ATLANTIC CENTRAL

ANNUAL REPORT

2023

YEARS OF SUPPORTING CREDIT UNIONS

Resiliency in times of change.

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.

Culture

We are solution driven, collaborative, and respectful. Together, as one team, we serve our customers and our communities through collaborative and timely solution delivery.

Chair's Message

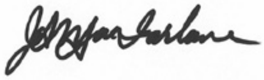
A key learning from my years of service on Atlantic Central's Board of Directors is the importance of planning for change. Our industry is constantly in flux, and while reflecting on the past is important to understanding our present, it is necessary to anticipate the future to successfully navigate the ever-increasing pace of change. In 2023, Atlantic Central began the journey to evolve its business model so we can continue to meet the current needs of credit unions and create a solid foundation to support their future needs. Our ability to respond and adapt quickly is key.

Atlantic Central is building for the future and a key focus in 2023 was the funding and services review. The time was right to begin the work of rethinking our business model and how we need to support credit unions in the coming years. A catalyst for this work is the number of credit union consolidations over the past few years, a trend that is expected to continue. As credit unions become larger the services they require from their Central naturally changes. It is our responsibility to adapt and adjust to their needs and ensure the products and services we provide align with their expectations. The board is pleased with the work completed throughout the year with Atlantic Central ready to begin the second phase of this project in 2024.

The board has placed increased emphasis on the governance model in recent years in response to the changing financial services landscape and Atlantic Central's strategic direction. The board fully supported a comprehensive review of our governance model to ensure we were well-positioned to lead Atlantic Central into the future. This work began in 2022 in partnership with an independent third-party consultant. Close to 100 interviews were conducted with key stakeholders throughout 2022 and 2023 and feedback was collected from credit unions via surveys and in-person discussions. In the fall, we were presented with recommendations around items such as experience, skills, competencies, self-assessment, board composition and service limits. By year end, we added an independent evaluator to the director self-assessment process and will bring forward recommended by-law changes at the 2024 AGM. This important work will continue in 2024 and 2025 with additional changes expected following consultation with credit unions. The board also focused on expanding director education in 2023 so we are well-equipped to fulfill additional responsibilities and oversight of Atlantic Central.

The board supports Atlantic Central in providing a diverse, equitable, and inclusive environment where employees can thrive. In addition, we are committed to supporting credit union growth and helping to build strong communities in ways that align with our purpose and values. To that end, the joint Co-operative Social Responsibility (CSR) Committee was created in 2018 to integrate CSR into our business strategy, practices, investment strategies and partnerships. This increased focus has enabled the achievement of key goals and objectives outlined in our CSR strategy and in 2023, we proudly issued our fourth sustainability report.

On behalf of the Board of Directors, I want to thank the management and staff of Atlantic Central. We were pleased with the outcomes achieved under Paul Masterson's first full year leading the organization. The dedication demonstrated by all employees is a testament to their sincere commitment to the region's success. On a personal note, I am retiring from Atlantic Central's board after 19 years of service. It has been a true honour to work alongside my colleagues and participate in the evolution of the credit union system in Atlantic Canada and across the country. I was privileged to be on the inaugural board when Atlantic Central was formed in 2011 with the amalgamation of the Centrals in New Brunswick, Nova Scotia, and Prince Edward Island. As a passionate advocate for the co-operative movement to say I am proud of what we've achieved together is an understatement. I look forward with enthusiasm to what the future holds for Atlantic Central and the credit union system. It looks bright indeed!



Jim MacFarlane, Chair
Atlantic Central Board of Directors

CEO's Message

As I complete my first full year as CEO, I want to acknowledge how the complex and ever-changing financial services environment impacts everything we do to support credit union success. Just as credit unions are resilient in responding to the changing needs of their members, so too must we be resilient in responding to how services are provided to our member credit unions, and which services will provide the best value as we build for the future.

Performance

Change is all around us and how we respond to the change matters. Atlantic Central performed well against our corporate scorecard. The goals were ambitious with several significant projects designed to support our evolving strategy and in turn, meet the needs and expectations of credit unions.

We entered 2023 facing rising interest rates, which created significant margin compression for Atlantic Central. We took steps to mitigate the impacts of the interest rate environment including implementing a more conservative Treasury model, which protected us from subsequent rate hikes. As a result, we ended the year slightly ahead of budget. We were pleased to return $6.1M to credit unions by way of a liquidity rebate. In addition, we expect a return of capital in the amount of $10.4M in Q1 2024.

Credit unions across the region continued to benefit from the higher rate environment throughout 2023. Total system assets increased more than seven percent to $8.6B with loan growth at just over six percent. In addition, higher cost term deposits grew by 40 percent. Economists anticipate the Bank of Canada could announce rate cuts beginning in the second quarter of 2024. A decline in interest rates will have an impact on financial margin due to falling yields on assets and loan products. Growth opportunities in 2024 will, in part, depend on the housing market and access to the funds required to meet demand.

Highlights

A key focus in 2023 was launching the funding and services review, the first time we have initiated a review of this type since 2011. A key driver for this project is the recognition that our region is changing due in large part to merger activity and trends shaping the financial services industry. We consulted with credit unions throughout the year to gain a better understanding of the services they value and use as well as the services they will need to support their future growth and success. This work will continue through 2024.

Our work with League Data on the honeybee Mission, a historic undertaking to transform how we provide banking services, continued in 2023. Supporting the transition to a new, modern banking platform requires significant effort, and Atlantic Central's team has played, and will continue to play, an integral role to ensure the project's mandate is achieved. This work will be ongoing throughout 2024 with implementation expected to be complete in Q3 2025.

CEO's Message (cont'd)

Governance Review

Board governance was a focus in 2023. A request for proposal was issued in 2022 for an independent third party to conduct a review of our current model. Work began in January 2023 and continued throughout the year. As our environment becomes more complex it is prudent to review current processes and policies and evaluate the skills and competencies required to lead Atlantic Central into the future. The board was fully engaged throughout the process which included significant consultation with key stakeholders. A report was shared with the board and Atlantic Central's executive management team in the fall including recommendations for the board's future consideration.

Our Employees

As an organization, our goal is to foster a welcoming and supportive environment where all team members feel valued and inspired to do their best work. Checking in regularly with employees is key to ensuring we live up to that commitment. In 2023, our overall corporate engagement score was 87.2%, well above the 70% average score experts consider to be a good indication of a highly engaged workforce. Our employees are our greatest asset, and we will continue to evolve our people strategy in a way that enables their success.

Co-operative Social Responsibility

We launched our new CSR strategy in 2018 and have made good progress in our commitment to integrate the strategy into our operations, practices, investment strategies, and partnerships. Our most recent sustainability report, ***Living Our Values Together: Collaborating for Change***, includes inspiring stories from our member credit unions and serves as a reminder of what we can achieve when we work together to effect positive change.

I want to thank Atlantic Central's Board of Directors whose support, commitment and guidance over the past year is deeply appreciated. I'd like to recognize our Chair, Jim MacFarlane, who is retiring from the board in 2024, for his service and steady leadership over the past 19 years, three as Chair. A passionate ambassador of credit unions and co-operatives, he has elevated our collective voice on a regional and national level. Thank you also to our employees, the heart and soul of the organization. They live our values every day, demonstrating an unwavering belief in the work we do together to ensure Atlantic Central and our community of credit unions are well-positioned for continued success.

We know both challenges and opportunities are on the horizon. That is the nature of the business. We are resilient and will continue to have our sights firmly set on building for the future. Together with credit unions, our partners, and the excellence of our people, we will leverage our collective strength to forge an exciting new path for our region.

