ATLANTIC CENTRAL
ANNUAL REPORT 2022

Better Together!

ATLANTIC CENTRAL

Unity is strength… when there is teamwork and collaboration, wonderful things can be achieved.

Mattie Stepanek

Better Together!

If there is a silver lining from living and working in the midst of a global pandemic it is this: *there is a greater appreciation for the good that comes from working together for a common purpose.* This has played out time and again within our own organizations and among businesses across the country and worldwide. As cooperative organizations, collaboration and teamwork are intrinsic to our business model. The financial services industry is on a path of accelerated transformation, and fostering strategic partnerships is a fundamental component to achieving success.

This is not a new concept for Atlantic Central and League Savings and Mortgage or our community of credit unions in Atlantic Canada. We understand and appreciate the value of tapping into strengths and expertise from across a diverse playing field to drive growth, enable innovation and deliver solutions credit unions and their members need now and in the future.

Our organizations will continue to support and encourage a collaborative approach to ensure we are well positioned to manage the challenges and embrace the opportunities in our changing landscape. The future is full of promise, and together, the Atlantic credit union community will remain a strong and enduring presence for our members and the communities we serve.

Chair's Message

When I wrote my message last year, I reflected on how well we adapted to the changing environment brought on by the global pandemic. We remained resilient throughout 2022 despite continued challenges in the financial services industry. I'm happy to report Atlantic Central successfully executed on our strategy, making significant progress against our long-term goals and objectives.

A key priority for the board in 2022 was to appoint a new President and CEO to lead Atlantic Central following the retirement of Michael Leonard. We spent considerable time determining the specific skills and experience required to guide the organization into the future. The board was pleased to welcome Paul Masterson to the role, who joined us in November. With more than 30 years of experience in financial services on a national and global level, Paul is well positioned to lead Atlantic Central in achieving its vision now and into the future.

Atlantic Central and credit unions in Atlantic Canada are in the process of converting their core banking services. This is a significant and healthy transformation that will create future opportunities as we move toward a more digitally enabled environment. We have a team of experts committed to this project and we will work together to successfully deliver results for the benefit of the Atlantic credit union system.

We continue to move forward with our integrated corporate social responsibility strategy and released our third sustainability report, *Living our Values Together: Transforming our Future*. The board is committed to supporting Atlantic Central's efforts to create a more diverse, equitable and inclusive organization and we are pleased with the outcomes since first introducing the strategy three years ago.

Our annual planning session was held jointly with the board of League Savings and Mortgage in September. The board recognizes we need to build for the future given the significant initiatives underway and planned. We began preliminary discussions to conduct a funding and services review as it has been more than 10 years since we looked at funding for the Central. We will review this with the new CEO and expect more work to be done in this area in 2023. This will be an excellent opportunity to engage credit unions to get a better understanding how they use our services including the value these services provide. The board acknowledged the changes taking place in the region such as increased merger activity and we want to ensure Atlantic Central continues to support and meet the changing needs of all our member credit unions.

In October we held our first in-person conference in three years. It was great to see our friends and colleagues from across the region and the country to share important updates on initiatives that support the growth of the credit union system. While our spirit of collaboration remained strong in the midst of pandemic restrictions, we appreciated the time to reconnect face-to-face with our system partners.

The role strong governance plays in ensuring Atlantic Central continues to act in the best interests of the organization and its stakeholders cannot be underestimated and continues to be a priority for the board. In 2022 an independent review of the board's governance model was started following a recommendation triggered by a regulatory review on liquidity. This work will provide an objective view of the board's strengths and areas for improvement with clear recommendations for future improvements. The board looks forward to credit unions participating in the review in 2023.

On behalf of the board of directors, I want to thank the management and staff of Atlantic Central. The passion you bring each day and your commitment to the work you do on behalf of the organization and the Atlantic credit union system is directly related to our success. I'd like to take this opportunity to recognize and thank Kim Walker, who in addition to her role as COO, took on the responsibility of interim CEO until Paul Masterson could join us. Her leadership, expertise and focus ensured Atlantic Central remained on track to achieve its goals and objectives. Transformational change is upon us, and we will embrace the opportunities that lie ahead.

Jim MacFarlane, Chair
Atlantic Central Board of Directors

CEO's Message

I welcome this opportunity to present my first annual report message as the President and CEO of Atlantic Central. I also want to acknowledge the commitment, unity, and adaptability that enabled our organization to achieve its goals and objectives in 2022.

We are in the midst of significant change – from digital ACUSS to mergers to evolving our own internal processes and procedures to better align with our culture. At the heart of these changes are people – our employees, board members, credit unions and partner organizations – working together to support a successful Atlantic credit union system for the benefit of members and the communities we serve.

Highlights from 2022

Financial Performance
Atlantic Central performed well in 2022, accomplishing our key business plan objectives. Our success is directly linked to the strength of the management team and our employees who understand, embrace, and live our purpose every day.

Honeybee Mission
The honeybee Mission is the single most significant and far-reaching initiative in the history of the Atlantic credit union system. Atlantic Central is working in partnership with League Data to transform how we provide banking services. Included under the umbrella of the honeybee Mission are core banking, digital services, and cyber security services. With a dedicated team supporting this key initiative, good progress was made against the project's objectives with careful thought and attention paid to the planning and implementation process to achieve the honeybee Mission's mandate. This work will continue to be a priority in 2023 and 2024.

ACUSS (Atlantic Credit Union System Strategy)
Atlantic Central continues to consult with credit unions and work collaboratively with the CEO Executive Committee to ensure our strategy aligns with and complements the overall Atlantic Credit Union System Strategy. This approach invites diverse perspectives and identifies common priorities. The framework allows us to draw on a broad range of expertise to support growth and tackle challenges in our region. It became clear to me early in my tenure as CEO that our unique services (i.e., a common brand and the regional marketing program, enhanced data analytics, government relations, merger team, regional liquidity project, and strategic partnerships) give us a competitive advantage. I continue to be impressed by the level of collaboration that exists in the region and I look forward to executing on our strategy in 2023.

Living our Values
We launched our third sustainability report (include link to the report) highlighting the social, environmental and governance activities, performance, and impact of Atlantic Central and its subsidiary, League Savings and Mortgage. We continue to make progress on our commitment to integrate sustainability into our operations and use our integrated CSR strategy to help guide our business decisions. Also included in the report is data from 31 of our member credit unions. This further demonstrates the significant impact of our combined efforts for the benefit of members and communities across Atlantic Canada.

People First Approach
Atlantic Central launched a new culture statement, values and behaviour that better reflect who we are, what we do, why we do it, and how we do it. Our employees are our greatest asset, and we are committed to ensuring that not only our policies and processes align with our desired culture, but also that employees have opportunities to be their best each and every day. I'm proud to report our overall corporate engagement score increased to 89.4 in 2022 from 87.6 in 2021. We will continue to work on our people strategy as we strive to create an environment where all employees can thrive.

Plans for 2023
While we celebrate the past year's results, we are very much focused on the year ahead. We know the interest rate environment will pose unique challenges for our organization and we are poised to meet them head on. We are committed to building on our achievements and supporting the important work underway within the Atlantic credit union system.

I would like to thank Atlantic Central's Board of Directors for your support and leadership which has been invaluable to me as the new CEO. I would also like to thank the management team and employees. As I've gotten to know each of you, I am consistently impressed by the level of engagement, expertise, and enthusiasm you bring to your roles every day. I'm proud of the work we do, and I look forward to 2023 with the knowledge that we'll continue to do great things together!

Paul Masterson
President and CEO

Highlights: Brand Awareness

Your Two Cents Season 4

We welcomed TikTok icon Alicia McCarvell as the host of Season 4 of the Your Two Cents video series. Her refreshingly honest personality that aligns so well with our values made her the perfect fit to help us deliver financial education in a fun way!

Episode 1: Money Talks

13 episodes in total

episode **1** on Instagram

505,246 views

15,328 likes on Instagram

★★★★★ **5** star ratings

Your Two Cents: The Podcast

The first season of Your Two Cents: The Podcast was a huge success! Hosts Sylvia Beirnes and Jonathan Torrens interviewed special guests and covered topics like financial independence, home buying, debt, and savvy spending.

810 listens per espisode on average

Your Two Cents: The Podcast will be back for another exciting season with **12** *new episodes!*

Highlights: Brand Awareness

Holiday Pay It Forward

Held in December, this annual initiative sees Atlantic credit union system employees and board members pay it forward to a local organization, charity, individual, or family over the holiday season. Employees were provided with $25 each, an amount that was often matched by the participating organizations. The resulting community and human impact were significant.

$88,000+
to support our local communities in 2022

One of the unique advantages over our competition is our ability to be hyper-local through our staff.

Buying Local is Building Local

Atlantic Central's commitment to helping our communities grow well shone bright in 2022. Together with League Savings and Mortgage, League Data, and Atlantic credit unions, we supported small businesses through the #Loyal2LocalChallenge for the third year in a row. Every employee in the Atlantic credit union system received $25 to spend at a local business in their community. The impact was significant with funds being matched by many of the participating organizations, and the initiative sparked conversations about the value of local businesses in Atlantic Canada.

Small businesses are the backbone of the Atlantic Canadian economy and vital to the health of our communities.

1,600+ employees

$100,000+ for local economies

100s of social posts

Highlights: Brand Awareness

Paid Media

Our always-on marketing strategy ensures we have constant online visibility and are in-market 365 days per year to promote awareness and understanding of the credit union difference.

Campaigns included:

- Online and mobile banking products and services
- Brand building ads on the credit union difference
- Financial products and services for investing and saving, mortgages, home financing, youth, small businesses

23M+ ad impressions in Atlantic Canada

Earned Media

The credit union brand was promoted through several stories and interviews throughout 2022 covering topics such as rising interest rates, inflation, and Women's History Month.

45M+ brand impressions

$540,000+ in advertising value

Owned Media

360,000 organic impressions on Honest Money driven through our social media channels

Highlights: Products and Services

Authentication – 2-Step Verification

Authentication enhancements are part of the continuing evolution of security features designed to provide added protection to members and credit unions when it comes to online banking fraud.

38 Credit unions went live in 2022 with **8** in progress at year end

Strong PAC

The introduction of Strong PAC (Personal Access Codes) means members can be even more confident when accessing online banking. More robust access codes provide an additional layer of security and peace of mind for members. Rollout began in 2022 with three credit unions going live. Implementation will continue throughout early 2023.

3 Credit unions went live in 2022, more to come in 2023

Debit MasterCard

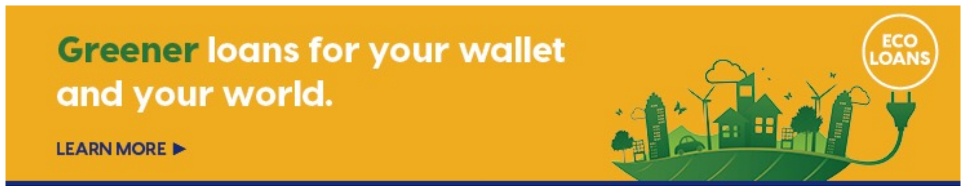
Credit unions were pleased to see the launch of the Debit Mastercard. With it, members can shop online using their credit union account and have their debit card accepted in more places worldwide. It's simple, safe, and convenient.

30 Credit unions launched Debit Mastercard in 2022

Highlights: Products and Services

Eco Loans

Many credit unions offer eco loans to help members finance eco-friendly and energy-efficient products or improvements such as, heat pumps, solar panels, and rainwater storage tanks. We were proud to support credit unions in promoting this loan offering to current and prospective members.



The Vault

To improve ease of use and enable a better experience for credit unions, Atlantic Central redesigned the online home of policies and procedures. Forms, templates and other important documents are at credit unions' fingertips in one convenient location – The Vault. The response has been overwhelmingly positive!

Honeybee Mission

The honeybee Mission is a collaborative initiative between Atlantic Central, League Data and other system partners to modernize the delivery of banking services. Atlantic Central plays a key role in ensuring the honeybee Mission achieves its objectives of helping credit unions move faster and be more responsive to the needs of their members, as well as supporting credit unions to successfully navigate the changes. Significant work was completed in 2022 and implementation planning is underway with a pilot credit union scheduled to launch in Q3 2023.

Highlights: Products and Services

Sales Training Program

Our CU-Master Sales Training Program has been in place for three years. The training is underpinned by our values of honesty, fairness, and trust and is focused on five pillars:

1. Member Growth
2. Member Retention
3. Member Engagement
4. Results and Trends
5. Value and Advice

164 participants representing **17** credit unions

Facilitated over **123** 90-minute Virtual Sales Training Sessions

Conducted **336+** coaching calls/meetings

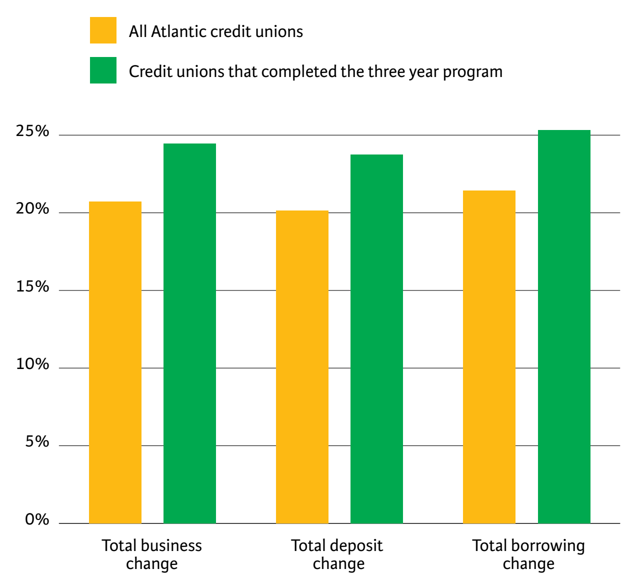
Facilitated more than **22** leadership and management team coaching sessions

Increased confidence in closing sales

44% **2021**

60% **2022**

Results achieved by participating credit unions vs. non-participating credit unions



Highlights: Human Resources

Payroll/HRIS Services

- Five additional credit unions went live with the services on January 1, 2022
- **639** employees on the system as of December 31, 2022
- One credit union is scheduled to go live on January 1, 2023

HR Consulting Services

- HR consulting services and support were provided to **18 credit unions** ranging from employee engagement surveys to C-suite recruitment.

