-	78,279,562	-

**Financial liabilities measured at
amortized cost**

Payables and accruals	98,627	98,627	-	98,627	-
Customer-owners' deposits and accrued interest	77,716,591	77,767,041	-	77,767,041	-
	77,815,218	77,865,668	-	77,865,668	-

Victory Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2024

					2023
	<i>Carrying amount</i>	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<i>Financial assets measured at amortized cost</i>					
Liquidity and short-term deposits	11,919,333	11,919,333	-	11,919,333	-
Investments and deposits	11,807,522	11,807,522	-	11,807,522	-
Customer-owners' loans	49,312,490	47,414,088	-	47,414,088	-
	73,039,345	71,140,943	-	71,140,943	-
<i>Financial liabilities measured at amortized cost</i>					
Payables and accruals	142,102	142,102	-	142,102	-
Customer-owners' deposits and accrued interest	72,784,468	72,694,705	-	72,694,705	-
	72,926,570	72,836,807	-	72,836,807	-

19. Events after the reporting period

Subsequent to the reporting date, the Credit Union entered into an agreement with Community Credit Union Limited and New Ross Credit Union Limited providing the amalgamation of the three Credit Unions. An electronic vote was held between June 3, 2024 and June 14, 2024 where the members of Victory Credit Union Limited, Community Credit Union Limited and New Ross Credit Union Limited voted to approve the amalgamation of the three Credit Unions under the new entity Mosaik Credit Union Limited. The amalgamation was completed subsequent to the reporting date and became effective January 1, 2025.

Victory Credit Union Limited
Schedule 1 - Schedule of Administrative Expenses
For the year ended December 31, 2024

	2024	2023
Administrative expenses		
Advertising and promotion	159,579	114,336
Atlantic Central dues	60,843	70,871
Data processing	566,815	541,304
Donations	50	101
Dues, fees and courier	37,335	31,648
Equipment repairs and maintenance	104,243	104,986
Insurance - general and bonding	37,409	36,011
Meeting expenses	3,219	2,182
Miscellaneous	23,704	45,461
Office, stationery and postage	38,214	42,878
Professional fees	116,782	184,004
Telephone	29,418	43,655
Travel	25,259	20,216
	1,202,870	1,237,653

Schedule 2 - Schedule of Occupancy Expenses
For the year ended December 31, 2024

	2024	2023
Occupancy expenses		
Fire insurance	1,745	1,745
Heat, light and water	27,981	26,543
Property and business occupancy taxes	59,070	57,454
Rent on short-term leases	2,400	2,400
Repairs and maintenance	32,431	24,585
	123,627	112,727

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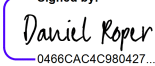
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droper@mosaikcu.ca
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Signed by:

0466CAC4C980427...

Timestamp

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Signed: 4/30/2025 2:18:45 PM

Signature Adoption: Pre-selected Style
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ID: 65c0050d-5758-47ca-8923-f49fb62450ff
Company Name: Mosaik Credit Union

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nickparker@mosaikcu.ca
Security Level: Email, Account Authentication (None)

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A48E30DF9E5A47B...

Sent: 4/30/2025 2:16:01 PM
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Signed: 4/30/2025 2:43:54 PM

Signature Adoption: Pre-selected Style
Using IP Address: 142.176.5.194

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Company Name: Mosaik Credit Union

In Person Signer Events	Signature	Timestamp
Editor Delivery Events	Status	Timestamp
Agent Delivery Events	Status	Timestamp
Intermediary Delivery Events	Status	Timestamp
Certified Delivery Events	Status	Timestamp
Carbon Copy Events	Status	Timestamp
Witness Events	Signature	Timestamp
Notary Events	Signature	Timestamp
Envelope Summary Events	Status	Timestamps

Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	4/30/2025 2:16:01 PM
Certified Delivered	Security Checked	4/30/2025 2:36:48 PM
Signing Complete	Security Checked	4/30/2025 2:43:54 PM
Completed	Security Checked	4/30/2025 2:43:54 PM
Payment Events	Status	Timestamps
Electronic Record and Signature Disclosure		

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