Paul Masterson
President and CEO

> **"Just as credit unions are resilient in responding to the changing needs of their members, so too must we be resilient in responding to how services are provided to our member credit unions, and which services will provide the best value as we build for the future."**

Highlights: **People Focus**

Employee Engagement

We are committed to cultivating an environment that empowers employees to show up as their best selves and thrive. We issued our ninth engagement survey in 2023. Measuring employee engagement is one way to gauge how well we're doing towards achieving our ideal culture and enables us to develop actionable steps for improvement.

66.7%
Participation
(88.5% in 2022)

Overall Engagement Score =
87.2
(89.4% in 2022)

People Strategy

In 2023 we launched a redesigned performance management program called Employee Success. Our goal is to ensure employees have fulfilling careers with opportunities for professional and personal growth. The Employee Success program is intended to facilitate ongoing and meaningful conversations between employees and people leaders with a focus on helping employees achieve their goals, maximize performance, and invest in their talent.

HR Support and Services

Consulting: **31 Engagements / 19 Credit Unions**

Engagement Surveys to C-suite Recruitment!

Payroll and HRIS (Human Resource Information System) Services:

- **588 total payrolls processed**
- **420 payrolls processed on behalf of five credit unions**

32 additional credit union employees scheduled to go live on January 1, 2024

Employee Day: In it to Win It!

An all-employee event was held in November with a focus on connection, collaboration, celebration, and having fun! With nearly all employees in attendance and overwhelmingly positive feedback we can't wait for Employee Day 2024!

Highlights: **Brand Awareness**

Your Two Cents: Video Series Season 4

We don't think talking about money should give you headache! This video series discusses how to be financially savvy in an honest, entertaining, and informative way that engages and delights the audience. With 13 episodes in 2023, host Alicia McCarvell took us for a ride in the credit cab, interviewed people on the street for money talks, played financial jeopardy with a panel of experts, and explored a range of other topics including debt management, how to travel on a budget, and smart grocery shopping tips.

Your Two Cents: The Podcast Season 2

Hosts Sylvia Beirnes and Alicia McCarvell interviewed a wide variety of special guests who shared their personal experience on money management.

12 Episodes

4.3M Social Promo Views

13,429 Listens (810 in 2022)

Philanthropy, Fundraising, Mental Health, Grocery Shopping + More!

Highlights: **Brand Awareness**

Atlantic 365

Launched in 2023, this initiative demonstrates our collective commitment to communities. During the campaign, 365 outstanding local businesses were recognized and promoted across the region.

ATLANTIC365

Reach – **243,605**

Engagement – **8,714**

Impressions – **482,951**

Credit unions, as the presenting sponsors, aimed to inspire others to engage with local businesses, foster a spirit of support, and celebrate our local economy

Holiday Pay It Forward

This annual initiative held in December encourages credit union system employees and boards of directors in Atlantic Canada to pay it forward to a local organization, charity, individual, or family during the holiday season. Every person is provided with $25 with funds often being matched, creating an even greater impact in our communities.

$98,000
in support

1600+
participants

#CUPayItForward

#Loyal2LocalChallenge

For the fourth consecutive year we participated in a broader credit union movement to support the businesses that help keep our Atlantic Canadian economy strong and our communities healthy. Armed with $25 each to spend at local businesses in their communities here's the impact our 1,600+ employees made:

We ♥ small businesses!

$98,000 to support small businesses

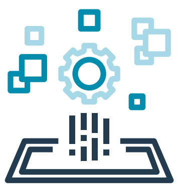
100s of social media posts (to raise awareness and ignite conversations about the value of local businesses)

Highlights: **Brand Awareness**

Summer Marketing Series

Subject matter experts and industry leaders focused on helping credit unions understand marketing trends, tactics, and principles.

3 SESSIONS



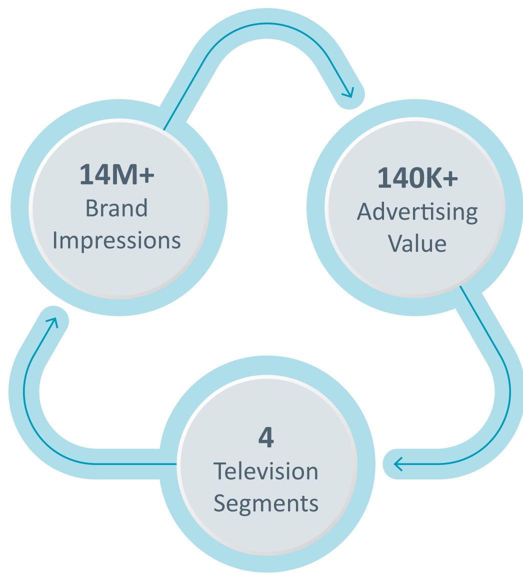
Digital Generation

Content Creation

Paid Media

Results:
37 million ad impressions in Atlantic Canada

Earned Media



Highlights: **Products and Services**

honeybee Mission

Atlantic Central is supporting our partner, League Data, in the digital transformation of the credit union system in Atlantic Canada. A key element to this significant undertaking is member communications. At year end, the phased communications program was largely complete with rollout expected to begin in March 2024.

THE honeybee MISSION
Building a stronger ecosystem, together.

4,490
document views to date

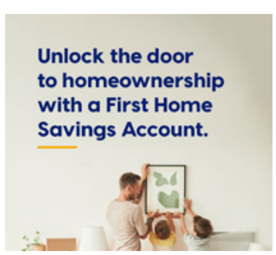
League Savings and Mortgage First Home Savings Account (FHSA)

Launched in Atlantic Canada, the FHSA is designed to help credit union members save for their first home tax-free.

- Up to $40,000 of tax-free contributions
- Investment income earned is tax sheltered
- Contributions to FHSA reduce taxable income
- Member's can participate in HBP and FHSA to purchase a qualifying home

19
CREDIT UNIONS

177
ACCOUNTS OPENED



Better Equality

Products like Better Equality align with our values and commitment as a B Corporation™ to use business as a force for good ™. Our team supported the implementation of this new market linked product that provides credit union members the opportunity to invest in companies carefully selected for both their socially responsible employment policies and financial performance.

Debit Mastercard Rollout Support

Credit union members can shop safely and conveniently online and in-store anywhere in the world Mastercard is accepted.

Rolled out to
30
Credit Unions

Authentication Enhancements

Keeping credit union members' money and data safe are a top priority. As online security threats become more prevalent, authentication enhancements such as 2-Step Verification and Strong PAC (personal access code) offer added protection.

IMPLEMENTED SYSTEM WIDE!

Highlights: **Products and Services**

Launch of UNLOCKED

UNLOCKED is a vlog series designed to help credit unions navigate the complex policy and procedure environment on a variety of topics including Power of Attorney, Estates, and Market Conduct Code.

In 2023: **42** VIDEOS **7** TOPICS **550+** VIEWS

350 Support Tickets Submitted

99% = Overall Satisfaction Score

50+ Operational updates and bulletins for credit unons added to te Vault

THE VAULT

CU-Master Sales Training Program

Our three-year training program is custom designed to support credit unions in developing the sales skills needed to grow their businesses and strengthen member relationships.

- **5 years strong**
- **70+ courses**
- **245 participants in 2023**
- **77 new participants in Year 1 of program**

Testimonial

"The CU-Master Sales Training Program is very worthwhile, and people would be remiss not to take advantage of it".

– Chief Operating Officer

Testimonial

"I can honestly say this is without a doubt the best program…an incredible opportunity to understand our members' journey".