Employee Engagement Survey

The 2022 Employee Engagement Survey marked the eighth year measuring engagement with 100 non-executive employees completing the survey.

88.5% completion rate as compared to 86.4% in 2021

The overall aggregate Agreement score increased to **89.4%** from 87.6% in 2021

The overall corporate engagement score increased to **89.4** from 87.6 in 2021

Highlights: Corporate Services

Corporate Services

- In keeping with the boards of Atlantic Central and League Savings' commitment for continuous improvement, a successful RFP process was completed for a **governance review** to begin in early 2023.
- In October, after three years of hosting virtual conferences due to the global pandemic, we held our most successful and highest attended regional conference to date. Our **Fall Strategy Conference** brought credit union leaders and system partners from across the Atlantic region and the country together to discuss opportunities, challenges, and trends impacting the financial services industry.

Highlights: Risk Management & Compliance

Hosted three live information sessions for subscribed credit unions:

- Key privacy principles
- CAMLO responsibilities related to PCMLTFA (Proceeds of Crime [Money Laundering] and Terrorist Financing Act) requirements
- Suspicious transaction reports

269 satisfaction surveys completed

Satisfaction score **99%** (100% in 2021)

Highlights: Co-operative Social Responsibility (CSR)

Living Our Values Together

Our goal is to enable Atlantic credit unions and the communities we serve to grow well. Our three strategic pillars allow us to live our values and deliver on our purpose.

1. Improve the financial resilience and inclusion of Atlantic Canadians
2. Grow our investment in the sustainable economy
3. Increase participation in the co-operative movement

Highlights from 2022

$100,000 commitment over four years to the Atlantic Promise Scholars Initiative to help make business school and the broader business community more inclusive. In 2022, we established our first endowment of **$25,000** at Dalhousie University.

Each One Teach One – **449** people participated in **31** workshops to help build financial literacy in our communities.

Support for Ukraine

- **$17,400** in donations to the Canada-Ukraine Foundation's Humanitarian Appeal, as part of a national credit union campaign.
- **$1,000** to support Ukrainian Individuals and Families coming to Atlantic Canada, in partnership with NSCC.
- **$500** to support system partners, Cooperative Development Foundation Disaster Recovery Fund and WFCU Ukrainian Displacement Fund.
- Waived wire processing fees for financial assistance to Ukraine and neighbouring countries.

Partnering with the Canadian Red Cross, Atlantic credit unions donated **$35,877** to support Hurricane Fiona relief efforts. With support from our credit union system partners across Canada, we raised a total of $116,512 to support Atlantic Canadians adversely impacted by Hurricane Fiona.

Coady Award 2021

In the 1920s, Dr. Moses Coady helped Nova Scotia fishermen, farmers, and miners take control of their lives through a program of economic self-help he created based on the principles of education, hard work, and cooperation. His work formed the very beginnings of the Atlantic co-operative movement and changed the lives of economically depressed communities in Atlantic Canada and in developing nations around the world. Our credit union system is one example of how Dr. Coady's work lives on to this day.

Each year, we celebrate the many ways credit unions embody Dr. Coady's work by recognizing a single credit union that demonstrates exemplary leadership in the areas of cooperation, volunteerism, education, and environmental sustainability.

The recipient of the 2021 Coady Award, **East Coast Credit Union**, is an important contributor to initiatives that strengthen resilience and promote a sustainable future for the communities where they live and work. This is seen through their community impact which focuses on local economic development, community wellbeing, education and environmental sustainability.

To celebrate this recognition, East Coast Credit Union created the Coady Award Roadshow, that sent the award across Nova Scotia to visit each of their branches in the communities where their employees live and are proud to serve.

Credit union staff and board members collectively donated more than **3,288** volunteer hours.

#EastCoastCUCares Grant Program supports local co-operatives and social enterprises that are making a measurable social or environmental impact in their community. In its first year, the program awarded **$100,000** to local organizations working to improve health and wellness, climate resilience and supporting community development in Nova Scotia.

Commitment of **$21,000** over three years to support the new Hospice Cape Breton (in partnership with other local credit unions a total of **$150,000** has been donated to the project).

Pledged **$25,000** to the Coady Change Leader Campaign to provide scholarships for Canadian and International students to attend Coady leadership education programs.

Donated land to house a ground-mounted solar power system for the Saint Andrew's Senior Housing Authority to improve efficiency and affordability for its residents. In the first 11 months of operation, the system resulted in an estimated **20.1 tonnes** of carbon reduction (enough energy to power 16 homes for a year).

Management Team

Paul Masterson
President & CEO

Don Noyes
VP Finance & Chief
Financial Officer

Kim Walker
Chief Operating Officer

Brenda Roberts-Harmon
VP General Counsel
& Chief Risk Officer

Paul Paruch
VP Digital & Payments

Corporate Governance

Sound governance and ethical behaviour begin with our board of directors (board), which is accountable to our shareholder members and assumes responsibility for the stewardship of Atlantic Central (Central). The board is responsible for overseeing the management of the business and affairs of Central, and for providing effective leadership to Central and the credit union system, with an objective of enhancing stakeholder value. Among its many specific duties, the board approves strategic goals and business plans, sets policy to direct the overall operations of Central, provides advice, counsel and oversight to the President and CEO, oversees the ethical, legal, and social conduct of Central, oversees risk management, and reviews Central's ongoing financial performance. The board ensures that appropriate structures and procedures are in place to confirm its independence from management.

Board Composition

The board of Central consists of twelve directors as follows:

- Two directors elected by delegates representing Central's member credit unions within the New Brunswick Regional Group;
- Two directors elected by delegates representing Central's member credit unions within the Newfoundland and Labrador Regional Group;
- Six directors elected by delegates representing Central's member credit unions within the Nova Scotia Regional Group, as follows:
  - Three directors elected by delegates representing Central's member credit unions within NS Peer Group A (credit unions with total assets up to and including $100,000,000); and
  - Three directors elected by delegates representing Central's member credit unions within NS Peer Group B (credit unions with total assets over $100,000,000); and
- Two directors elected by delegates representing Central's member credit unions within the Prince Edward Island Regional Group.

The following individuals currently serve on the board:

Jim MacFarlane, Chair
Martin Gillis, Vice-Chair
Danielle Boudreau
Tammy Christopher
Sherri Clark
Doug Dewling
Lisa Loughery
Paul MacNeill
Camille Maillet
Gary O'Brien
William Timmons
Thomas Vickers

The board and each committee meet at least once each fiscal quarter, and the board holds an annual strategic planning session. The board meets at other times when matters requiring its approval or consideration are raised and it is not possible or prudent to wait for the next regularly scheduled meeting. The board met five times in 2022.

Corporate Governance

Committees of the Board

The board has established the following standing committees: Audit; Risk; Conduct Review; Co-operative Social Responsibility; Executive, Human Resource and Compensation; and Governance.

Audit, Risk and Conduct Review Committees

The committees consist of at least four directors, none of whom is an employee or officer of Central or League Savings and Mortgage Company (League Savings). The Audit Committee is responsible for ensuring management has designed and implemented an effective system of financial management and related internal controls. It reviews and reports on the audited financial statements and ensures compliance with certain regulatory and statutory requirements. It is also responsible for meeting periodically with internal and external auditors. The Risk Committee is responsible for ensuring management has developed and maintains an effective Enterprise Risk Management Framework for evaluating the business strategies used for the allocation of human resources, capital, and other resources. The Conduct Review Committee is responsible for ensuring Central has developed and adheres to ethical standards and sound business conduct in such areas as conflict of interest and related party procedures.

Committees members: Doug Dewling (Chair), Danielle Boudreau, Tammy Christopher, and Sherri Clark.

Co-operative Social Responsibility Committee

The joint Central and League Savings Co-operative Social Responsibility (CSR) Committee is comprised of at least one director from each of Central and League Savings, and representatives from each of the Atlantic Provinces. The CSR Committee develops and supports clear and precise policy statements for consideration by the board that help define our belief in social well-being and sustainability. The committee recommends to the board priorities for charitable giving and awards and recognition programs, and provides related oversight to these priorities and programs. In addition, the committee ensures sustainability and environmental impacts are considered in the management of premises and operations.

(Joint) Committee members: Gary O'Brien (Chair), Lisa Loughery, Sarah Millar (LSM), William Timmons, and Thomas Vickers.

Executive, Human Resource and Compensation Committee

Its five members include the board chair, vice-chair and three members at large elected by the board, one of whom shall be a member, concurrently, of the board of Central's subsidiary, League Savings, serving as an appointee of Central. This committee is responsible for addressing matters between scheduled board meetings that require immediate attention, and acts as a Human Resources Committee. In this capacity, the committee makes recommendations to the board on the President and CEO's compensation and performance evaluation, and oversees the Central's People Strategy.

Committee members: Jim MacFarlane (Chair), Martin Gillis (Vice-Chair), Lisa Loughery, Paul MacNeill, and Thomas Vickers.

Governance Committee

The committee consists of at least four directors and is responsible for reviewing and recommending changes to the governance structure of Central and for ensuring an effective governance system is in place, including a schedule for regular policy review and compliance. In addition, this committee ensures board decisions and positions are appropriately translated into documented policies. Policies developed by the committee are forwarded to the board for its consideration and approval. The committee oversees the procedures for nominating and electing Central directors to ensure compliance with Central's by-laws, and resolves any issues or questions related to this process. The committee is responsible for overseeing the director evaluation process, board competencies, and the ongoing training and development of board members.

Committee members: Martin Gillis (Chair), Danielle Boudreau, Tammy Christopher, Paul MacNeill, and Camille Maillet.

Corporate Governance

Attendance at Board and Committee Meetings

The Atlantic Central Board of Directors recognizes the importance of each individual director's participation at board and committee meetings. Every director is expected to attend all board and committee meetings unless adequate cause is given for missing a meeting. The following table sets out the attendance of each board member at board and committee meetings throughout 2022.

Name	Board Meetings and Planning Session	Audit, Risk & Conduct Review Committees	Co-operative Social Responsibility Committee	Executive, HR & Compensation Committee	Governance Committee
Jim MacFarlane*	7/7			4/4	
Martin Gillis*	7/7			4/4	4/4
Danielle Boudreau	7/7	4/4			4/4
Tammy Christopher	7/7	4/4			4/4
Sherri Clark	7/7	4/4			
Doug Dewling	7/7	4/4			
Lisa Loughery	7/7		4/4	4/4	
Paul MacNeill	6/7	1/1		3/3	4/4
Camille Maillet	7/7		1/1		3/3
Gary O'Brien	7/7		4/4		
William Timmons	6/7		3/3	1/1	1/1
Thomas Vickers	7/7		4/4	4/4	

*Table Officer

Corporate Governance


Jim MacFarlane, Chair


Martin Gillis, Vice-Chair


Danielle Boudreau


Tammy Christopher


Sherri Clark


Doug Dewling


Lisa Loughery


Paul MacNeill


Camille Maillet


Gary O'Brien


William Timmons


Thomas Vickers

Mandate of the Board of Directors

While the board's fundamental responsibility is to oversee the management of the business and affairs of Central, any responsibility that is not specifically delegated to the President and CEO remains with the board. In particular, the board oversees Central's strategic direction to ensure it serves the organization, its member credit unions, employees, and communities of New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. The board assumes overall stewardship with respect to Central's purpose and values, its long-term objectives, and the approval of corporate strategies. Specifically, the board is responsible for:

- the selection, succession, evaluation, compensation and employment conditions of the President and CEO
- establishing and approving board policies
- overseeing Central's internal control framework
- developing and approving Central's strategic goals and business
- providing advice to the President and CEO
- evaluating the board's performance and overseeing the ethical, legal, and social conduct of the organization, and
- reviewing the financial performance and condition of the organization

Corporate Governance

Board Evaluations

As part of its commitment to ongoing development and improvement, the board conducts an annual self-evaluation. This evaluates the board's effectiveness in the following governance areas: Central's purpose and vision; strategic leadership; financial performance; internal controls and oversight, including financial oversight, risk oversight, and human resources oversight; co-operative social responsibility; compliance and accountability; stakeholder relations; board functioning; board and management relations; and learning and development. The results of the evaluation are used to guide the training and development agenda for the board in the upcoming year.

Evolving Governance Processes

At Central, we recognize that our governance standards must evolve to respond to changes in our organization, the credit union system, stakeholder expectations and regulatory requirements, and to ensure Central and its stakeholders receive the benefit of exceptional governance practices. The board and management continually monitor developments in corporate governance practices and are committed to ongoing training and development so Central can continue to lead the credit union system with its governance practices. Over the past several years, Central has increased its focus on diversity and inclusion.

Affiliate and Regulatory Boards

Canadian Co-operative Investment Fund (CCIF)
Central is an Investor Member in CCIF, and is entitled to appoint a delegate to attend CCIF Annual General Meetings. The board appointed Gary O'Brien to the board of CCIF (term expires April 2025). Central appointed Martin Gillis as the delegate.

Concentra
Central was a minority shareholder of Concentra. Michael Leonard served as an independent director on the board of Concentra (term expired in 2022). Central appointed Jim MacFarlane as a representative.

Co-operative Enterprise Council of New Brunswick (CECNB)
Central has a share in CECNB; however, there is no Central director currently serving on the CECNB board.

Co-operative Management Education Co-operative (CMEC)
Central holds shares in CMEC. The CMEC board includes co-op/credit union nominated positions; however, the Central currently has no representative serving on the CMEC board.

Credit Union Central of Canada (CUCC) – now known as 189286 Canada Inc.
CUCC transitioned to the Canadian Credit Union Association (CCUA) in 2015; however, a board of directors is still in place at 189286 Canada Inc., and Paul Paruch serves on the board since Michael Leonard's retirement.

League Data Limited
The President and CEO of Central, or designate, has a dedicated seat on the board of League Data Limited. Kim Walker, Central's COO, serves on the League Data board.

League Savings and Mortgage Company (LSM)
Central is entitled to appoint six members to the board of its subsidiary, League Savings. Currently the directors appointed by Central to the board of LSM are Pat Duffield, Jim MacFarlane, Gary O'Brien, Raymond Surette, William (Bill) Timmons, and Thomas Vickers.

Nova Scotia Co-operative Council (NSCC)
Central appoints one director to the NSCC board. Thomas Vickers is the Central director serving on the NSCC board (annual term expires in 2023).

Nova Scotia Credit Union Deposit Insurance Corporation (NS CUDIC)
Three of the seven positions on the NS CUDIC board are nominated by Central, and appointments are subject to the Minister of Finance and Treasury Board's approval. The Central-appointed directors on the NS CUDIC board are Beverley Cooke and John Armstrong (terms expire in 2023), and Rick Parker (term expires in 2024).

The Co-operators
The Atlantic regional delegates elect three directors to The Co-operators' board to represent the Atlantic Region. Effective April 2020, Central appointed Jim MacFarlane to serve as director (term expires in 2023). Central also appoints two delegates – currently Brenda Roberts-Harmon and Tom Vickers (terms expire in 2024).

Atlantic Central

PURPOSE

We partner with credit unions and others to enable the Atlantic credit union system and the communities we serve to grow well.

VISION

A thriving Atlantic credit union system with growing membership and a clear contribution to member and community success.

VALUES

Our cooperative values drive our culture and how we do our business. We value honesty, trust, respect and collaboration in ourselves and our partners. To execute on our new strategy we will also celebrate innovation, speed and intelligent risk taking.

Atlantic Central

Consolidated Financial Statements
December 31, 2022
(expressed in Canadian dollars)

Management's Responsibility for Financial Statements

Management has the responsibility of preparing the accompanying consolidated financial statements and ensuring that all information in the annual report is consistent with the consolidated financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In discharging its responsibility 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 safeguarded and proper records maintained. The Board has appointed an Audit Committee which reviews the annual financial statements with Management and auditors before final approval by the Board.

Both the federal and provincial regulators of financial institutions may conduct examinations and make such enquiries into the affairs of Atlantic Central and its subsidiary as they deem necessary to ensure the safety of depositors and members of Atlantic Central and to ensure that Atlantic Central is in sound financial condition. Their findings are reported directly to Management.

PricewaterhouseCoopers LLP, the independent auditors, have examined the consolidated financial statements of Atlantic Central in accordance with Canadian generally accepted auditing standards and have expressed their opinion in the following report to members.

Paul Masterson, CPA, CA
President and CEO

Donald M. Noyes, CPA, CA
Vice President Finance and CFO

Independent auditor's report

To the Members of Atlantic Central

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Atlantic Central and its subsidiary (together, the Company) as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2022;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in members' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Halifax, Nova Scotia
March 2, 2023

Atlantic Central

Consolidated Balance Sheet

As at December 31, 2022

	Note	2022 $	2021 $
Assets			
Cash and cash equivalents		55,010,608	53,315,612
Restricted cash		5,206,791	2,424,001
Investments	6	1,087,994,072	1,546,337,111
Loans and mortgages	7	666,085,873	622,206,133
Accrued interest		10,580,730	5,933,422
Income tax receivable		4,119,008	2,813,472
Capital tax receivable		132,027	-
Assets held for sale	9	1,441,864	-
Fixed assets	10	293,861	1,838,033
Right-of-use assets	12	268,102	240,100
Deferred tax assets	17	4,188,976	599,548
Securitization assets	8	112,984,050	101,811,321
Other assets		11,872,492	8,804,059
		1,960,178,454	2,346,322,812
Liabilities			
Deposits	11	1,509,576,120	1,872,812,717
Accrued interest		7,643,058	3,985,443
Lease liabilities	12	286,444	255,564
Accounts payable and accrued liabilities		9,003,339	12,989,831
Servicing liabilities		33,479,854	35,834,245
Mortgage-backed securities	8	228,845,888	233,922,763
Capital tax payable		-	96,466
Income tax payable		-	-
Deferred tax liabilities	17	-	1,386,005
		1,788,834,703	2,161,283,034
Members' equity			
Capital stock	13	112,387,145	110,726,924
Contributed surplus		6,018,056	6,018,056
Special reserve	13	10,813,136	11,578,428
Retained earnings		44,998,783	41,246,276
Accumulated other comprehensive income		(2,873,369)	15,470,094
		171,343,751	185,039,778
		1,960,178,454	2,346,322,812
Commitments and contractual obligations	16		

Approved by the Board of Directors

Paul Masterson, CPA, CA	*Jim Macfarlane*	*Doug Dewling*
President and CEO	Chair	Director

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

Atlantic Central

Consolidated Statement of Income

For the year ended December 31, 2022

	Note	2022 $	2021 $
Financial income			
Investment income		22,799,641	13,549,686
Interest on loans and mortgages		24,860,874	22,987,173
		47,660,515	36,536,859
Financial expense		30,830,564	16,714,294
Gross financial margin		16,829,951	19,822,565
Provision for credit losses (recoveries)		377,833	(556,911)
Net financial income		16,452,118	20,379,476
Securitization gains	8	2,012,509	3,697,326
Non-interest income	21	11,768,158	10,462,504
		30,232,785	34,539,306
Operating expenses			
Salaries and staff related		14,095,056	12,827,247
Management fees		220,450	205,618
Office		2,720,345	2,629,845
Marketing and business development		196,368	86,990
Democracy		1,157,898	770,891
Professional fees		911,375	727,519
Other		975,473	1,072,959
		20,276,965	18,321,069
Operating income		9,955,820	16,218,237
Initiatives and restructuring expenses	22	765,291	1,318,311
Income before income taxes		9,190,529	14,899,926
Capital tax	17	1,804,702	1,761,466
Income taxes	17	1,152,189	3,119,270
Net income for the year		6,233,638	10,019,190

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

Atlantic Central

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2022

	Note	2022 $	2021 $
Net income for the year		6,233,638	10,019,190
Other comprehensive income (OCI)			
Items that will be reclassified subsequently to income			
Net change in unrealized gains (losses) in investments at fair value through OCI			
Net unrealized gains (losses) on mark to market investments		(29,534,753)	(5,897,891)
Reclassification of net realized gains (losses) to net income		3,607,661	(477,734)
Income tax expense (recovery)	17		
On unrealized gains (losses) on mark to market investments		8,606,032	1,723,391
On reclassification of net realized gains (losses) to net income		(1,022,404)	139,785
Other comprehensive income (loss)		(18,343,464)	(4,512,449)
Comprehensive income (loss)		(12,109,826)	5,506,741

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

Atlantic Central

Consolidated Statement of Changes in Members' Equity

For the year ended December 31, 2022

	Capital stock $ (note 13)	Contributed surplus $	Special reserve $ (note 13)	Retained earnings $	Accumulated other comprehensive income (loss) $	Total members' equity $
Year ended December 31, 2022						
Balance – Beginning of year	110,726,924	6,018,056	11,578,428	41,246,276	15,470,094	185,039,778
Net income for the year	-	-	-	6,233,638	-	6,233,638
Other comprehensive income (loss), net of tax	-	-	-	-	(18,343,464)	(18,343,464)
Comprehensive income (loss)	-	-	-	6,233,638	(18,343,464)	(12,109,826)
Transfer to special reserve	-	-	-	-	-	-
Transfer from special reserve	-	-	(765,291)	765,291	-	-
Issued	-	-	-	-	-	-
Redeemed	-	-	-	-	-	-
Issued in equity rebalancing	7,564,680	-	-	-	-	7,564,680
Redeemed in equity rebalancing	(7,564,680)	-	-	-	-	(7,564,680)
Stock dividend	1,660,221	-	-	(1,660,221)	-	-
Cash dividend paid on shares	-	-	-	(1,586,201)	-	(1,586,201)
Balance – End of year	112,387,145	6,018,056	10,813,136	44,998,783	(2,873,369)	171,343,751
Year ended December 31, 2021						
Balance – Beginning of year	76,718,178	6,018,056	8,875,676	36,027,669	19,982,544	147,622,123
Net income for the year	-	-	-	10,019,190	-	10,019,190
Other comprehensive income (loss), net of tax	-	-	-	-	(4,512,449)	(4,512,449)
Comprehensive income (loss)	-	-	-	10,019,190	(4,512,449)	5,506,741
Transfer to special reserve	-	-	4,021,065	(4,021,065)	-	-
Transfer from special reserve	-	-	(1,318,311)	1,318,311	-	-
Issued	32,800,000	-	-	-	-	32,800,000
Redeemed	-	-	-	-	-	-
Stock dividend	1,208,746	-	-	(1,208,746)	-	-
Cash dividend paid on shares	-	-	-	(889,083)	-	(889,083)
Balance – End of year	110,726,924	6,018,056	11,578,428	41,246,276	15,470,094	185,039,778

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

Atlantic Central

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	2022 $	2021 $
Cash provided by (used in)		
Operating activities		
Net income for the year	6,233,638	10,019,190
Charges (credits) to income not involving cash		
Loans and mortgages, net	(43,879,740)	(13,761,048)
Deposits, net	(363,236,597)	210,353,124
Mortgage-backed securities, net	(5,076,875)	(4,773,410)
Depreciation	358,145	571,880
Interest receivable/payable, net	(989,693)	(493,304)
Income taxes receivable/payable, net	(1,305,536)	(4,244,557)
Deferred tax assets/liabilities, net	(4,975,433)	47,455
Other items, net	(20,810,540)	(12,624,289)
	(433,682,631)	185,095,041
Financing activities		
Net proceeds (redemptions) from issuance of capital	-	32,800,000
Dividends	(1,586,201)	(889,083)
Principle repayments on leases	(78,511)	(97,780)
	(1,664,712)	31,813,137
Investing activities		
Investments, net	439,999,576	(225,392,061)
Fixed assets and assets held for sale, net	(174,447)	(62,408)
	439,825,129	(225,454,469)
Net change in cash and cash equivalents during the year	4,477,786	(8,546,290)
Cash and cash equivalents – Beginning of year	55,739,613	64,285,903
Cash and cash equivalents – End of year	60,217,399	55,739,613
Cash and cash equivalents include:		
Cash and balances with financial institutions	55,010,608	53,315,612
Cash included in investments	-	-
Restricted cash	5,206,791	2,424,001
	60,217,399	55,739,613
Supplemental disclosure of cash flow information		
Interest received	40,368,679	35,198,247
Dividends received	73,772	256,095
Interest paid	27,172,949	16,125,081
Income taxes paid, net of refunds	(150,472)	5,453,198

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

1 Reporting entity

Atlantic Central (the Company or Central) is incorporated in Nova Scotia under the Credit Union Act. Central is regulated by the Nova Scotia Office of the Superintendent of Credit Unions.

Central is wholly owned by credit unions in New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. Its head office is located at 6074 Lady Hammond Road in Halifax, Nova Scotia, and Central also operates out of offices in Riverview, New Brunswick and Charlottetown, Prince Edward Island. Central's key financial role is the management of the Atlantic credit union system's liquidity reserve requirements. Additionally, Central provides financial, trade association and other support services to Atlantic credit unions, their members and others.

The consolidated financial statements were authorized for issue by the Board of Directors on February 28, 2023.

2 Basis of presentation

The consolidated financial statements are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The principal accounting policies applied in the preparation of the consolidated financial statements are set out in note 4.

The consolidated financial statements include the accounts of the subsidiary, League Savings and Mortgage Company (League Savings). Subsidiaries are defined as entities controlled by the Company. Control is defined as the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Subsidiaries are consolidated from the date control is transferred and consolidation ceases on the loss of control.

Inter-company transactions and account balances have been eliminated from the consolidated accounts. The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments as indicated in note 4.

The Company presents its consolidated balance sheet on a non-classified basis. The following balances are generally classified as current: cash and cash equivalents, fixed income investments and loans and mortgages maturing within one year, accrued interest, assets held for sale, other assets maturing within one year, lease liabilities, demand deposits, term deposits and mortgage-backed securities maturing within one year, accounts payable and accrued liabilities and income taxes.

3 Changes in accounting standards

Changes in accounting policies during the year

There were no changes in accounting policies during the year that had a significant impact on the Company.

Future changes in accounting policies

There are no changes in accounting policies, which have been issued but are not yet effective, that have a significant impact on the Company.

4 Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with financial institutions that are utilized primarily in the payments function. Certain cash accounts that are utilized in Central's investment activities are reported in investments.

Restricted cash includes cash balances segregated and held with financial institutions for specific mortgage-backed securities (MBS) program clearing activities.

Financial instruments

The Company classifies its financial assets in the following measurement categories: fair value through profit or loss (FVTPL); fair value through other comprehensive income (FVOCI); or amortized cost. Management determines the classification of its financial instruments at initial recognition.

The accounting policies related to these financial assets and liabilities are as follows:

Measurement methods – Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. it is amortized cost before any loan loss allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses (ECLs) and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in net income.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or 'Stage 3'), for which interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the ECL provision). Expenses incurred directly in the origination of loans and mortgages are deferred and recognized in the consolidated statement of income as a reduction to income over the expected life of the relevant loans and mortgages.

Initial recognition and measurement

The Company recognizes loans and mortgages on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date on which the Company becomes party to the contractual provision of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Immediately after initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognized in net income when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Leases

The Company classifies a contract, or component of a contract, as a lease if it conveys a right to control the use of an identifiable asset for a period in exchange for consideration.

As a lessor

At inception, the Company classifies a lease that transfers substantially all the risks and rewards incidental to ownership of the underlying asset as a finance lease. All other leases are classified as operating leases. When assets are held subject to a finance lease, the Company recognizes a finance lease receivable in the consolidated balance sheet representing its net investment in the lease. Interest income is recognized over the term of the lease using the implicit interest rate, which reflects a constant rate of return. For operating leases, the Company recognizes lease payments received as income on a straight-line basis over the term of the lease.

As a lessee

Except for certain short-term and low-value leases, the Company recognizes a right-of-use asset and lease liability for all leases at commencement. Lease liabilities are initially measured at the present value of the lease payments due over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability include fixed contractual payments, variable contractual payments based on a rate or index and any amounts payable with respect to purchase, extension and/or termination options when it is reasonably certain that the Company will exercise the option. Subsequent to initial recognition, lease liabilities are measured at amortized cost using the effective interest method.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability plus initial direct costs and estimated decommissioning costs, less any lease incentives received. Right-of-use assets are subsequently amortized on a straight-line basis over the term of the lease or the estimated useful life of the asset, whichever is shorter. Right-of-use assets are recognized as part of the Company's premises and equipment within other assets on the consolidated balance sheet, while lease liabilities are included in other liabilities.