– Financial Services Representative

Highlights: **Risk Management and Compliance**

200+ years of combined compliance experience!

Value received from services

- 94% of credit union customers agreed the services are valuable
- 80% of respondents rated the services as extremely valuable or valuable

Training sessions facilitated on behalf of credit unions in 2023:

- Privacy
- Enterprise risk management
- Business continuity planning
- Anti-money laundering

247 Responses Received

Customer Satisfaction Survey

Services received highest rating from 100% of respondents

Highlights: **Lending Services**

Training conducted on behalf of credit unions included:

- Residential construction mortgage virtual session
  = 164 attendees
- Canada Small Business Financing Program
  = 83 attendees
- CEBA townhall
  = 153 attendees

1466
credit applications adjudicated

510
annual reviews for credit unions

Highlights: **Corporate Services**

The Corporate Services team contributed to the success of several key initiatives throughout the year providing high quality support to the boards of directors and Executive Leadership team in carrying out corporate and governance responsibilities. Support in 2023 included:

1. Governance Review
2. AGM and spring conference for 250+ credit union leaders
3. In It to Win It! event for 100+ employees
4. Halifax building sale
5. Re-opening of renovated office space

Highlights: Corporate Social Responsibility (CSR)

Guided by three strategic pillars we can live our values and deliver on our purpose:

Improve the financial resilience and inclusion of Atlantic Canadians

Grow our investment in the sustainable economy

Increase participation in the co-operative movement

North American INDIGENOUS GAMES 2023 HALIFAX · NOVA SCOTIA

2023 JEUX AUTOCHTONES de l'Amérique du Nord HALIFAX · NOUVELLE-ÉCOSSE

Atlantic Central and League Savings and Mortgage Company were proud to partner with six credit unions in Nova Scotia to sponsor the 2023 North American Indigenous Games held in Halifax, Nova Scotia.

756+
Nations Represented

2000+
Visited the Cultural Villages

40+
Indigenous artists and vendors featured in the Credit Unions Marketplace

5000+
Indigenous youth athletes

Partnering with the Red Cross, the Atlantic credit union system donated **$55,305*** to support communities impacted by the wildfires in Atlantic Canada.

EOTO Each One. Teach One.

1,400+ people participated in **108** workshops designed to increase their financial literacy skills.

*At time of reporting.

Highlights: **Coady Award 2022**

The Coady Award recognizes a credit union in the Atlantic region that demonstrates leadership in the areas of co-operation, volunteerism, education, and environmental sustainability. The award, named for Rev. Dr. Moses Coady, a Catholic priest, adult educator, and co-operative pioneer, celebrates the positive impacts credit unions create for their members and communities.

OMISTA Credit Union in New Brunswick was the recipient of the 2022 Coady Award. Through partnerships and support of local organizations and community initiatives, OMISTA Credit Union helps build their communities in real and meaningful ways. The credit union actively engages with local projects such as the School Santa Sack Program and the Alexandre-Parks Foundation Golf Tournament, and they provide ongoing support to school breakfast and lunch programs. Credit union employees show their community commitment by volunteering with local organizations.

In 2022, OMISTA Credit Union has partnered with 12 Neighbors, a microhome community in Fredericton, New Brunswick that aims to assist individuals overcome barriers to leading full and independent lives. Through safe and affordable housing, developmental supports, and employment opportunities, the 12 Neighbors Community transforms the lives of people, creating lasting transformation to reduce poverty and homelessness. The credit union contributed $12,000 to the 12 Neighbours through a $5,000 Wyth Financial Empowering Your Community Award, and a $7,000 donation from the credit union. Employees from the credit union volunteer their time to help set up the microhomes so they are ready for residents to move in. As the partnership continues to grow, OMISTA employees lend their expertise to help community members build financial skills and provide guidance and resources to equip individuals with tools to secure employment opportunities.

COADY AWARD

COMMUNITY ACTION

CREDIT UNIONS

Management Team

Paul Masterson
President & CEO

Brenda Roberts-Harmon
VP, General Counsel
& Chief Risk Officer

Don Noyes
VP, Finance &
Chief Financial Officer

Kim Walker
Chief Operating Officer

Paul Paruch
VP, Digital & Payments

Andrew Morash
Assistant VP, Operations

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:

I. Two Directors elected by delegates representing Central's member credit unions within the New Brunswick Regional Group;
II. Two Directors elected by delegates representing Central's member credit unions within the Newfoundland and Labrador Regional Group;
III. Six Directors elected by delegates representing Central's member credit unions within the Nova Scotia Regional Group, as follows:
   a. 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
   b. 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
IV. 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
- Steve Blackwood
- Danielle Boudreau
- Tammy Christopher
- Doug Dewling
- Lisa Loughery
- Paul MacNeill
- Camille Maillet
- Bert Ronahan
- 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 2023.

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 Bert Ronahan.

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) (LSM), Steve Blackwood, Lisa Loughery, William Timmons, Sally van de Wiel (LSM) 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), Tammy Christopher, 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), Jim MacFarlane, Paul MacNeill, and Camille Maillet.

Corporate Governance

Jim MacFarlane, Chair

Martin Gillis, Vice-Chair

Steve Blackwood

Danielle Boudreau

Tammy Christopher

Doug Dewling

Lisa Loughery

Paul MacNeill

Camille Maillet

Bert Ronahan

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

Attendance at Board and Committee Meetings

The 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 2023.

Name	Board Meetings, Board Training and Board Planning	Audit, Risk & Conduct Review Committees	Co-operative Social Responsibility Committee	Executive, HR & Compensation Committee	Governance Committee
*Jim MacFarlane	10/10	-	-	4/4	3/3
*Martin Gillis	10/10	-	-	4/4	4/4
Steve Blackwood	9/10	-	3/3	-	-
Danielle Boudreau	10/10	4/4	-	-	1/1
Tammy Christopher	9/10	4/4	-	3/3	1/1
Doug Dewling	10/10	4/4	-	-	-
Lisa Loughery	10/10	-	3/4	0/1	-
Paul MacNeill	10/10	-	-	3/4	4/4
Camille Maillet	10/10	-	-	-	3/4
Bert Ronahan	10/10	3/3	-	-	-
William Timmons	10/10	-	4/4	-	-
Thomas Vickers	10/10	-	4/4	4/4	-

*Table Officer

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. In 2023, the Board added an independent evaluator component to the self-evaluation process.

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. In 2023, the Board hired a consultant to perform an independent governance review, and the Board is now implementing the recommendations.

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 Thomas Vickers as the Delegate.

Co-operative Enterprise Council of New Brunswick (CECNB)

Central has a share in CECNB; 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; the Central currently has no director serving on the CMEC Board. Central appointed Thomas Vickers as the Delegate.

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 for 189286 Canada Inc., and Paul Masterson serves on the Board.

League Data Limited

The President and CEO of Central, or designate, has a dedicated seat on the Board of League Data Limited. Paul Masterson, Central's CEO, 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 Danielle Boudreau, Martin Gillis, Jim MacFarlane, Gary O'Brien, 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 2024).

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-nominated Directors on the NS CUDIC Board are Beverley Cooke and John Armstrong (terms expired in 2023), and Rick Parker (term expires in 2024).

The Co-operators

The Atlantic regional has three Directors on The Co-operators' Board. Two of the positions are elected at-large, and Atlantic Central appoints the third. Effective April 2023, Central appointed Jim MacFarlane to serve as Director (term expires in 2026). Central also appoints two delegates- currently Brenda Roberts-Harmon (term expires in 2024) and Tom Vickers (term expires in 2025).