Investments

The classification requirements for debt and equity investments are described below:

Debt instruments

Debt instruments are instruments that meet the definition of a financial liability from the issuer's perspective; such as loans and government and corporate bonds. The classification and subsequent measurement of debt instruments depends on the business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following two measurement categories:

- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest (SPPI), are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for interest revenue, ECL and reversals and foreign exchange gains and losses, which are recognized in income or loss. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to income or loss. Interest income from these financial assets is included in interest on investments using the effective interest rate method.
- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is included in interest on investments.

Business model

The Company considers the following in the determination of the applicable business model for financial assets:

- the business purpose of the portfolio – such as a focus on earning contractual interest income or a focus on matching the duration of the liabilities that are funding the assets;
- the risks that are being managed and the type of activities that are carried out on a day-to-day basis to manage the risks;
- the basis on which performance of the portfolio is being evaluated; and
- the frequency and significance of sales activity in prior periods, and expectations about future sales activity.

The Company has established specific criteria for financial assets that are originated or acquired for the purpose of securitization in a subsequent period. If, at origination or acquisition, based on this established criteria, the financial asset is expected to be securitized as part of a portfolio that qualifies for derecognition, the business objective of holding the financial asset to collect contractual cash flows is not met. Such financial assets are measured at FVTPL. If the portfolio does not qualify for derecognition, the Company has elected to determine the business model based on the accounting result of the securitization. As such, the held-to-collect business model is considered to be met.

SPPI

Where the business model is to hold to collect contractual cash flows, or to collect contractual cash flows and sell, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. The Company elects to present in OCI changes in the fair value of certain equity instruments that are not held for trading.

Gains and losses on these equity instruments are never reclassified to income or loss and no impairment is recognized in income or loss. Dividends are recognized in investment income unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI.

Dividend income on investments is recognized when the right to receive income is established.

Investments in associates

Associates are entities over which the Company exercises significant influence, but not control. The Company accounts for its investments in associates using the equity method. The Company's share of profits or losses of associates is recognized in the consolidated statement of income in investment income.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests of the Company in associates are recognized in the consolidated statement of income.

For investments in associates, a significant or prolonged decline in fair value of the investment below its carrying value is evidence that the investment is impaired. The impairment loss is the difference between the carrying value and its recoverable amount at the measurement date. The recoverable amount is the higher of an investment's fair value less costs of disposal and its value in use.

Investment in CU CUMIS Wealth Holdings Limited Partnership (CCWH)

CCWH is an investment limited partnership domiciled in Canada formed to hold the partners' interest in Aviso Wealth Inc. The partners of CCWH are Central, Central 1 Credit Union, Credit Union Central of Alberta, Credit Union Central of Saskatchewan, Credit Union Central of Manitoba Limited and The CUMIS Group. Central has a 5.7% ownership interest in CCWH and accounts for its investment using the equity method (note 23).

Impairment

The Company assesses on a forward-looking basis, ECL associated with its assets carried at amortized cost and FVOCI. The Company recognized a loss allowance for such losses at each reporting date. The measurement of ECL reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Debt instruments carried at FVOCI are considered to have low credit risk and the loss allowance recognized during the period was therefore limited to 12-month ECL. Management considers 'low credit risk' to be, in the absence of evidence of an increase in credit risk, investments in government debt instruments and investments in financial institutions that have been designated as a domestic systemically important bank (D-SIB) or a global systemically important bank (G-SIB). Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Note 5 provides more detail on how the ECL is measured.

Modifications of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans. When this happens, the Company assesses whether or not the new terms are substantially different than the original terms. The Company does this by considering, among others, the following factors:

- if the borrower is in financial difficulty, where the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate;
- change in the currency the loan is denominated in; and/or
- insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Company derecognizes the original financial asset, recognizes a new asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed upon payments. Differences in the carrying amount are also recognized in net income as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in net income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than on a modification

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

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

These transactions are accounted for as 'pass through' transfers that result in derecognition if the Company:

- has no obligation to make payments unless it collects equivalent amounts from the assets;
- is prohibited from selling or pledging the assets; and
- has an obligation to remit any cash it collects from the assets without material delay.

Financial liabilities

Other financial liabilities, including borrowings and deposits, are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

Mortgage-backed securities

The Company securitizes insured residential mortgages through the creation of MBS under the National Housing Act Mortgage-Backed Securities (NHA MBS) program sponsored by Canada Mortgage and Housing Corporation (CMHC). All loans securitized under the NHA MBS program are required to be insured by CMHC or a third-party insurer. The NHA MBS program utilizes a Central Payor and Transfer Agent (CPTA).

The MBS created under the program are sold to third-party investors (Market MBS) or are sold to Canada Housing Trust (CHT), a CMHC sponsored structured entity, under the Canada Mortgage Bond (CMB) program.

In a Market MBS, the CPTA registers the NHA MBS and issues NHA MBS certificates to investors, and CMHC provides a guarantee of the timely payment of amounts due to the investors. The MBS are backed by the residential mortgages and amortize in step with the mortgages underlying the security.

In the CMB program, the CHT aggregates NHA MBS from multiple issuers, financing the purchase of the NHA MBS through the issuance of securities to third-party investors.

The Company uses these securitization programs to diversify its funding sources.

With Market MBS, the Company typically continues to administer the loans securitized and is entitled to the payments received on the mortgages. At the same time, the Company is obligated to make the payments due on the issued MBS, including the investment yield due to the investors in the security, regardless of whether the Company has collected the funds from the mortgagor.

The Company also purchases pools of mortgages to sell into the CMB program. These mortgage pools are typically administered by a third-party mortgage servicer for a fee. For these pools, the Company is also entitled to the payments received on the mortgages and obligated to make the payments due on the issued MBS.

The CMB program requires the provision of replacement MBS securities to offset the declining balance of the underlying mortgages through principal payments. The CMB program also requires an interest rate swap agreement under which a Swap Counterparty pays the CHT the interest due to investors and receives the interest on the NHA MBS securities. For a fee, the Company has contracted with a third-party financial institution to take on the requirements to provide the replacement NHA MBS securities and to act as the Swap Counterparty.

Derecognition

The sale of mortgages through the NHA MBS program does not meet the requirements for derecognition if the Company has not transferred substantially all the risks and rewards of ownership of the underlying mortgage. This occurs when it retains the prepayment, credit and interest rate risk associated with the mortgages. For sales of MBS that do not qualify for derecognition, the Company continues to recognize the underlying mortgages akin to pledged assets and the cash proceeds from securitization are recognized akin to secured liabilities.

Securitization retained interests and servicing liabilities

In certain cases, the Company has purchased pools of mortgages for subsequent sale into the CMB program where the Company's exposure to risks and rewards from the securitized assets is quite limited. In these transactions, the Company retains the rights to the future excess interest spread and the liability associated with servicing the assets sold, with very little exposure to variable cash flows.

The Company accounts for its retained interests and servicing liabilities on the consolidated balance sheet, in securitization assets and accounts payable and accrued liabilities, respectively. During the life of the securitization, as cash is received, the retained interest and the servicing liability are amortized and recognized in the consolidated statement of income under interest on loans and mortgages and non-interest income (securitization expenses), respectively.

Gains on securitization

When these assets are derecognized, the gains or losses on the transactions are recorded in securitization gains and are dependent in part on the previous carrying amount of the financial assets involved in the transfer. The proceeds of the sale are allocated between the assets sold and the retained interests, based on their relative fair value at the date of transfer and net of transaction costs.

Fixed assets

Land is carried at cost. Buildings, equipment, and improvements are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The useful life and residual value of fixed assets are reviewed at least annually. Depreciation rates are as follows:

Buildings and improvements	2 – 10%
Furniture and equipment	20 – 33%

Assets held for sale

Certain fixed assets have been listed for sale, or have been sold pending close, and reclassified as assets held for sale on the balance sheet. These assets are expected to be sold within a 12-month period. Assets held for sale are valued at the lower of carrying value and fair value less costs to sell.

Deposits

Deposits are measured at fair value on recognition, net of transaction costs directly attributable to issuance. Subsequent measurement is at amortized cost using the effective interest method.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can readily be measured. The principal sources of revenue are interest and fee income.

The Company generates revenue primarily from providing products and services to its members including credit union lending and access to digital banking technologies and payments processing solutions offered by credit union system partners and other service providers. The Company provides access to credit facilities to support clearing, daily cash management, borrowing and other liquidity management requirements.

Payment services facilitate the day-to-day banking requirements of credit unions, which comprise multiple services that are provided over time. The revenue is collected over time at contracted terms based on the number of transactions that have occurred in the period, or a flat monthly fee depending on the type of services provided.

As a trade association, the Company collects dues from credit union members to fund certain services such as risk management, human resources, consulting and support, project management, and marketing and communications planning. These value-added services give member credit unions access to a wealth of expertise, while remaining affordable through economies of scale. The assessment of dues funded functions is determined annually based on an operating budget that is approved by the Board of Directors (Board). Dues are collected from credit unions quarterly. The services are rendered over time and performance obligations are satisfied in the same manner.

The Company also collects dues from member credit unions to develop a regional marketing program. The program includes owned and earned multi-media campaigns, and other activities to allow credit unions to build awareness of the credit union’s brand to acquire members and increase wallet share. The dues are reviewed and approved by credit unions annually. The Company engages third-party vendors to perform these services. As such, performance obligations are satisfied over time as marketing activities are provided.

The Company also provides other consulting and marketing services, which are typically one-off work requests. The performance obligations relating to these services are satisfied upon completion of the contracts and delivery of the goods or services. Therefore, revenue is recognized at a point in time based on the right to invoice.

Other fee income, including account servicing fees, loan fees, discharge fees and administration fees, is recognized as the services are provided.

Translation of foreign currencies

Assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the consolidated balance sheet date. Revenues and expenses denominated in foreign currencies are translated using the rate at the transaction date.

Foreign currency translation gains and losses are included in banking service fees.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that they relate to a business combination, or items recognized directly in equity or in OCI. Income tax consequences of dividends on financial instruments classified as equity are recognized in net income.

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

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

Employee benefits

Short-term employee benefits include salaries and wages, compensated absences, medical and dental plans, and variable compensation. Central also contributes on behalf of employees to a Group Savings for Retirement Program and to life and long-term disability insurance plans. Under these defined contribution programs, Central pays fixed contributions to an independent entity and has no legal or constructive obligation to pay further contributions. Defined contribution program costs of $677,801 (2021 – $620,360) are expensed as the related service is provided.

Initiatives and restructuring

Expenses that are not expected to recur in normal operations, including certain expenses relating to system initiatives or other organizational changes, are reported in initiatives and restructuring expenses.

Critical accounting estimates and assumptions

In preparing the Company's consolidated financial statements, Management is required to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ materially from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recorded in the period in which the estimate reversed if the revision affects only that period or in the period of revision and in future periods if the revision affects both the current and future periods.

Though the Company operates without restrictions due to the COVID-19 pandemic, the outlook for Canada is subject to several risks that could lead to an economic downturn, including, persistent high inflation and further increases in interest rates, an escalation of the conflict in Ukraine, and the pandemic. A significant housing market correction could also occur if monetary policy becomes overly restrictive to control inflation.

Due to the unprecedented nature of this economic environment, developing reliable estimates and applying judgment remains difficult. Consideration is given to the several risks to the economic outlook of Canada, however, significant measurement uncertainty exists in determining ECLs and measurement is subject to significant judgment.

The judgments and estimates that have the most significant effect on the amounts recognized in the consolidated financial statements are decisions with respect to the fair value of financial instruments, the allowance for loan losses, the derecognition of loans and mortgages and income taxes.

Fair value of financial instruments

The determination of the fair value of financial instruments requires the exercise of judgment by Management. The fair value of financial instruments traded in active markets at the consolidated balance sheet date is based on their quoted market prices. Where independent quoted market prices do not exist, fair value may be based on other observable current market transactions or based on a valuation technique that maximizes the use of observable market inputs.

For certain types of equity instruments, where no active market exists or where quoted prices are not otherwise available, fair value is considered to approximate par value based on the terms of those instruments. The Company continues to monitor these instruments for any indication that a new measure of fair value is available.

ECL allowance

The Company reviews its loan portfolio to assess the ECL allowance for loans at least on a quarterly basis. The measurement of the ECL allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (i.e. the likelihood of members defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 5.

Several significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk (SICR);
- choosing appropriate models and assumptions for the measurement of ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

The judgments, inputs, methodology and assumptions used for estimating the ECL allowance are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Derecognition of loans and mortgages

In determining whether to derecognize loans and mortgages, judgment is applied in determining whether the Company has transferred substantially all of the risks and rewards of ownership in transferring the assets to another entity.

Income taxes

The determination of deferred tax assets or liabilities requires judgment as the recognition is dependent on projections of future taxable profits and tax rates that are expected to be in effect in the period the asset is realized or the liability is settled.

5 Risk management

The Company has an enterprise-wide approach to the identification, measurement, monitoring and management of risks faced across the organization. The Company manages significant risks through an Enterprise Risk Management Framework (ERM), which includes a comprehensive infrastructure of policies, procedures, methods, oversight and independent review, designed to reduce the significant risks and to manage those risks within appropriate tolerances for the Company.

Authority for all risk-taking activities rests with the Board, which approves the Company's Risk Appetite Statement and risk management policies, delegates' limits and regularly reviews Management's risk assessments and compliance with approved policies. Qualified professionals throughout the Company manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

The various processes within the Company's risk management framework are designed to ensure that risks in the various business activities are properly identified, measured, stress tested, assessed, and controlled. Internal Audit reports independently to the Audit, Risk and Conduct Review Committees of the Board on the effectiveness of the risk management policies and the extent to which internal controls are in place and operating effectively.

Stress testing is a risk measurement technique that examines the potential effects on the Company's financial condition resulting from adverse economic, liquidity, credit and/or financial market conditions. The Company's risk management processes include stress testing scenarios including exceptional but plausible adverse events that can impact the Company's financial results and capital requirements, the results of which are used to enhance our understanding of our risk profile and to support our strategic decision making. Stress testing results are also explicitly incorporated into the Company's Internal Capital Adequacy Assessment Process (ICAAP) and Capital Plan.

The Chief Risk Officer is responsible for the oversight of risk management across the organization and reports quarterly to the Risk Committee and the Board. The Management Risk Committee (MRC) is responsible for the review and evaluation of the financial risks and performance of the Company, including the management of:

- Credit risk
- Interest rate risk
- Investment portfolio
- Large exposures
- Liquidity
- Foreign exchange
- Derivatives
- Capital

The MRC reviews financial risk management policies, recommends changes to policies and procedures as appropriate, and monitors compliance with financial policies.

The Asset Liability Management Committee (ALCO) has been established to ensure the effective and prudent management of the Company's financial assets and liabilities. ALCO will achieve this by developing and implementing financial strategies and related processes consistent with the short and long-term goals set by the Board.

The Company's principal business activities result in a consolidated balance sheet that consists primarily of financial instruments. The key risks related to the Company's financial instruments are credit, liquidity and market risk.

Credit risk

Credit risk is the potential for loss due to the failure of a borrower, counterparty, endorser, or guarantor to fulfill its payment obligation to the Company. Credit risk arises in the Company's direct lending operations and in its funding and investing activities where counterparties have repayment or other obligations to the Company. There is also credit risk in unfunded loan commitments. The Company has established policies and procedures for credit risk management, including individual counterparty limits and portfolio category limits relating to investment activities.

Management of credit risk requires prudent and conservative underwriting criteria administered by well-trained and experienced personnel. Credit risk management practices also include consistent and timely collection procedures, conservative analysis of property appraisals and a realistic credit allowance process to provide a regular evaluation of the loan portfolio. Credit policies are reviewed and approved annually by the Board. Management regularly reviews its credit procedures to ensure they provide extensive, up-to-date guidance for the underwriting and administration of all types of loans.

All loans are risk rated at the time of approval and may be subject to subsequent risk assessment based on factors such as loan type, amount, original risk rating and payment history. Loans with higher risk require more intensive analysis and higher levels of approval. The Credit Committee of the Board reviews all loans above the lending limits of Management.

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Company has developed models to support the quantification of credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loan and advances at a counterparty level, the Company considers three components:

- the probability of default (PD) by the borrower or counterparty on its contractual obligations;
- current exposures to the counterparty and its likely future development, from which the Company derives the exposure at default (EAD); and
- the likely recovery ratio on the defaulted obligations loss given default (LGD).

The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimize their effectiveness.

The classes of financial instruments to which the Company is most exposed to credit risk are cash, investments and loans and mortgages.

ECL measurement

IFRS 9, Financial instruments, outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- a financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- if a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- if the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the ECLs that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECLs on a lifetime basis.

The key judgments and assumptions adopted by the Company in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

The assessment of SICR incorporates forward-looking information and is performed on a quarterly basis at a portfolio level for all instruments held by the Company. A watch list is used to monitor credit risk; this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by Management.

The Company considers a financial instrument to have experienced a SICR when one or more of the following quantitative or qualitative criteria have been met:

- for consumer and residential loans:
  - contractual cash flow obligations are more than 30 days past due; and/or
  - available information at the reporting date indicates that the ability of the borrower to fulfill its contractual cash flow obligations will be reduced (i.e. using internal watch lists for monitoring the credit risk of borrowers).
- for commercial loans:
  - contractual cash flow obligations are more than 30 days past due; and/or
  - available information at the reporting date indicates that the ability of the borrower to fulfill its contractual cash flow obligations will be reduced (i.e. significant deterioration in risk rating, in short-term forbearance, early signs of cash flow/liquidity problems, adverse change in operating results, adverse changes in business, financial or economic conditions in which the business operates).

In the years ended December 31, 2022 and 2021, the Company has used the low credit risk exemption for certain investment grade securities and for credit union lines of credit.

Definition of default and credit-impaired assets

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower is in long-term forbearance; and
- the borrower is insolvent or has filed for bankruptcy.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Company's ECL calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the PD, EAD and LGD, defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over the remaining lifetime of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be incurred if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be incurred if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortizing products, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.

The 12-month and lifetime LGDs are determined based on the factors that impact the recoveries made post default. These vary by product type:

- for secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and expected recovery costs.
- for unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and collateral values change, etc., are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Collateral held and other credit risk enhancements

The Company employs a range of policies and practices to mitigate credit risk. The most common is accepting collateral for funds advanced. A valuation of the collateral obtained is prepared as part of the loan origination process. The principal collateral types for loans and advances are mortgages over residential properties and charges over business assets such as premises, inventory and accounts receivable. The Company's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held since the prior period.

Assets obtained by the Company, by taking possession of collateral held as security against loans and advances, are included in other assets. The balance held as at December 31, 2022 was $229,962 (2021 – $9,479).

Management regularly monitors the Company's credit risk and reports to the Board on a quarterly basis.

Liquidity risk

Liquidity refers to the capacity to generate or obtain sufficient cash or its equivalent in a timely manner at a reasonable price to meet the Company's commitments as they fall due and to fund new business opportunities. Liquidity risk is the potential for losses to be incurred from holding insufficient liquidity to survive a contingent stress event.

The Company's primary role is to manage liquidity for the credit union systems in Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador. In its role as a credit union service partner, League Savings' primary financial role is to accept deposits from credit unions, their members and others, and to employ those funds to advance loans and mortgages to credit union members and others.

The Company has established policies to ensure that it is able to generate sufficient funds to meet all of its financial commitments in a timely and cost-effective manner. In addition, a liquidity plan is prepared that forecasts the amount of liquidity required and the sources that will be used to fund those requirements. These policies and plans are annually reviewed and approved by the Board.

The Company's liquidity management practices include:

- ensuring the quality of investments acquired for liquidity purposes meet very high standards;
- matching the maturities of assets and liabilities;
- diversifying funding sources;
- establishing and maintaining minimum liquidity reserves;
- monitoring actual cash flows on a daily basis;
- monitoring economic, market, and local trends and forecasting future cash flow requirements;
- utilizing lines of credit to fund temporary needs and selling or securitizing mortgage pools to meet longer term requirements;
- stress testing scenarios to determine the ability to withstand various unanticipated events; and
- contingency planning.

While operating under similar liquidity management frameworks, certain liquidity management practices of Central and the subsidiary, League Savings, differ due to the specific nature of each organization. While Central's primary financial role is to manage the liquidity requirements of the Atlantic credit union system, League Savings acts primarily in the mortgage lending and deposit taking industry. In particular, the potential liquidity stresses that are modelled in scenario testing are different.

As the credit unions' system liquidity provider, Central's cash flows are impacted by the liquidity requirements of the individual Atlantic credit unions. As a result, Central's liquidity stress testing assesses the impact of increases in the drawdowns of credit union lines of credit and decreases in credit union excess liquidity deposits (deposits above the levels that credit unions are required to maintain with Central).

League Savings' cash flows are most significantly impacted by its credit union corporate deposits. As such, its scenario testing focuses on increases in the redemptions of these deposits.

The matching of the maturities of assets and liabilities is detailed in note 14.

Management monitors Central's liquidity position daily and reports to the Board on a quarterly basis.

Market risk

Market risk is the risk of loss that results from changes in interest rates, foreign exchange rates, equity prices and commodity prices. Market risk exposures are managed through policies, standards and limits established by the Board, which are formally reviewed and approved annually. This includes limits on the mismatch of foreign currency assets and liabilities and limits on the amount of equity investments permitted in the securities portfolio. The Company has no exposure to commodity prices.

The Company uses a variety of techniques to identify, measure and control market risk. Derivatives may be used only to offset clearly identified risks. The Company has developed standards regarding the use of derivative products.

Interest rate risk is the risk that a movement in interest rates will have on the financial condition of the Company. The Company's interest rate risk policies include limits on the allowable variation in forecasted financial margin due to interest rate changes. The Company manages and controls interest rate risk primarily by managing asset/liability maturities; however, off-balance sheet techniques such as interest rate risk contracts may be used to hedge against specific interest rate exposures.

The Company measures interest rate risk through a combination of gap and income simulation analysis monthly. Gap analysis measures the difference between the amount of assets and liabilities repricing in specific time periods. Income simulation models are used to measure interest rate exposure under various assumptions about interest rates, products, volumes and pricing. Sensitivity analysis of an interest rate increase and decrease of 100 basis points is disclosed in the table below.

Earnings at risk over the next 12 months as at December 31:

	2022 **$**	**2021** **$**
100 basis point increase	941,960	(151,910)
100 basis point decrease	(936,960)	829,660

Management provides quarterly reports to the Board on interest rate risk. The Board has established limits on the Company's maximum exposure to interest rate risk and the Company's earnings at risk were within this limit.

6 Investments

Debt instruments are carried at FVOCI. For equity investments, the Company has also elected to measure the investments at FVOCI. The Company accounts for its investment in associate using the equity method.

	2022		2021	
	Cost $	Market value $	Cost $	Market value $
Banks [a]	599,513,803	597,223,329	612,489,936	612,756,273
Government debt	370,450,206	348,122,177	569,635,616	565,759,727
Co-operative deposits	104,254,667	103,185,297	330,402,139	330,360,549
Co-operative equities	13,004,025	22,001,561	12,898,544	19,242,178
Investment in associate	15,850,088	15,850,088	15,992,924	15,992,924
Corporate equities	112,461	1,711,620	112,461	2,275,460
Allowance for impairment	(100,000)	(100,000)	(50,000)	(50,000)
	1,103,085,250	1,087,994,072	1,541,481,620	1,546,337,111

a) Includes cash and cash equivalents utilized in the investment function.

The investment portfolio of Central includes segregated funds that are invested from statutory liquidity deposits placed by each member credit union. These segregated investments are managed by province:

	2022			2021		
Province	**Market value investment $**	**Investment income $**	**Investment income %**	**Market value investment $**	**Investment income $**	**Investment income %**
Nova Scotia	297,801,212	6,049,816	1.98	280,714,809	3,673,729	1.22
Newfoundland & Labrador	46,498,412	962,536	1.98	44,812,068	602,653	1.22
Prince Edward Island	112,174,264	2,226,152	1.98	101,215,876	1,338,450	1.22
New Brunswick	111,880,377	2,283,495	1.98	102,977,182	1,392,759	1.22
Total	568,354,265	11,521,999	1.98	529,719,935	7,007,591	1.22

The segregated investments generated a gross yield of 1.98% in 2022 (1.22% in 2021). On a net basis, after deducting the interest paid on the segregated deposits, the segregated investments generated a net yield of 0.71% in 2022 (0.67% in 2021).

7 Loans and mortgages

As at December 31, 2022, loans are presented net of ECLs. Loans are initially measured at fair value and are subsequently measured at amortized cost.

	Total loans $	Allowance for credit losses $	Net loans $
2022			
Residential	407,615,860	562,539	407,053,320
Commercial	248,822,065	1,344,445	247,477,620
Commercial leases	2,348,462	406,282	1,942,180
Other	846,141	32,119	814,022
Co-operatives	8,798,731	-	8,798,731
	668,431,259	2,345,386	666,085,873
2021			
Residential	397,285,582	475,785	396,809,797
Commercial	216,032,788	1,400,989	214,631,799
Commercial leases	3,212,446	50,288	3,162,158
Other	1,519,926	70,635	1,449,291
Co-operatives	6,153,088	-	6,153,088
	624,203,830	1,997,697	622,206,133

The following table is a summary of loans and mortgages by ECL impairment stage. Stage 1 represents those performing loans carried with a 12-month ECL, Stage 2 represents those performing loans carried with a lifetime ECL, and Stage 3 represents those loans with a lifetime ECL that are considered impaired. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets.

	Performing		Impaired	
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
2022				
Residential	406,608,794	644,134	362,932	407,615,860
Commercial	248,726,359	-	95,706	248,822,065
Commercial leases	1,579,491	-	768,971	2,348,462
Other	843,303	1,449	1,389	846,141
Co-operatives	8,798,731	-	-	8,798,731
	666,556,678	645,583	1,228,998	668,431,259

	Performing		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
2021				
Residential	396,380,438	700,872	204,273	397,285,582
Commercial	216,032,788	-	-	216,032,788
Commercial leases	3,212,446	-	-	3,212,446
Other	1,516,836	2,152	937	1,519,926
Co-operatives	6,153,088	-	-	6,153,088
	623,295,596	703,024	205,210	624,203,830

Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, such as:

- transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- impact on the measurement of ECL due to changes in PD, EAD and LGD in the period arising from regular refreshing of inputs to models;
- impacts on the measurement of ECL due to changes made to models and assumptions;
- discount unwinding within ECL due to the passage of time, as ECL is measured on a present value basis; and
- financial assets derecognized during the period and the write-offs of allowances related to assets that were written off during the period.

The following table presents the reconciliation of allowances for credit losses for each loan category according to ECL impairment stage.