Atlantic Central

Consolidated Financial Statements
December 31, 2023
(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 as issued by the International Accounting Standards Board (IFRS).

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, 2023 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, 2023;
- the consolidated statement of (loss) income for the year then ended;
- the consolidated statement of comprehensive income (loss) 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, comprising material accounting policy information 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.

PricewaterhouseCoopers LLP
Cogswell Tower, 2000 Barrington Street, Suite 1101, Halifax, Nova Scotia, Canada B3J 3K1
T. : +1 902 491 7400, F. : +1 902 422 1166, Fax to mail: ca_halifax_main_fax@pwc.com

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 7, 2024

Atlantic Central

Consolidated Balance Sheet

As at December 31, 2023

	Note	2023 $	2022 $
Assets			
Cash and cash equivalents		83,021,129	55,010,608
Restricted cash		3,239,933	5,206,791
Investments	6	1,211,792,615	1,087,994,072
Loans and mortgages	7	709,759,185	666,085,873
Accrued interest		14,129,969	10,580,730
Income tax receivable		178,541	4,119,008
Capital tax receivable		63,746	132,027
Assets held for sale	9	-	1,441,864
Fixed assets	10	247,181	293,861
Right-of-use assets	11	237,998	268,102
Deferred tax assets	17	3,612,665	4,188,976
Securitization assets	8	101,272,358	112,984,050
Other assets	22	19,107,296	11,872,492
		2,146,662,616	1,960,178,454
Liabilities			
Deposits	12	1,692,120,091	1,509,576,120
Accrued interest		14,454,651	7,643,058
Lease liabilities	11	1,711,346	286,444
Accounts payable and accrued liabilities	22	17,360,257	9,003,339
Servicing liabilities		30,334,652	33,479,854
Mortgage-backed securities	8	212,499,199	228,845,888
		1,968,480,196	1,788,834,703
Members' equity			
Capital stock	13	112,387,145	112,387,145
Contributed surplus		6,018,056	6,018,056
Special reserve	13	9,524,261	10,813,136
Retained earnings		46,103,484	44,998,783
Accumulated other comprehensive income		4,149,474	(2,873,369)
		178,182,420	171,343,751
		2,146,662,616	1,960,178,454
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 (Loss) Income

For the year ended December 31, 2023

	Note	2023 $	2022 $
Financial income			
Investment income		38,769,649	22,799,641
Interest on loans and mortgages		32,981,169	24,860,874
		71,750,818	47,660,515
Financial expense		66,529,626	30,830,564
Gross financial margin		5,221,192	16,829,951
Provision for credit losses		988,870	377,833
Net financial income		4,232,322	16,452,118
Securitization gains	8	1,567,562	2,012,509
Non-interest income	21	13,078,085	11,768,158
		18,877,969	30,232,785
Operating expenses			
Salaries and staff related		15,106,418	14,095,056
Management fees		194,847	220,450
Office expense		2,378,495	2,720,345
Marketing and business development		210,489	196,368
Democracy		768,810	1,157,898
Professional fees		1,114,299	911,375
Other expenses		1,047,133	975,473
		20,820,491	20,276,965
Operating (loss) income		(1,942,522)	9,955,820
Initiatives and restructuring expenses	23	1,288,876	765,291
Rebates		6,100,000	-
Gain on sale of fixed assets	9	(8,996,886)	-
(Loss) income before income taxes		(334,512)	9,190,529
Capital tax	17	1,867,948	1,804,702
Income taxes	17	(2,018,285)	1,152,189
Net (loss) income		(184,175)	6,233,638

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

Atlantic Central

Consolidated Statement of Comprehensive Income (Loss)

For the year ended December 31, 2023

	Note	2023 $	2022 $
Net income (loss) income		(184,175)	6,233,638
Other comprehensive income (OCI)			
Items that will be reclassified subsequently to income			
Net change in unrealized gains (losses) on investments at fair value through OCI			
Net unrealized gains (losses) on mark to market investments		9,820,086	(29,534,753)
Reclassification of net realized gains to net income		104,712	3,607,661
Income tax expense (recovery)	17		
On unrealized gains (losses) on mark to market investments		(2,871,330)	8,606,032
On reclassification of net realized gains (losses) to net income		(30,625)	(1,022,404)
Other comprehensive income (loss)		7,022,843	(18,343,464)
Comprehensive income (loss)		6,838,668	(12,109,826)

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, 2023

	Capital stock **$** (note 13)	**Contributed surplus** **$**	**Special reserve** **$** (note 13)	**Retained earnings** **$**	**Accumulated other comprehensive income** **$**	**Total members' equity** **$**
Year ended December 31, 2023						
Balance – Beginning of year	112,387,145	6,018,056	10,813,136	44,998,783	(2,873,369)	171,343,751
Net loss	-	-	-	(184,175)	-	(184,175)
Other comprehensive income, net of tax	-	-	-	-	7,022,843	7,022,843
Comprehensive income	-	-	-	(184,175)	7,022,843	6,838,668
Transfer from special reserve	-	-	(1,288,876)	1,288,876	-	-
Issued in equity rebalancing	2,660,280	-	-	-	-	2,660,280
Redeemed in equity rebalancing	(2,660,280)	-	-	-	-	(2,660,280)
Stock dividend	-	-	-	-	-	-
Cash dividend paid on shares	-	-	-	-	-	-
Balance – End of year	112,387,145	6,018,056	9,524,261	46,103,484	4,149,474	178,182,420
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	-	-	-	6,233,638	-	6,233,638
Other comprehensive loss, net of tax	-	-	-	-	(18,343,464)	(18,343,464)
Comprehensive loss	-	-	-	6,233,638	(18,343,464)	(12,109,826)
Transfer from special reserve	-	-	(765,291)	765,291	-	-
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

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, 2023

	2023 $	2022 $
Cash provided by (used in)		
Operating activities		
Net income	(184,175)	6,233,638
Charges (credits) to income not involving cash		
Loans and mortgages, net	(43,673,312)	(43,879,740)
Deposits, net	182,543,971	(363,236,597)
Loss on revaluation of interest rate swaps	4,115,612	-
Gain on disposal of building	(8,996,886)	-
Depreciation	194,565	358,145
Mortgage-backed securities, net	(19,491,891)	(5,076,875)
Interest receivable/payable, net	3,262,354	(989,693)
Income taxes receivable/payable, net	3,876,721	(1,305,536)
Deferred tax assets/liabilities, net	576,303	(4,975,433)
Other items, net	8,819,067	(20,810,540)
	131,042,329	(433,682,631)
Financing activities		
Dividends	-	(1,586,201)
Leases, net	(145,463)	(78,511)
	(145,463)	(1,664,712)
Investing activities		
Investments, net	(116,775,700)	439,999,576
Proceeds on sale of building	12,020,797	-
Fixed assets, net	(98,300)	(174,447)
	(104,853,203)	439,825,129
Net change in cash and cash equivalents	26,043,663	4,477,786
Cash and cash equivalents – Beginning of year	60,217,399	55,739,613
Cash and cash equivalents – End of year	86,261,062	60,217,399
Cash and cash equivalents include		
Cash and balances with financial institutions	83,021,129	55,010,608
Restricted cash	3,239,933	5,206,791
	86,261,062	60,217,399
Supplemental disclosure of cash flow information		
Interest received	71,304,519	40,368,679
Dividends received	438,772	73,772
Interest paid	59,718,083	27,172,949
Income taxes paid, net of refunds	(150,472)	(150,472)

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. Until December 31, 2023, Central was regulated by the Nova Scotia Office of the Superintendent of Credit Unions. Effective January 1, 2024, Central is regulated by the Nova Scotia Credit Union Deposit Insurance Corporation (NSCUDIC)

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 March 7, 2024.