	Performing		Impaired	
	Stage 1 $	**Stage 2 $**	**Stage 3 $**	**Total $**
Residential				
Balance as at December 31, 2021	468,805	6,246	734	475,785
Transfer to (from)				
Stage 1	(27,336)	3,199	24,137	-
Stage 2	2,594	(2,594)	-	-
Gross write-offs	-	-	-	-
Recoveries	-	-	9,631	9,631
Remeasurement [(a)]	109,832	(2,985)	(29,723)	77,124
Balance as at December 31, 2022	553,894	3,866	4,779	562,539
Commercial				
Balance as at December 31, 2021	1,400,989	-	-	1,400,989
Transfer to (from)				
Stage 1	1,039	-	(1,039)	-
Stage 2	-	-	-	-
Stage 3	-	-	-	-
Gross recoveries	-	-	(4,427)	(4,427)
Recoveries	-	-	15,000	15,000
Remeasurement [(a)]	(57,584)	-	(9,534)	(67,118)
Balance as at December 31, 2022	1,344,445	-	-	1,344,445
Commercial leases				
Balance as at December 31, 2021	50,288	-	-	50,288
Transfer to (from)				
Stage 1	(367,493)	-	367,493	-
Stage 2	-	-	-	-
Gross write-offs	-	-	-	-
Recoveries	-	-	-	-
Remeasurement [(a)]	339,002	-	16,992	355,994
Balance as at December 31, 2022	21,797	-	384,485	406,282
Other				
Balance as at December 31, 2021	68,386	1,312	937	70,635
Transfer to (from)				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Gross write-offs	(9,385)	(263)	(369)	(10,017)
Recoveries	8,736	245	343	9,324
Remeasurement [(a)]	(37,788)	(512)	478	(37,822)
Balance as at December 31, 2022	29,949	781	1,389	32,119
Total allowance as at December 31, 2022	1,950,085	4,647	390,654	2,345,386

	Performing		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Residential				
Balance as at December 31, 2020	617,976	8,779	1,273	628,028
Transfer to (from)				
Stage 1	(4,922)	4,922	-	-
Stage 2	1,095	(1,095)	-	-
Gross write-offs	-	-	-	-
Recoveries	-	-	-	-
Remeasurement [(a)]	(145,345)	(6,360)	(539)	(152,244)
Balance as at December 31, 2021	468,805	6,246	734	475,785
Commercial				
Balance as at December 31, 2020	1,806,787	-	-	1,806,787
Transfer to (from)				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	-	-	-	-
Gross recoveries	-	-	(596)	(596)
Recoveries	-	-	53,500	53,500
Remeasurement [(a)]	(405,798)	-	(52,904)	(458,702)
Balance as at December 31, 2021	1,400,989	-	-	1,400,989
Commercial leases				
Balance as at December 31, 2020	-	-	-	-
Transfer to (from)				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Gross write-offs	-	-	-	-
Recoveries	-	-	-	-
Remeasurement [(a)]	50,288	-	-	50,288
Balance as at December 31, 2021	50,288	-	-	50,288
Other				
Balance as at December 31, 2020	183,623	3,263	1,708	188,594
Transfer to (from)				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Gross write-offs	(19,079)	(352)	(219)	(19,650)
Recoveries	12,157	225	140	12,522
Remeasurement [(a)]	(108,314)	(1,824)	(692)	(110,830)
Balance as at December 31, 2021	68,386	1,312	937	70,635
Total allowance as at December 31, 2021	1,988,468	7,558	1,671	1,997,697

a) Remeasurement includes changes in the allowance related to purchases and originations, derecognition and maturities, partial repayments and additional draws on existing facilities, and changes in estimates relating to the costs and the value of collateral reflected in the realizable value of a loan.

The Company closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Company will take possession of collateral to mitigate potential credit losses.

Financial assets that are credit-impaired as at December 31 and the related collateral held are shown below:

	Balance $	Collateral value $	Allowance $
2022			
Residential	362,932	470,350	4,779
Commercial	95,706	399,000	-
Commercial leases	768,971	384,485	384,485
Other	1,389	-	1,389
	1,228,998	1,253,835	390,653
2021			
Residential	204,273	215,000	734
Other	937	-	937
	205,210	215,000	1,671

Commercial leases

The carrying value of finance leases of certain commercial equipment where the Company is the lessor includes the following:

	2022 $	2021 $
Minimum lease payments receivable:		
Not later than one year	971,604	825,590
Between one and five years	1,530,337	2,699,021
Later than five years	-	33,280
	2,501,941	3,557,891
Unearned finance income	(153,479)	(345,445)
Gross commercial leases receivable	2,348,462	3,212,446

The average weighted term to maturity of the commercial leases is 40 months. The average weighted interest rate on the current receivable is 4.24%.

8 Mortgage-backed securities

Balances relating to mortgage-backed securities under the NHA MBS program are as follows:

a) Transferred assets that do not qualify for derecognition

The Company securitizes insured residential mortgage loans by participating in the NHA MBS and CMB programs. Through the programs, the Company issues securities backed by residential mortgage loans that are insured against the borrowers' default. Once the mortgage loans are securitized, the Company assigns the underlying mortgages and/or related securities to CMHC. As an issuer of MBS, the Company is responsible for advancing all scheduled principal and interest payments to CMHC, irrespective of whether the amounts have been collected on the underlying transferred mortgages.

In these securitizations, the Company retains certain prepayment risk, timely payment guarantee risk and interest rate risk related to the transferred mortgages. Due to retention of these risks, the transferred mortgages are not derecognized and the securitization proceeds are accounted for as secured borrowings. There are generally no ECLs on the securitized mortgage assets as the mortgages benefit from credit insurance. Further, the investors and CMHC have no recourse to other assets of the Company in the event of failure of mortgages to be paid when due.

The following is the Company's net positions on its securitized assets and liabilities that have not been derecognized:

	2022			**2021**		
Carrying value	**Market MBS $**	**CMB $**	**Total $**	**Market MBS $**	**CMB $**	**Total $**
NHA MBS assets	201,517,572	31,268,873	232,786,445	192,055,624	42,395,864	234,451,488
Associated liabilities	197,619,866	31,226,022	228,845,888	191,594,362	42,328,401	233,922,763

NHA MBS assets are recognized on the consolidated balance sheet and are included as part of loans and mortgages.

b) Transferred assets that have been derecognized

In addition to the MBS above, certain mortgages were sold into the CMB program and derecognized. Balances relating to these transferred assets are as follows:

	2022 $	**2021 $**
Mortgages sold	533,828,514	633,302,340
Gain on sales	2,012,509	3,697,326
Cumulative balance of mortgages sold and derecognized	3,542,199,714	3,008,371,200
Outstanding balance of mortgages sold and derecognized	2,953,352,697	2,666,438,303
Related balances as at December 31		
Retained interests	112,984,050	101,811,321
Servicing liabilities	33,479,854	35,834,245

9 Assets held for sale

Assets held for sale relates to fixed assets expected to be sold in the next 12 months. As at December 31, 2022, Atlantic Central had $1,441,864 (2021 – $nil) of assets held for sale.

During the year ended December 31, 2022, Atlantic Central entered into a purchase and sale agreement with a third-party to sell its head office land and building located in Halifax. The sale is expected to close on June 30, 2023.

10 Fixed assets

2022	Land $	Buildings and improvements $	Furniture and equipment $	Total $
Gross carrying amount				
Balance at January 1	351,522	6,516,277	7,273,956	14,141,755
Additions	-	-	198,008	198,008
Transfer to Assets held for sale	(351,522)	(6,463,747)	-	(6,815,269)
Disposals	-	-	(56,548)	(56,548)
Adjustment	-	2	-	2
Balance at December 31	-	52,532	7,415,416	7,467,948
Accumulated depreciation				
Balance at January 1	-	5,292,773	7,010,948	12,303,721
Transfer to Assets held for sale	-	(5,373,405)	-	(5,373,405)
Disposals	-	-	(32,986)	(32,986)
Depreciation	-	121,387	155,369	276,756
Adjustments	-	(660)	660	-
Balance at December 31	-	40,096	7,133,992	7,174,088
Carrying amount December 31	-	12,435	281,425	293,861
2021				
Gross carrying amount				
Balance at January 1	351,522	6,505,245	7,222,580	14,079,347
Additions	-	11,032	51,376	62,408
Transfer to Assets held for sale	-	-	-	-
Disposals	-	-	-	-
Adjustment	-	-	-	-
Balance at December 31	351,522	6,516,277	7,273,956	14,141,755
Accumulated depreciation				
Balance at January 1	-	4,999,860	6,832,608	11,832,468
Transfer to Assets held for sale	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	292,914	178,340	471,254
Adjustment	-	-	-	-
Balance at December 31	-	5,292,774	7,010,948	12,303,722
Carrying amount December 31	351,522	1,223,503	263,008	1,838,033

11 Deposits

	2022 $	2021 $
Current accounts	86,026,568	113,373,130
Cash management	114,212,807	161,202,184
Segregated liquidity	558,827,601	525,838,273
Registered	7,859,868	8,241,037
Other demand	3,955,095	3,684,691
Total demand deposits	770,881,939	812,339,315
Registered	132,785,006	128,993,651
Other term	605,909,175	931,479,751
Total term deposits	738,694,181	1,060,473,402
	1,509,576,120	1,872,812,717

Each provincial government has developed their own statutory requirements, for each credit union (CU) to maintain liquid reserves to support a liquidity event such as a run-on deposits/investments. Part of these reserves is required to be maintained by the Company. Detailed calculations are listed below:

Province	Segregated
Nova Scotia	8.1% of CU deposits and borrowings
New Brunswick	8% of liabilities
Prince Edward Island	6% of assets
Newfoundland & Labrador	6% of CU deposits and borrowings

These segregated liquidity deposits are segregated by province. The segregated funds that are invested are managed by province (see note 6).

	2022			2021		
Province	Segregated deposit $	Interest expense $	Interest expense %	Segregated deposit $	Interest expense $	Interest expense %
Nova Scotia	293,058,875	3,584,229	1.27	275,300,461	1,439,156	0.55
Newfoundland & Labrador	45,775,443	570,634	1.27	44,835,258	236,644	0.55
Prince Edward Island	109,843,212	1,334,270	1.27	102,504,802	524,601	0.55
New Brunswick	110,150,072	1,353,050	1.27	103,197,752	545,596	0.55
Total	558,827,602	6,842,183	1.27	525,838,273	2,745,997	0.55

12 Leases

	Premises $	Computers and equipment $	Total $
2022			
Right-of-use assets			
Gross carrying amount			
Balance at January 1	440,400	99,205	539,605
Additions	109,391	-	109,391
Balance at December 31	549,791	99,205	648,996
Accumulated depreciation			
Balance at January 1	212,779	86,726	299,505
Depreciation	71,130	10,259	81,389
Balance at December 31	283,909	96,985	380,894
Carrying amount December 31	265,882	2,220	268,102
Lease liabilities	284,099	2,345	286,444
Interest expense in financial expense	11,801	195	11,996

	Premises $	Computers and equipment $	Total $
2021			
Right-of-use assets			
Gross carrying amount			
Balance at January 1	440,400	99,205	539,605
Balance at December 31	440,400	99,205	539,605
Accumulated depreciation			
Balance at January 1	141,802	57,077	198,879
Depreciation	70,977	29,649	100,626
Balance at December 31	212,779	86,726	299,505
Carrying amount December 31	227,621	12,479	240,100
Lease liabilities	242,607	12,957	255,564
Interest expense in financial expense	12,310	745	13,055

13 Capital stock

Authorized capital stock, and the amounts outstanding, are as follows:

	Par value	Redemption price	Authorized	Outstanding 2022 Shares		Outstanding 2021 Shares	
				Shares	**Amount**	**Shares**	**Amount**
	$	**$**			**$**		**$**
Opening balance				7,517,543	75,175,430	5,437,543	54,375,430
Issued				756,468	7,564,680	2,080,000	20,800,000
Redeemed				(756,468)	(7,564,680)	-	-
Common shares	None	None	Unlimited	7,517,543	75,175,430	7,517,543	75,175,430
Opening balance				31,991	32	31,991	32
Issued				-	-	-	-
Redeemed				-	-	-	-
Preferred shares – Class B	0.001	100	100,000,000	31,991	32	31,991	32
Opening balance				35,551,372	35,551,372	22,342,626	22,342,626
Issued				1,660,221	1,660,221	13,208,746	13,208,746
Redeemed				-	-	-	-
Preferred shares – Class LSM	None	1	10,000,000	37,211,593	37,211,593	35,551,372	35,551,372
Opening balance				26,690	27	26,690	27
Issued				-	-	-	-
Redeemed				-	-	-	-
Preferred shares – Class NB	0.001	100	10,000,000	26,690	27	26,690	27
Opening balance				4,100	4	4,100	4
Issued				-	-	-	-
Redeemed				-	-	-	-
Preferred shares – Class NL	0.001	100	10,000,000	4,100	4	4,100	4
Opening balance				59,240	59	59,240	59
Issued				-	-	-	-
Redeemed				-	-	-	-
Preferred shares – Class NS	0.001	100	10,000,000	59,240	59	59,240	59
Opening balance				100	-	100	-
Issued				-	-	-	-
Redeemed				-	-	-	-
Preferred shares – Class PEI	0.001	100	10,000,000	100	-	100	-
				44,851,257	112,387,145	43,191,036	110,726,924

Shares are owned by member credit unions, who must maintain Common Shares in amounts proportionate to that member's pro rata share of system assets. Common Share ownership requirements are determined by the Board. All classes of shares are non-voting. Members hold votes proportionate to their pro rata share of system assets.

In 2022, in accordance with Common Share ownership requirements, Central issued $7,564,680 (2021 – $20,800,000) in Common Shares and redeemed $7,564,680 (2021 – $nil).

All of the Class B, Class NB, Class NL, Class NS and Class PEI shares were issued as part of a Business Combination effective January 1, 2011 under which the Central purchased the assets and assumed the liabilities of Credit Union Central of New Brunswick and Credit Union Central of Prince Edward Island. Central may at any time, upon providing 30 days' notice, and subject to any limitations set by applicable legislation or the Nova Scotia Office of the Superintendent of Financial Institutions (OSFI), redeem these shares for the redemption price.

Other than the redemption of shares that would result from the wind-up of a credit union, Central has no plans to redeem any of the remaining Class B, Class NB, Class NL, Class NS or Class PEI shares at this time. The redemption value of the remaining shares is $12,212,000 (2021 – $12,212,100).

Common shareholders have the right to receive any dividends that may be declared out of the ordinary income of Central. Holders of the Class B, Class NB, Class NL, Class NS and Class PEI shares have the right to receive any dividends that may be declared out of the extraordinary income of Central on that respective class of shares. Ordinary income refers to income earned in the ordinary course of business after January 1, 2011. Extraordinary income refers to income that does not typically result from normal business activities.

In December 2022, Central transferred $nil (2021 – $4,021,065) in Retained Earnings to a Special Reserve to be used to fund future Atlantic credit union initiatives. Spending out of the Special Reserve is reported in the consolidated statement of income in initiatives and restructuring expenses (see note 22).

In 2022, Central issued $nil (2021 – $12,000,000) Class LSM shares to further invest in League Savings and Mortgage growth. In 2022, Central issued a stock dividend on Class LSM shares in the amount of $1,660,221 (2021 – $889,083).

The consideration for any shares issued or redeemed is cash or, for Class LSM shares, additional shares.

14 Financial instruments

a) Interest rate risk

The Company earns and pays interest on certain assets and liabilities. To the extent that the assets, liabilities and financial instruments mature or reprice at different points in time, the Company is exposed to interest rate risk. The table below summarizes carrying amounts of consolidated balance sheet items by the earlier of the contractual repricing or maturity dates. Non-interest sensitive items are those that have no maturity date and do not pay or receive interest.

An estimate of prepayments has been determined by Management and includes the estimated principal portion of regular mortgage payments and full payouts of mortgage loans during their term based on historical trends for these types of payments.