2 Basis of presentation

The consolidated financial statements are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). The material 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

Adoption of New Accounting Standards

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

Amendments to IAS 1 and IFRS Practice Statement 2

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

Although adoption of the amendments didn't result in any changes to accounting policies, they impact the accounting policy information disclosed in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in note 4 Material accounting policies (2022 - Summary of significant accounting policies) in certain instances in line with the amendments.

Future changes in accounting policies

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

4 Material 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. its 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 are 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 instruments' 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 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 investment 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 debt instruments 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; the loss allowance recognized during the period was therefore limited to twelve months 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 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
- 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 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.

Assets held for sale

Certain fixed assets that have been listed for sale, or have been sold pending close, are 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.

Payments 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 which is approved by the Board of Directors (Board). Dues are collective 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 which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

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

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

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 $792,514 (2022 – $677,801) are expensed as the related service is provided.

Initiatives and restructuring

System initiatives and other organization 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 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.

Due to the uncertainty in 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 the forecasting of forward-looking information is subject to significant judgment.

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 and an escalation of the conflicts in Ukraine and Israel.

The Bank of Canada has increased the overnight rate by 475 basis points since March 2022, and the interest rate increases continue to slow consumer spending. Canadian housing and household indebtedness risks remain heightened in the current interest rate environment. Rapid population growth has supported consumer spending for essentials and demand for rental housing, however, discretionary purchases have started to weaken, and the excess of household savings accumulated during the COVID-19 pandemic has shrunk.

Concerns around elevated levels of Canadian household debt, which accelerated during the pandemic, could escalate if interest rates remain higher for longer, if the cost of living increases further, or if job losses increase significantly, potentially resulting in higher credit losses.

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 which 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 loans and debt instruments 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 (e.g. 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 efficiently and effectively 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 its understanding of its risk profile, and to support its 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, 2023 and December 31, 2022, the Company 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 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 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, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's 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, 2023 was $nil (2022 – $229,962).

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 its financial commitments in a timely and cost-effective manner. In addition, a liquidity plan is prepared which 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;
- performing 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, the Company'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 the Company'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 on a monthly basis. 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:

	2023 **$**	**2022** **$**
100 basis point increase	1,226,985	941,960
100 basis point decrease	(1,226,608)	(936,960)

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.

	2023		2022	
	Cost $	**Market value $**	**Cost $**	**Market value $**
Banks[a]	609,959,637	607,808,680	599,513,803	597,223,329
Government debt	446,841,238	431,087,655	370,450,206	348,122,177
Co-operative deposits	131,055,314	131,085,315	104,254,667	103,185,297
Co-operative equities	13,293,153	24,083,727	13,004,025	22,001,561
Corporate equities	112,462	1,644,920	112,461	1,711,620
Allowance for impairment	(90,300)	(90,300)	(100,000)	(100,000)
	1,201,171,504	1,195,619,997	1,087,235,162	1,072,143,984
Investment in associate, at equity		16,172,618		15,850,088
		1,211,792,615		1,087,994,072

[a] Includes cash and cash equivalents utilized in the investments 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:

	2023			2022		
Province	**Market value investment $**	**Investment income $**	**Investment income %**	**Market value investment $**	**Investment income $**	**Investment income %**
Nova Scotia	314,447,554	9,554,578	3.04	297,801,212	6,049,816	1.98
Newfoundland & Labrador	46,728,127	1,419,847	3.04	46,498,412	962,536	1.98
Prince Edward Island	118,308,474	3,594,837	3.04	112,174,264	2,266,152	1.98
New Brunswick	115,778,607	3,517,966	3.04	111,880,377	2,283,495	1.98
	595,262,762	18,087,228	3.04	568,354,265	11,561,999	1.98

The segregated investments generated a gross yield of 3.04% in 2023 (2022 – 1.98%). On a net basis, after deducting the interest paid on the segregated deposits, the segregated investments generated a net yield of 0.06% in 2023 (2022 – 0.71%).

7 Loans and mortgages

As at December 31, 2023, 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 $
Balance at December 31, 2023			
Residential	432,614,453	773,110	431,841,343
Commercial	275,040,571	1,675,299	273,365,272
Commercial leases	1,894,670	858,062	1,036,608
Other	532,834	17,505	515,329
Co-operatives	3,000,633	-	3,000,633
	713,083,161	3,323,976	709,759,185
Balance at December 31, 2022			
Residential	407,615,860	562,539	407,053,321
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	2,345,385	666,085,874

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 credit loss 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 $
Balance at December 31, 2023				
Residential	430,168,203	1,646,423	799,827	432,614,453
Commercial	275,040,571	-	-	275,040,571
Commercial leases	877,565	-	1,017,105	1,894,670
Other	531,831	611	392	532,834
Co-operatives	3,000,633	-	-	3,000,633
	709,618,803	1,647,034	1,817,324	713,083,161
Balance at December 31, 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

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 de-recognized in the period;
- impact on the measurement of ECLs due to changes in PD, EAD and LGD in the period, arising from regular refreshing of inputs to models;
- impacts on the measurement of ECLs due to changes made to models and assumptions;
- discount unwinding within ECLs 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 at December 31, 2022	553,894	3,866	4,779	562,539
Transfer to (from)				
Stage 1	(26,433)	4,436	21,997	-
Stage 2	2,954	(2,954)	-	-
Gross write-offs	-	-	-	-
Recoveries	-	-	-	-
Remeasurement[a]	214,197	(111)	(3,516)	210,570
Balance at December 31, 2023	744,612	5,237	23,260	773,109
Commercial				
Balance at December 31, 2022	1,344,445	-	-	1,344,445
Transfer to (from)				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	-	-	-	-
Gross write-offs	-	-	(23,121)	(23,121)
Recoveries	-	-	2,700	2,700
Remeasurement[a]	330,853	-	20,422	351,275
Balance at December 31, 2023	1,675,298	-	1	1,675,299
Commercial leases				
Balance at December 31, 2022	21,797	-	384,485	406,282
Transfer to (from)				
Stage 1	(14,411)	-	14,411	-
Stage 2	-	-	-	-
Gross recoveries	-	-	-	-
Recoveries	-	-	-	-
Remeasurement[a]	3,671	-	448,109	451,780
Balance at December 31, 2023	11,057	-	847,005	858,062
Other				
Balance at December 31, 2022	29,949	781	1,389	32,119
Transfer to (from)				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Gross write-offs	(6,985)	(186)	(278)	(7,449)
Recoveries	7,437	198	296	7,931
Remeasurement[a]	(13,567)	(493)	(1,037)	(15,097)
Balance at December 31, 2023	16,834	300	370	17,504
Total allowance at December 31, 2023	2,447,801	5,538	870,637	3,323,974

	Performing		Impaired	
	Stage 1 **$**	**Stage 2** **$**	**Stage 3** **$**	**Total** **$**
Residential				
Balance 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 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 write-offs	-	-	(4,427)	(4,427)
Recoveries	-	-	15,000	15,000
Remeasurement[(a)]	(57,584)	-	(9,534)	(67,118)
Balance at December 31, 2022	1,344,445	-	-	1,344,445
Commercial leases				
Balance 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 at December 31, 2022	21,797	-	384,485	406,282
Other				
Balance 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 at December 31, 2022	29,949	781	1,389	32,119
Total allowance at December 31, 2022	1,950,085	4,647	390,654	2,345,386

(a) Remeasurement includes changes in the allowance related to purchases and originations, derecognitions 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 $
Balance at December 31, 2023			
Residential	799,827	896,000	23,261
Commercial	-	-	-
Commercial leases	1,017,105	162,000	847,004
Other	392	-	370
	1,817,324	1,058,000	870,635
Balance at December 31, 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

Commercial leases

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

	2023 $	2022 $
Minimum lease payments receivable:		
Not later than one year	1,109,057	971,604
Between one and five years	860,256	1,530,337
	1,969,313	2,501,941
Unearned finance income	(74,643)	(153,479)
Gross commercial leases receivable	1,894,670	2,348,462

The average weighted term to maturity of the commercial leases is 35 months. The average weighted interest rate on the current receivable is 4.31%.

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:

	2023			2022		
Carrying value	**Market MBS $**	**CMB $**	**Total $**	**Market MBS $**	**CMB $**	**Total $**
NHA MBS assets	191,678,829	25,029,906	216,708,735	201,517,572	31,268,873	232,786,445
Associated liabilities	187,493,488	25,005,711	212,499,199	197,619,866	31,226,022	228,845,888

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 or to other third parties and derecognized. Balances relating to these transferred assets are as follows:

	2023 $	**2022 $**
Mortgages sold	346,384,467	533,828,514
Gain on sales	1,567,562	2,012,509
Cumulative balance of mortgages sold and derecognized	3,888,584,181	3,542,199,714
Outstanding balance of mortgages sold and derecognized	3,164,137,216	2,953,352,697
Related balances as at December 31		
Retained interests	101,272,358	112,984,050
Servicing liabilities	30,334,652	33,479,854

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, 2023, Atlantic Central had $nil (2022 – $1,441,864) of assets held for sale.

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

10 Fixed assets

	Land $	Buildings and improvements $	Furniture and equipment $	Total $
2023				
Gross carrying amount				
Balance at January 1	-	52,532	7,415,416	7,467,948
Additions	-	-	121,267	121,267
Disposals	-	(52,532)	(6,556,934)	(6,609,466)
Balance at December 31	-	-	979,749	979,749
Accumulated depreciation				
Balance at January 1	-	40,096	7,133,991	7,174,087
Disposals	-	(41,137)	(6,537,746)	(6,578,884)
Depreciation	-	1,041	136,324	137,365
Balance at December 31	-	-	732,568	732,568
Carrying amount December 31	-	-	247,181	247,181

	Land $	Buildings and improvements $	Furniture and equipment $	Total $
2022				
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	-	5,292,774	7,010,948	12,303,722
Transfer to Assets held for sale	-	(5,373,405)	-	(5,373,405)
Disposals	-	-	(32,986)	(32,986)
Depreciation	-	121,387	155,369	276,756
Adjustment	-	(660)	660	-
Balance at December 31	-	40,096	7,133,991	7,174,087
Carrying amount December 31	-	12,435	281,425	293,861

11 Leases

	Premises $	Computer and equipment $	Total $
2023			
Right-of-use assets			
Gross carrying amount			
Balance at January 1	549,791	99,205	648,996
Additions	60,521	-	60,521
Disposals	(33,425)	-	(33,425)
Balance at December 31	576,887	99,205	676,092
Accumulated depreciation			
Balance at January 1	283,909	96,985	380,894
Depreciation	54,980	2,220	57,200
Balance at December 31	338,889	99,205	438,094
Carrying amount December 31	237,998	-	237,998
Lease liabilities	1,711,346	-	1,711,346
Interest expense in financial expense	36,093	15	36,108

	Premises $	Computer 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

12 Deposits

	2023 $	2022 $
Current accounts	104,833,051	86,026,568
Cash management	203,956,670	114,212,807
Segregated liquidity	588,801,580	558,827,601
Registered	5,788,957	7,859,868
Other demand	5,669,211	3,955,095
Total demand deposits	909,049,469	770,881,939
Registered	141,638,693	132,785,006
Other term	641,431,929	605,909,175
Total term deposits	783,070,622	738,694,181
	1,692,120,091	1,509,576,120

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 are 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).

	2023			2022		
Province	Segregated deposit $	Interest expense $	Interest expense %	Segregated deposit $	Interest expense $	Interest expense %
Nova Scotia	311,926,644	9,010,675	2.98	293,058,874	3,584,229	1.27
Newfoundland & Labrador	45,766,066	1,337,398	2.98	45,775,443	570,634	1.27
Prince Edward Island	118,501,595	3,392,412	2.98	109,843,212	1,334,270	1.27
New Brunswick	112,607,275	3,312,258	2.98	110,150,072	1,353,050	1.27
	588,801,580	17,052,743	2.98	558,827,601	6,842,183	1.27

13 Capital stock

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

				Outstanding			
				2023		2022	
	Par value $	**Redemption price $**	**Authorized**	**Shares**	**Amount $**	**Shares**	**Amount $**
Province							
Opening balance				7,517,543	75,175,430	7,517,543	75,175,430
Issued				266,028	2,660,280	756,468	7,564,680
Redeemed				(266,028)	(2,660,280)	(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				37,211,593	37,211,593	35,551,372	35,551,372
Issued				-	-	1,660,221	1,660,221
Redeemed				-	-	-	-
Preferred shares – Class LSM	None	1	10,000,000	37,211,593	37,211,593	37,211,593	37,211,593
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	44,851,257	112,387,145

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 2023, in accordance with Common Share ownership requirements, Central issued $2,660,280 (2022 – $7,564,680) in Common Shares and redeemed $2,660,280 (2022 – $7,564,680).

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 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, 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 $12,212,100 (2022 – $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 the 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 which does not typically result from normal business activities.

In December 2023, Central transferred $nil (2022 – $nil) 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 2023, Central issued $nil (2022 – $nil) Class LSM shares to further invest in League Savings and Mortgage growth. In 2023, Central issued a stock dividend on Class LSM shares in the amount of $nil (2022 – $1,660,221).

In December 2023 the Board approved a redemption of Common Shares of $10,400,000 to be completed in 2024 in accordance with its Capital Management Plan, and subject to change.

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 upon 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 %**
2023							
Assets							
Cash and investments	496,822	315,397	404,836	51,003	29,996	1,298,054	3.57
Loans and mortgages	68,740	161,922	481,079	1,342	(3,324)	709,759	4.91
Other assets	-	-		-	138,850	138,850	
	565,562	477,319	885,915	52,345	165,522	2,146,663	
Liabilities and equity							
Deposits	1,080,120	338,872	194,639		78,490	1,692,121	4.12
Other liabilities	-	-	-		63,861	63,861	
Mortgage-backed securities	2,974	22,501	191,234	-	(4,210)	212,499	2.74
Equity	-	-	-	-	178,182	178,182	
	1,083,094	361,373	385,873	-	316,323	2,146,663	
Subtotal	(517,532)	115,946	500,042	52,345	(150,801)	-	
Derivatives	308,000	(20,000)	(257,000)	(31,000)	-	-	
Prepayment estimate	18,091	54,272	(72,162)	(201)	-	-	
Excess (deficiency)	(191,441)	150,218	170,880	21,144	(150,801)	-	

(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)	-	

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. Until June 30, 2023 the floating side of all swaps were based on the three-month Canadian Dealer Offered Rate (CDOR). After June 30, 2023, the floating side of all swaps are based on the three-month Canadian Overnight Repo Rate Average (CORRA). 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.

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 (accounts payable and accrued liabilities), while the change in market value is recorded in financial expense.