(Reported in $000's)	Within 3 months $	3 months to 1 year $	1 year to 5 years $	Over 5 years $	Non-interest sensitive $	Total $	Average rate %
2022							
Assets							
Cash and investments	371,130	161,160	517,153	76,204	22,564	1,148,211	2.84
Loans and mortgages	73,349	137,905	450,503	6,675	(2,346)	666,086	4.07
Other assets	-	-	-	-	145,881	145,881	
	444,479	299,065	967,656	82,879	166,099	1,960,178	
Liabilities and equity							
Deposits	943,162	350,904	149,946	-	65,564	1,509,576	3.02
Other liabilities	-	-	-	-	50,412	50,412	
Mortgage-backed securities	6,435	29,398	196,954	-	(3,941)	228,846	2.15
Equity	-	-	-	-	171,344	171,344	
	949,597	380,302	346,900	-	283,379	1,960,178	
Subtotal	(505,118)	(81,237)	620,756	82,879	(117,280)	-	
Interest rate swaps	70,000	-	(70,000)	-	-	-	
Prepayment estimate	17,144	51,432	(67,575)	(1,001)	-	-	
Excess (deficiency)	(417,974)	(29,805)	483,181	81,878	(117,280)	-	
2021							
Assets							
Cash and investments	867,278	189,640	336,774	148,013	60,372	1,602,077	0.86
Loans and mortgages	43,924	172,571	406,778	930	(1,997)	622,206	3.28
Other assets	-	-	-	-	122,040	122,040	
	911,202	362,211	743,553	148,943	180,415	2,346,323	
Liabilities and equity							
Deposits	699,416	959,233	128,953	-	85,211	1,872,813	0.66
Other liabilities	-	-	-	-	54,547	54,547	
Mortgage-backed securities	3,371	27,640	203,441	-	(529)	233,923	1.49
Equity	-	-	-	-	185,040	185,040	
	702,787	986,873	332,394	-	324,269	2,346,323	
Subtotal	208,415	(624,662)	411,159	148,943	(143,854)	-	
Derivatives	20,000	-	(20,000)	-	-	-	
Prepayment estimate	15,289	45,868	(61,017)	(140)	-	-	
Excess (deficiency)	243,704	(578,794)	330,141	148,803	(143,854)	-	

b) Interest rate swap agreements

The Company may enter into interest rate swap agreements as a component of its overall risk management strategy. These agreements are contractual arrangements between two parties to exchange a series of cash flows. In an interest rate swap agreement, counterparties generally exchange fixed and floating rate interest payments based on a notional value. Typically, the floating rate is reset periodically and the net interest amount is exchanged between counterparties at scheduled dates.

The primary risks associated with these contracts are the exposure to movements in interest rates and the ability of the counterparties to meet the terms of the contract. Interest rate swap agreements are used to manage interest rate risk by modifying the repricing or maturities of assets and liabilities. Interest rate swap agreements are considered financial derivatives and are recorded at fair value. Income and expenses on interest rate swap agreements are recognized over the life of the contract as an adjustment to interest expense. Accrued expenses are recorded in accrued interest payable.

Rates represent the weighted average interest rates the Company is contractually committed to pay/receive until the swap matures. The floating side of all swaps is based on the three-month Canadian Dollar Offered Rate (CDOR). Market value represents the mark to market value of outstanding contracts – generally, the net amount that would be payable or receivable on the reporting date based on the floating rate at current market rates. There were no 'receive fixed' swaps outstanding as at December 31.

Income and expenses on interest rate swap agreements are recognized over the life of the contract as an adjustment to interest expense. Accrued expenses are recorded in accrued interest payable. Mark to market gains (losses) on swaps are recorded in other assets (other liabilities), while the change in market value is recorded in financial expense.

The following interest rate swap contracts were outstanding as at December 31, 2022 and 2021.

	2022			**2021**		
	Notional value $	**Rate %**	**Market value $**	**Notional value $**	**Rate %**	**Market value $**
Pay fixed swaps:						
Terms to maturity						
Within 1 year	-	-	-	-	-	-
1 year to 5 years	70,000,000	1.9746	2,864,760	20,000,000	1.0925	294,003
Over 5 years	-	-	-	-	-	-
	70,000,000	1.9746	2,864,760	20,000,000	1.0925	294,003

c) Index linked deposits

The Company offers index linked term deposits, which are non-redeemable three and five-year term deposits that pay, on maturity, a return to the depositor linked to the performance of a market index. The interest paid to the depositor at maturity is based on the growth in the index over the term of the deposits.

To offset the risk of this variable interest rate, the Company enters into agreements whereby the Company pays a fixed rate of interest for the term of each index linked deposit based on the face value of the deposits sold. At the end of the term, the Company receives an amount equal to the amount that will be paid to the depositors. As at December 31, 2022, the balance of outstanding index linked deposits was $23,901,596 (2021 – $24,111,066).

d) Fair value

The following table presents the fair value of the financial instruments of the Company based on the valuation methods and assumptions set out below. Fair value represents the amount at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions and is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Fair value is best evidenced by a quoted market price, if one exists. Quoted market prices are not available for a significant portion of the Company's financial instruments.

The fair values disclosed exclude the values of assets and liabilities that are not considered financial instruments, such as prepaid expenses and balances that are statutory in nature. In addition, items such as the value of intangible assets such as customer relationships which, in Management's opinion add significant value to the Company, are not included in the disclosures below.

A three-tier hierarchy is used as a framework for disclosing fair values based on inputs used to value the Company's financial instruments recorded at fair value. Valuation methods used in this framework are categorized under the following fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical financial instruments;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data. This level includes equity investments and debt instruments with significant unobservable components.

The Company's policy is to recognize transfers into and out of the fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. During the year ended December 31, 2022, the Company had no transfers between fair value hierarchy levels.

The following table summarizes the fair value measurements recognized in the consolidated balance sheet by class of asset or liability and categorized by level according to the significance of the inputs used in making the measurements.

The carrying value of cash and cash equivalents and accrued interest on assets and liabilities approximates their fair value as they are short-term in nature or are receivable on demand.

For investments, corporate equities are valued using quoted market prices (Level 1) and government and corporate debt instruments are valued using market prices provided by third-party brokers (Level 2). Co-operative equities that don't have a quoted price in an active market, are valued based on recent transactions. The ownership of co-operative equities is typically restricted to credit unions and other credit union system partners and is usually a condition of membership or necessary for access to the services provided by a system partner. As a result, transactions in these investments are restricted and typically occur at par value, which is the best estimate of fair value.

Given the nature of most investments in co-operative equities, specifically, the fact that investments are typically not made for the purpose of financial gain (i.e. to earn investment income), the application of valuation techniques to determine fair value are typically not in use. In limited cases where such valuation techniques have been utilized, that information is used in determining the fair value of the co-operative investment. The Company continues to monitor these investments for any indication that a new measure of fair value is available.

For variable rate loans and deposits, the carrying value is also considered to be a reasonable estimate of fair value. For fixed rate loans and mortgages, co-operative deposit investments, deposits and MBS, the fair value is calculated using a discounted cash flow model, based on current interest rates and the term to maturity of the instrument (Level 2). The discount rates applied were based on the current market rate offered for the average remaining term to maturity.

The fair value of derivatives is determined using observable market inputs, including forward exchange rates and interest rates as applicable, at the measurement date with the resulting value discounted back to present values. The calculated values are compared to statements received from counterparties.

The determination of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

	Level 1 $	Level 2 $	Level 3 $	Total fair value $	Total carrying value $
2022					
Assets					
Investments	1,711,620	1,048,430,803	22,001,561	1,072,143,984	1,087,994,072
Loans and mortgages	-	637,180,617	-	637,180,617	666,085,873
Liabilities					
Deposits	-	1,498,977,968	-	1,498,977,968	1,509,576,120
Mortgage-backed securities	-	213,307,337	-	213,307,337	228,845,888
2021					
Assets					
Investments	2,275,460	1,508,826,549	19,242,178	1,530,344,187	1,546,337,111
Loans and mortgages	-	621,153,782	-	621,153,782	622,206,133
Liabilities					
Deposits	-	1,874,791,015	-	1,874,791,015	1,872,812,717
Mortgage-backed securities	-	229,611,170	-	229,611,170	233,922,763

Changes in Level 3 fair value measurements

The table below presents a reconciliation of the changes in Level 3 financial instruments during the years ended December 31, 2022 and 2021, including realized and unrealized gains (losses) included in income and other comprehensive income.

	2022 $	2021 $
Balance at January 1	19,242,177	13,345,261
Realized and unrealized gains (losses):		
Included in income (loss)	(228,280)	(1,496,121)
Included in OCI	2,653,903	2,819,733
Purchases	639,588	4,573,305
Disposals	(305,827)	-
Balance at December 31	22,001,561	19,242,178

There were two disposals of a Level 3 investment during the year. On November 1, 2022, Atlantic Central and League Savings and Mortgage's minority share investments were purchased by Equitable Bank. In September 2022, Progressive bought back all shares issued to Atlantic Central.

15 Related party transactions

a) Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, and include members of the Board, the President and CEO, and other senior officers of the Company. Compensation to members of the Board is limited to an annual honorarium.

The President and CEO, and each of the four other senior officers of the Company earned variable compensation during the year. The Company's Total Compensation Program does not include guaranteed bonuses or deferred compensation payments. Variable compensation is earned during the year and paid in cash in the following year. Directors do not participate in any variable compensation programs.

The components of total compensation received by key management personnel and balances due to/from key management personnel are as follows:

	2022 **$**	**2021** **$**
Short-term employee benefits	1,267,179	1,289,788
Contributions to group savings for retirement program	68,180	79,136
Variable compensation	289,397	287,131
Mortgage balances due to key management	78,887	83,790
Deposit balances due to key management	613,919	462,591

Short-term employee benefits include salaries, director remuneration and other benefits. The mortgage and deposit transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

b) Associates

The Company has a contract with League Data Limited, a related company by virtue of common ownership, for the provision of administrative, management and other services. The companies also transact other business in the ordinary course of operations. The following transactions and balances are measured at the exchange amount:

	2022 **$**	**2021** **$**
Income and fees related to the management contract	66,000	60,885
Services and equipment purchases from League Data Limited	495,748	393,345
Term deposits with League Savings	2,000,001	4,049,116
Other deposits with Central	6,129,466	8,288,514
Amount payable to League Data Limited	(672,792)	(135,910)
Deferred funding for regional marketing program	28,555	31,073

16 Commitments and contractual obligations

a) Approved loans and mortgages

As at December 31, 2022, the Company had approved lines of credit in the amount of $187,572,825 (2021 – $172,724,765) and approved mortgages for syndication in the amount of $67,595,041 (2021 – $120,440,463) and other approved mortgages in the amount of $76,215,192 (2021 – $54,073,113) that have not been advanced to borrowers.

b) Clearing and settlement agreement

Central has entered into a contract for clearing, settlement and US dollar account services. Pricing is subject to annual adjustment effective January 1st of each calendar year. The contract was effective July 31, 2019 and has a five-year term.

c) CCIF Limited Partnership capital contributions

In 2017, in accordance with the terms of a CCIF Limited Partnership Agreement, the Company entered into a subscription agreement to invest in the capital of CCIF Limited Partnership (CCIF). The subscription is for $375,000 in partnership units and $125,000 in partnership loans. As required by the subscription agreement, the Company has made a number of investments in CCIF.

As at December 31, 2022, the Company had the following outstanding commitment to CCIF:

	2022			2021		
	Units	**Loans** $	**Total** $	**Units**	**Loans** $	**Total** $
Total commitment	375,000	125,000	500,000	375,000	125,000	500,000
Investment to date	181,368	60,456	241,824	141,938	47,313	189,251
Remaining commitment	193,632	64,544	258,176	233,062	77,687	310,749

The date of the capital call for the remaining committed amount, which is at the discretion of the General Partner of CCIF, has not yet been determined.

17 Income taxes

The significant components of income tax expense are as follows:

	2022 $	2021 $
Current income tax expense		
Federal and provincial	6,127,621	3,071,817
Capital and large corporate tax	1,804,702	1,761,466
	7,932,323	4,833,283
Deferred income tax expense		
Origination and reversal of deductible temporary differences	(4,975,433)	47,453
	2,956,890	4,880,736

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 taxes. This difference results from the following:

	2022	**2021**
	$	**$**
Income before income taxes	9,190,529	14,899,926
Statutory income tax rate	32.74%	30.74%
Expected income tax	3,008,663	4,579,536
Effect on income tax of:		
Recovery on dividends paid	(950,228)	(613,825)
Non-taxable dividends	(506,345)	(408,084)
Permanent tax differences	38,500	11,254
Capital and large corporate tax	1,281,338	1,250,641
Differences due to rates	38,003	
Other	46,959	61,214
Total income tax expense	2,956,890	4,880,736

The components of the future income tax assets (liabilities) are as follows:

		Recognized in			**Recognized in**		
	Balance 2020	**Net income (loss)**	**OCI**	**Balance 2021**	**Net income (loss)**	**OCI**	**Balance 2022**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Deferred tax assets							
Property and equipment	510,843	48,051	-	558,893	(20,135)	-	538,759
Allowance for impaired loans	762,757	(168,803)	-	593,956	14,472	-	608,426
Losses carried forward	155	-	-	155	4,928,390	-	4,928,545
Net donations carried forward	48,237	50,440	-	98,677	(10,578)	-	88,099
Net capital losses	8,442	-	-	8,442	3	-	8,445
	1,330,435	(70,312)	-	1,260,123	4,912,152	-	6,172,275
Deferred tax liabilities							
Unrealized gains (losses) on investments	2,069,437	(22,859)	-	2,046,577	(63,281)	-	1,983,296
	(739,003)	(47,453)	-	(786,455)	4,975,433	-	4,188,976
Deferred tax asset (liability)							
Attributable to:							
Central	(1,520,505)	134,500	-	(1,386,005)	4,976,587	-	3,590,583
League Savings	781,502	(181,953)	-	599,548	(1,154)	-	598,393
	(739,004)	(47,453)	-	(786,455)	4,975,433	-	4,188,976

18 Capital requirements

Federal Bill C-43, which came into effect in December 2014, included provisions repealing Part XVI of the Cooperative Credit Associations Act, which permitted provincial Centrals to operate with oversight from the federal OSFI. As a result of this change, provincial governments became exclusively responsible for the oversight of provincial Centrals.