The following interest rate swap contracts were outstanding and recorded in accounts payable and accrued liabilities as at December 31, 2023 and other assets as at December 31, 2022.

			2023			**2022**
	Notional value $	**Rate %**	**Market value $**	**Notional value $**	**Rate %**	**Market value $**
Pay fixed swaps:						
Terms to maturity						
Within 1 year	40,000,000	1.5730	570,264	-	-	-
1 year to 5 years	257,000,000	4.2229	(2,003,501)	70,000,000	1.9746	2,864,760
Over 5 years	31,000,000	3.3325	98,295	-	-	-
	328,000,000	3.8156	(1,334,942)	70,000,000	1.9746	2,864,760

	Notional value $	Rate %	Market value $	Notional value $	Rate %	Market value $
Receive fixed swaps:						
Terms to maturity						
Within 1 year	-	-	-	-	-	-
1 year to 5 years	20,000,000	5.2010	84,095	-	-	-
Over 5 years	-	-	-	-	-	-
	20,000,000	5.2010	-	-	-	-

The loss (gain) on the revaluation of these interest rate swaps of $4,115,612 (2022 – ($2,570,757)) is recorded in financial expense.

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, 2023, the balance of outstanding index linked deposits was $6,176,616 (2022 – $23,901,596).

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.

- 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 of the date of the event or change in circumstances that caused the transfer. During the year ended December 31, 2023, 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 mortgage-backed securities, 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** **$**
2023					
Assets					
Investments	1,644,920	1,169,891,350	24,083,727	1,195,619,997	1,195,619,997
Loans and mortgages	-	696,356,599	-	696,356,599	709,759,185

	Level 1 $	Level 2 $	Level 3 $	Total fair value $	Total carrying value $
2023					
Liabilities					
Deposits	-	1,689,513,089	-	1,689,513,089	1,692,120,091
Mortgage-backed securities	-	201,885,995	-	201,885,995	212,499,199
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

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, 2023 and 2022, including realized and unrealized gains (losses) included in income and OCI.

	2023 $	2022 $
Balance at January 1	22,001,561	19,242,177
Realized and unrealized gains (losses)		
Included in income (loss)	130,663	(228,280)
Included in OCI	1,793,039	2,653,903
Purchases	158,364	639,588
Disposals	100	(305,827)
Balance at December 31	24,083,727	22,001,561

There were two disposals of a Level 3 investment in 2022. On November 1, 2022, Atlantic Central and League Savings and Mortgage's minority share investments were purchased by Equitable Bank. In September 2022, Progressive Credit Union bought back all preferred 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 five 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:

	2023 $	**2022 $**
Short-term employee benefits	1,345,701	1,267,179
Contributions to group savings for retirement program	92,240	68,180
Variable compensation	222,088	289,397
Mortgage balances due to key management	73,881	78,887
Deposit balances due to key management	187,684	613,919

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:

	2023 $	**2022 $**
Income and fees related to the management contract	86,000	66,000
Services and equipment purchases from League Data Limited	433,537	495,748
Term deposits with League Savings	-	2,000,001
Other deposits with Central	3,174,578	6,129,466
Amount payable to League Data Limited	(880,975)	(672,792)
Deferred funding for regional marketing program	25,155	28,555

16 Commitments and contractual obligations

a) Approved loans and mortgages

As at December 31, 2023, the Company had approved lines of credit in the amount of $209,993,232 (2022 – $187,572,825) and approved mortgages for syndication in the amount of $66,988,500 (2022 – $67,595,041) and other approved mortgages in the amount of $249,884,395 (2022 – $76,215,192) 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, 2023, the Company had the following outstanding commitment to CCIF.

	2023			2022		
	Units	**Loans $**	**Total $**	**Units**	**Loans $**	**Total $**
Total commitment	375,000	125,000	500,000	375,000	125,000	500,000
Investment to date	214,925	71,642	286,567	181,368	60,456	241,824
Remaining commitment	160,075	53,358	213,433	193,632	64,544	258,176

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 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:

	2023 $	2022 $
Income before income taxes	(334,512)	9,190,529
Statutory income tax rate	30.64%	32.74%
Expected income tax	(102,496)	3,008,663
Effect on income tax of		
Recovery on dividends paid	-	(950,228)
Non-taxable dividends	(191,109)	(506,345)
Permanent tax differences	(1,201,848)	38,500
Capital and large corporate tax	1,326,243	1,281,338
2022 return to provision true-up	2,086	-
Differences due to rates	8,083	38,003
Other	8,704	46,959
Total income tax expense (recovery)	(150,337)	2,956,890

The significant components of income tax expense are as follows:

	2023 $	2022 $
Current income tax expense		
Federal and provincial	(2,594,594)	6,127,621
Capital and large corporate tax	1,867,948	1,804,702
	(726,646)	7,932,323
Deferred income tax expense		
Origination and reversal of deductible temporary differences	576,309	(4,975,433)
	(150,337)	2,956,890

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

	Balance	Recognized in		Balance	Recognized in		Balance
	2021 $	**Net income (loss) $**	**OCI $**	**2022 $**	**Net income (loss) $**	**OCI $**	**2023 $**
Deferred tax assets							
Property and equipment	558,893	(20,135)	-	538,759	(87,497)	-	**451,262**
Allowance for impaired loans	593,956	14,472	-	608,426	160,872	-	**769,298**
Losses carried forward	155	4,928,390	-	4,928,545	(548,896)	-	**4,379,650**
Net donations carried forward	98,677	(10,578)	-	88,097	(36,929)	-	**51,168**
Net capital losses	8,442	3	-	8,445	(8,423)	-	**22**
Other	-	-	-	-	234	-	**234**
	1,260,123	4,912,152	-	6,172,275	(520,639)	-	**5,651,634**
Deferred tax liabilities							
Unrealized gains (losses) on investments	2,046,577	(63,281)	-	1,983,296	55,673	-	**2,038,969**
	(786,455)	4,975,433	-	4,188,976	(576,303)	-	**3,612,665**
Deferred tax asset (liability) Attributable to							
Central	(1,386,005)	4,976,587	-	3,590,583	(739,488)	-	**2,851,094**
League Savings	599,548	(1,154)	-	598,393	163,177	-	**761,571**
Net deferred tax asset (liability)	(786,455)	4,975,433	-	4,188,976	(576,311)	-	**3,612,665**

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 (CCAA), which permitted provincial Centrals to operate with oversight from the federal Office of the Superintendent of Financial Institutions (OSFI). As a result of this change, provincial governments become exclusively responsible for the oversight of provincial Centrals, effective January 15, 2017.

Central continues to manage its capital under the guidelines established by OSFI – which prescribes 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.

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.

As of 2023, OSFI requires 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. Central's 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

	2023	**2022**
Maximum borrowing multiple	20	20
Actual borrowing multiple	12.7	11.8
Minimum equity ratio	5.0%	5.0%
Actual equity ratio	9.6%	9.9%

League Savings

	2023 **$**	**2022** **$**
Risk-weighted assets for		
Credit risk	395,760,703	346,881,500
Operational risk	26,625,000	25,462,500
Total	422,385,703	372,344,000
Capital elements		
Common shares	37,857,854	37,858,000
Contributed surplus	1,785,887	1,786,000
Accumulated OCI	(946,313)	(1,353,000)
Retained earnings	35,364,821	35,399,000
CET1	74,062,249	73,690,000
Total Tier 1 capital	74,062,249	73,690,000
Stage 1 and Stage 2 allowance	2,453,017	1,958,000
Total Tier 2 capital	2,453,017	1,958,000
Total regulatory capital	76,515,266	75,648,000

	%	%
Ratios		
CET1	17.5	19.8
Total Tier 1	17.5	19.8
Total capital	18.0	20.3
Leverage ratio	8.2	8.9
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

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

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 institutions 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, 2023 and 2022, there were no balances outstanding on this facility.