Central continues to manage its capital under the guidelines established by OSFI, which prescribe a liabilities to capital borrowing multiple not to exceed 20 times capital. The Company is also subject to the requirements of the Credit Union Act, which requires Central to establish and maintain a level of equity that is not less than 5% of its assets.

As a result of the pandemic, credit union deposits with Central increased significantly in 2020 and remained at elevated levels throughout 2021, resulting in a higher borrowing multiple. In November 2020, Central applied to the Superintendent for a temporary increase in the maximum borrowing multiple to 23. Since May 2022, Central no longer required the temporary increase, and the maximum borrowing multiple required was reduced back to 20.

League Savings is subject to guidelines OSFI has issued based on standards issued by the Bank for International Settlements, Basel Committee of Banking Supervisors (BCBS). OSFI has adopted capital guidelines based on the standards known as Basel II, which became effective for League Savings in 2008. Pillar 1 of the Basel II framework defines minimum capital requirements, while Pillar 2 addresses standards for the management of capital requirements.

Capital requirements are determined based on exposure to credit risk, operational risk, and for entities with significant trading activity market risk. The standards provide different methodologies for the calculation of risk exposures based on a company's relative size and sophistication. League Savings has implemented the Standardized Approach for credit risk and the Basic Indicator Approach (BIA) for operational risk. League Savings is not subject to the requirements for market risk.

OSFI's Basel III capital requirements include rules to implement the BCBS guidance on non-viability contingent capital (NVCC). The NVCC rules require that all capital instruments include loss absorption features.

As of January 2019, under the BCBS rules, League Savings is required to meet new minimum requirements of: Common Equity Tier 1 ratio of 4.5% plus a capital conservation buffer of 2.5%, collectively 7%. Including the capital conservation buffer, the minimum Tier 1 ratio is 8.5% and the Total Capital ratio is 10.5%. OSFI required Canadian deposit-taking institutions to fully implement the 2019 Basel III reforms in 2013, without the transitional phase-in provisions for capital deductions (referred to as 'all-in'), and achieve a minimum 7% common equity target, by the first quarter of 2013.

In 2023, OSFI will require Canadian deposit-taking institutions to fully implement the 2023 Basel III reforms.

The Company has established internal limits to ensure that it meets its regulatory requirements. Capital is monitored regularly and reported to the Board quarterly. The Capital Management Plan, which forecasts capital requirements and includes contingency plans in the event of unanticipated changes, is reviewed by the Board annually.

Details of the Company's regulatory capital as at December 31 were as follows:

Central:

	2022	**2021**
Maximum borrowing multiple	20	23
Actual borrowing multiple	11.8	15.8
Minimum equity ratio	5.0%	5.0%
Actual equity ratio	9.9%	8.2%

League Savings:

The Company's capital ratios have been in compliance with the regulatory requirements throughout the year.

	2022 **$**	**2021** **$**
Risk-weighted assets for		
Credit risk	346,881,500	328,715,000
Operational risk	25,462,500	25,238,000
Total	372,344,000	353,953,000
Capital elements		
Common shares	37,858,000	36,716,000
Contributed surplus	1,786,000	1,786,000
Accumulated OCI	(1,353,000)	23,000
Retained earnings	35,399,000	33,713,000
CET1	73,690,000	72,238,000
Total Tier 1 capital	73,690,000	72,238,000
Stage 1 and Stage 2 allowance	1,958,000	1,997,000
Total Tier 2 capital	1,958,000	1,997,000
Total regulatory capital	75,648,000	74,235,000
	%	**%**
Ratios		
CET1	19.8	20.4
Total Tier 1	19.8	20.4
Total capital	20.3	21.0
Leverage ratio	8.9	9.1
OSFI targets		
CET1	7.0	7.0
Total Tier 1	8.5	8.5
Total capital	10.5	10.5
Leverage ratio	4.0	4.0

19 Credit facilities

Central has established an operating line of credit of $35,000,000 with Central 1. The line of credit bears interest at the institution's prime lending rate. As security, Central has provided an assignment of marketable securities having a carrying value of $35,000,000. As at December 31, 2022 and 2021, there were no amounts outstanding on this facility.

On January 29, 2019, the Company entered into a line of credit agreement with Equitable Bank, bearing interest at 3-month CDOR plus 1.00%, up to an amount of $25,000,000. The facility is secured by a charge over insured residential mortgages covering 110% of the loan facility. As at December 31, 2022 and 2021, there were no amounts outstanding on this facility. On November 1, 2022, Concentra Bank was acquired by Equitable Bank.

20 Assets under administration

a) Mortgages under administration

Assets under administration include mortgages under administration, which are not the property of Central and are not reflected in the consolidated balance sheet.

b) Syndicated loans

Central provides a loan syndication program for credit unions. These loans, which are under Central's administration, are not the property of Central and are not reflected on the consolidated balance sheet. Although most of the loan syndications are purchased by credit unions, Central can be a participant if a loan is not fully subscribed to by credit unions.

When Central participates in the loan syndication, the amount is included in loans and mortgages on the consolidated balance sheet as 'non-residential'. Where a fully subscribed loan syndication has not been distributed to credit unions, the undistributed amount is also included in loans and mortgages as 'non-residential'.

Assets under administration as at December 31 were as follows:

	2022 $	2021 $
Mortgages under administration	64,964,761	74,554,193
Syndicated loans	473,149,135	397,926,940
Included in non-residential	4,840,646	7,865,681

21 Non-interest income (expense)

Non-interest income (expense) includes the following:

	2022 $	2021 $
Banking service fees	2,302,026	2,317,728
Securitization expenses	(615,991)	(607,002)
Lending service fees	1,865,228	1,883,503
Lending service expenses	(1,136,445)	(1,142,707)
Investment service fees	61,245	28,028
Investment service expenses	(177,600)	(177,415)
Member assessments	6,261,424	5,379,528
Management fees	66,000	60,885
Fees for service	2,336,718	2,272,836
Rentals	68,822	31,271
Other	736,731	415,849
	11,768,158	10,462,504

The expenses detailed above include direct expenses only. Salary and staff-related costs and other indirect costs required to provide these services are reported in operating expenses.

22 Initiatives and restructuring

Reported in initiatives are the costs of various initiatives relating to transformational change within the Company and the credit union system.

Spending on initiatives is as follows:

	2022 $	2021 $
System initiatives	765,291	1,318,311

23 Investment in CU CUMIS Wealth Holdings Limited Partnership (CCWH)

The information below reflects the amounts presented in the financial statements of CCWH adjusted for differences in accounting policies between Central and CCWH, as applicable.

Aggregated financial information of CCWH, accounted for using the equity method, is as follows:

	2022 $	2021 $
Assets	147,211,060	145,988,426
Liabilities	16,900,217	17,626,851
Equity	130,310,843	128,361,575
Revenue	27,525,761	26,505,543
Expenses	4,836,815	5,308,731
Net income for the year	22,688,946	21,196,812
Other comprehensive income (loss)	(5,067,852)	(1,397,500)
Comprehensive income	17,621,094	19,799,312
Interest held by Central	5.76%	5.76%
Net income for the year	1,306,753	1,220,814
Other comprehensive income (loss)	(291,879)	(80,488)
Comprehensive income	1,014,874	1,140,326

24 Compensation

Compensation is a key factor in recruiting, retaining, motivating and rewarding a talented and committed workforce. Pay determination policies and guidelines emphasize continued development of knowledge, expansion of skills, performance and the ability to be flexible and adaptable to change.

The goals of the Company's Total Compensation Program are to provide levels of compensation that are internally equitable, externally competitive, financially feasible and that will enable Central to attract, retain and reward highly qualified individuals. Total Compensation includes base pay, variable pay (which must be re-earned each year) and employee benefits.

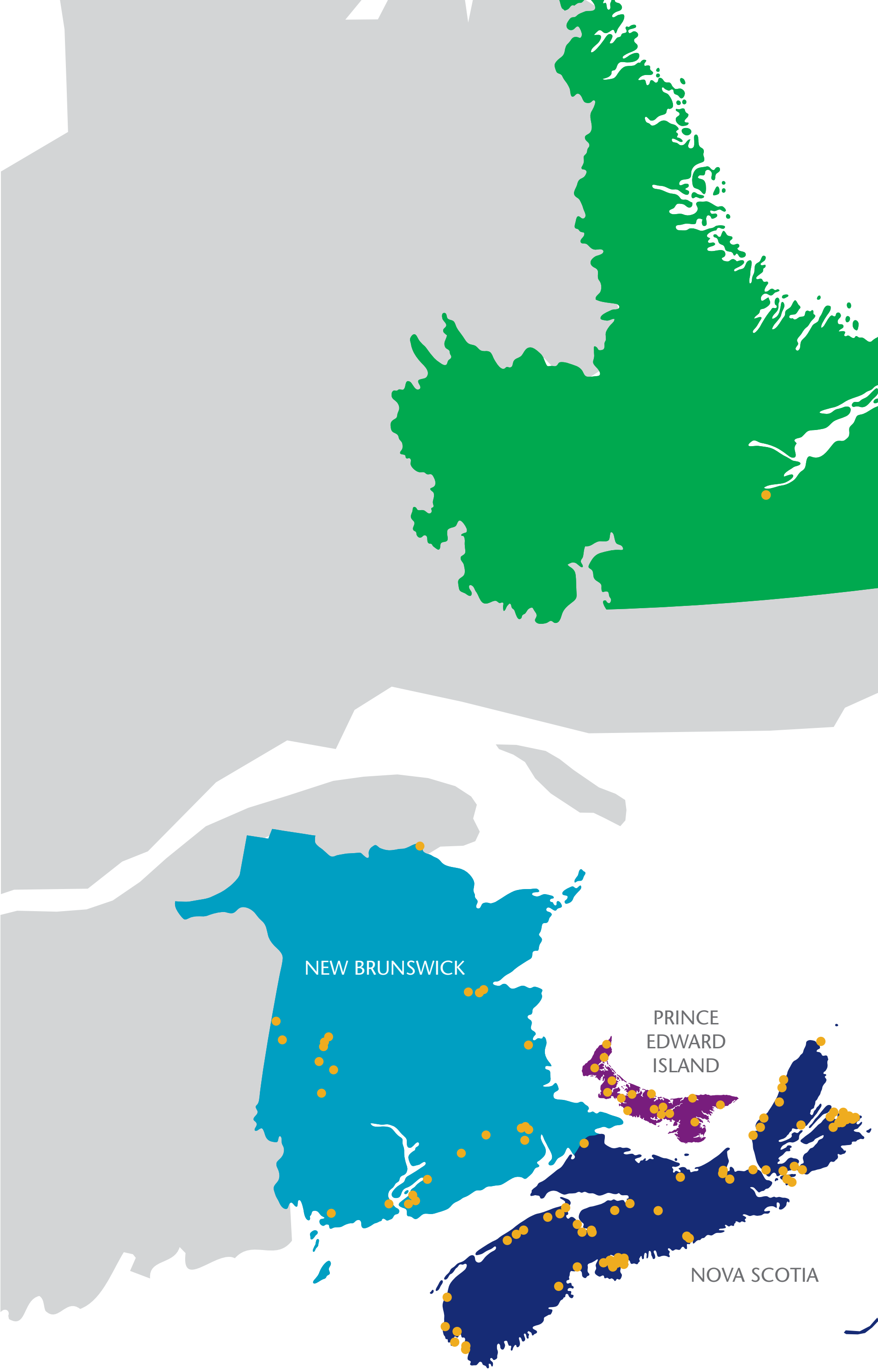
The Executive, Human Resources & Compensation Committee of the Board is responsible for:

- establishing an annual performance plan with specific objectives and monitoring and conducting annual performance evaluations of the President and CEO against these objectives;
- determining and recommending to the Board an appropriate total compensation package (including variable compensation) for the President and CEO; and
- reviewing annually the terms and conditions of the variable compensation plan for employees and recommending adoption by the Board.

The Board has delegated to the President and CEO the responsibility for the implementation and administration of all management or executive policies, including the Total Compensation Program for employees. The variable compensation program is governed by the Performance Sharing Incentive Plan, which is based on the following principles:

- the President and CEO will have the ultimate discretion to determine whether payment occurs and what the payment will be for the year, based on the annual performance of Central;
- performance is evaluated based on financial, customer service and corporate scorecard results;
- the plan is self-funded – if Central does not achieve the designated level of financial performance there will be no payout under the plan; and
- individual performance will determine participation in and individual payments under the plan. Individual performance is measured against annual individual performance plans.

Compensation to members of the Board is limited to an annual honorarium. Directors do not participate in any variable compensation programs. Compensation paid to Directors and key management personnel is detailed in note 15, related party transactions.



NEW BRUNSWICK

Advance Savings Credit Union
Bayview Credit Union
Beaubear Credit Union
Blackville Credit Union
NBTA Credit Union
OMISTA Credit Union
Progressive Credit Union
The Credit Union

PRINCE EDWARD ISLAND

Consolidated Credit Union
Morell Credit Union
Provincial Credit Union
Souris Credit Union

NOVA SCOTIA

Acadian Credit Union
Bay St. Lawrence Credit Union
Cape Breton Centre Credit Union
Caisse populaire de Clare
Coastal Financial Credit Union
Community Credit Union of Cumberland Colchester
CUA
Dominion Credit Union
East Coast Credit Union
Glace Bay Central Credit Union
iNova Credit Union
LaHave River Credit Union
New Ross Credit Union
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Valley Credit Union
Victory Credit Union

NEWFOUNDLAND AND LABRADOR

Atlantic Edge Credit Union
Community Credit Union
EasternEdge Credit Union
Hamilton Sound Credit Union
Public Service Credit Union
Reddy Kilowatt Credit Union
Venture Credit Union

Atlantic Central is the regional trade association for more than 40 independent member credit unions across Atlantic Canada. We provide a range of financial services, leadership, and advocacy to support credit unions and the communities we serve to grow well. Our credit unions proudly serve almost 300,000 members and play a significant role in the Atlantic Canadian economy.

We are proud to be a Certified B Corporation™ joining a global movement of people using business as a force for good. We are committed to making business decisions that are in the best interests of our employees, credit unions and their members.

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