The Company has 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, 2023 and 2022, there were no amounts outstanding on this facility.

In the ordinary course of business, assets are deposited as security for contract settlements with derivative exchanges or other derivative counterparties, for transactions conducted under terms that are common and customary to standard derivative activities. As at December 31, 2023 there was a deposit of $380,000 (2022 - $nil) pledged as collateral in relation to derivative transactions.

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".

As at December 31, the Company had assets under administration as follows:

	2023 $	2022 $
Mortgages under administration	57,046,524	64,964,761
Syndicated loans	392,721,642	473,149,135
Included in non-residential	1,236,959	4,840,646

21 Non-interest income (expense)

Non-interest income (expense) includes the following:

	2023 $	2022 $
Banking service fees	3,479,560	2,302,026
Securitization expenses	(583,870)	(615,991)
Lending service fees	1,602,746	1,865,228
Lending service expenses	(1,341,159)	(1,136,445)
Investment service fees	58,588	61,245
Investment service expenses	(203,244)	(177,600)
Member assessments	6,627,057	6,261,424
Management fees	86,000	66,000
Fees for service	2,541,844	2,336,718
Rentals	53,156	68,822
Other	757,407	736,731
	13,078,085	11,768,158

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 Other assets and accounts payable and accrued liabilities

Included in other assets is $9,287,785 (2022 - $nil) in regular monthly remittances receivable on loans purchased from third parties and $2,599,873 (2022 - $nil) in prepaid expenses relating to the League Data Honeybee Mission.

Included in Accounts payable and accrued liabilities is $6,100,000 (2022 - $nil) related to the Rebates paid in January 2024, and $4,304,786 (2022 - $4,551,592) in regular monthly remittances payable on loans sold to third parties.

23 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:

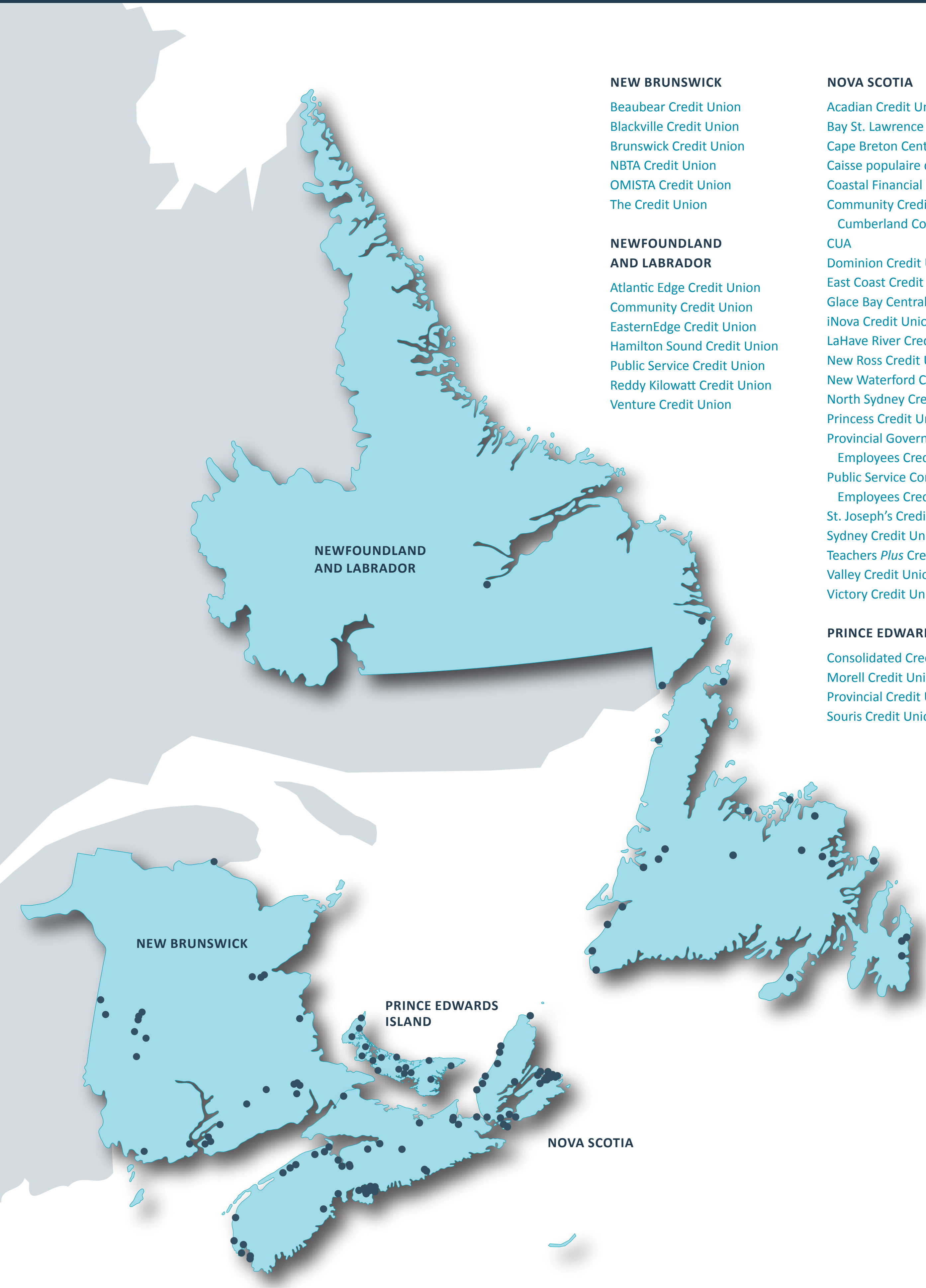
	2023 $	2022 $
System initiatives	1,288,876	765,291

24 Investment in CU-CUMIS Wealth Holdings Limited Partnership (CCWH)

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

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

	2023 **$**	**2022** **$**
Assets	161,548,668	147,211,060
Liabilities	21,591,356	16,900,217
Equity	139,957,312	130,310,843
Revenues	32,381,011	27,525,761
Expenses	4,964,900	4,836,815
Net income	27,416,111	22,688,946
Other comprehensive income (loss)	3,094,136	(5,067,852)
Comprehensive income	30,510,247	17,621,094
Interest held by Central	5.76%	5.76%
Net income	1,579,010	1,306,753
Other comprehensive income (loss)	178,204	(291,879)
Comprehensive income	1,757,214	1,014,874



NEW BRUNSWICK

Beaubear Credit Union
Blackville Credit Union
Brunswick Credit Union
NBTA Credit Union
OMISTA Credit Union
The 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

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
New Waterford Credit Union
North Sydney Credit Union
Princess Credit Union
Provincial Government Employees Credit Union
Public Service Commission Employees Credit Union
St. Joseph's Credit Union
Sydney Credit Union
Teachers *Plus* Credit Union
Valley Credit Union
Victory Credit Union

PRINCE EDWARD ISLAND

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

Atlantic Central is the trade association for our member credit unions in Atlantic Canada. We are dedicated to helping create a strong, thriving, and sustainable community of credit unions. In addition to liquidity management, we support credit unions in becoming the financial institution of choice through the excellence of our people, the quality of our products and services, and the strength of our leadership. Together, we work to advance the collective voice of credit unions and promote the credit union difference.

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.

www.atlanticcentral.ca

ATLANTIC CENTRAL