

"I'm proud to say to anyone that I am a member of **Consolidated Credit Union** for all that they do for my community. Not just for their financial support, but for the time they give volunteering, and supporting our community in so many ways."

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8K

CCU Members.

\$10.5K

Awarded in Scholarships in 2023.

\$3K

Spent locally through the Loyal2Local and Pay it Forward initiatives.

3

Convenient locations to service our members.

19

Consecutive years ranked top financial institution for Customer Service Excellence.

\$323M

In assets.

32

Islanders employed.

570

Years of service in the Credit Union system added up from our staff 13

Financial literacy workshops hosted.

"We have always felt welcomed at Consolidated Credit Union, and have always been able to have our questions and concerns answered in a way we understood."

Our Staff



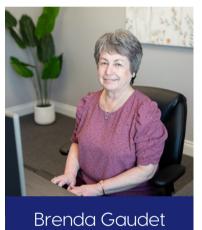


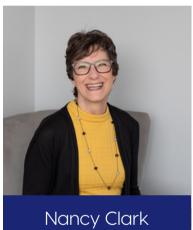












Amanda Murphy







Shelley MacKay





Connor Gallant



Angela Rochford



Judy Doyle-Waugh



Carol Arsenault



Sandra Hickey



Kelly Culleton



Nick Clow



Barb Murphy

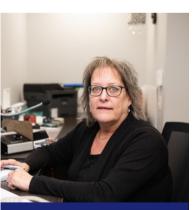




Deanna Walsh



Judy Martin



Dawn Coughlin















Missing from photos: Debbie MacLean.

Celebrating 570 Years of Service

In 2023, we celebrated the commitment and dedication of our 32 staff who continually put our members first. Thank you to our staff for your loyalty, and for understanding the Credit Union Difference. "We have been very pleased with the service we have received from Consolidated Credit Union to date.

Everyone has been very helpful, professional, and more than willing to go above and beyond to help us."

Mission, Vision & Values



Mission: We are focused on you: your community, your future, and your prosperity. We want to be a partner in your success. We're committed to providing outstanding financial service and wise financial guidance that will enable you, our members, to reach your financial goals.



Consolidated Credit Union is firmly rooted in our community. That's why we understand what's important to our members, and how we keep our decision-making based on local realities. It's the human approach and another reason why we're different.



We provide professional advice to assist our members in achieving their full financial potential, while positively impacting our communities.

Vision: Be the financial institution of choice in our market, and be recognized for the value we bring to our members, and our communities.



Values: Be socially responsible Be accountable Go above and beyond Continuously improve Be parters in action

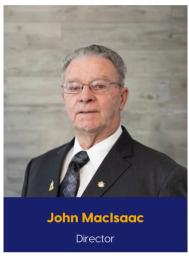
"I like the feeling of belonging to a community and sharing the ownership of Consolidated Credit Union is a nice feeling."

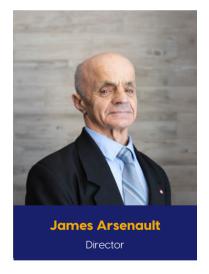
Board of Directors

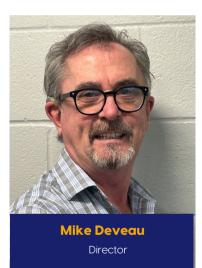


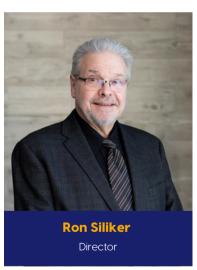










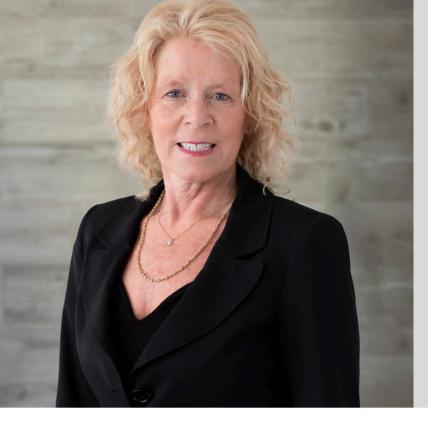


"I do my banking with CCU because of their community involvement and flexibility. In my experience, other FI's only want to make money, I feel that Consolidated Credit Union wants community members to be financially stable."

"I like that CCU treats everyone the same, where - in my experience - other financial institutions don't...The staff are always friendly and helpful!"



"I love the fact that even for my father - who still doesn't do anything electronic - he can still get friendly one-on-one service. The renovations are stunning, and during this ever-changing time, CCU was always still available for members..."



Lori Gandy

President's Report

"As Chair of the Board of Directors for the Consolidated Credit Union, I had the privilege and honour to attend the World Credit Union Conference in Vancouver, BC in July of 2023...It was a very informative conference with over 3.000 attendees from all over the world."

As President of the Board of Directors for the Consolidated Credit Union, it is my privilege to provide our members with a brief report for 2023.

The board of directors met numerous times throughout the year and also attended committee meetings as required. Each board member must sit on committees and participate accordingly.

This past year, as Chair of the Board of Directors for the Consolidated Credit Union, I had the privilege and honour to attend the World Credit Union Conference in Vancouver, BC in July of 2023. I attended several sessions throughout the conference and some of the highlights for me were sessions on: Fostering a Resilient Future for Ukraine; Leveraging Digital and Social Media to Young Members; Open Banking; and attending the Young Leaders Forum. It was a very informative conference with over 3000 attendees from all over the world.

Training continues for our new director who has completed 1 of 3 modules. All Directors must complete the mandated training through CUDA within the required time. Any member interested in becoming a director is asked to put their name forward to the Nomination Committee. The Committee will then meet with individuals interested and provide a list of requirements to become a board member of the Consolidated Credit Union.

CUDIC, our financial regulators completed their annual audit and presented their report to the Directors in late 2023 and again we received a strong score. Congratulations to Sarah and her team for achieving and maintaining a high standard of excellence in operations, Thank you to Rob MacBain and Jamie Cudmore of CUDIC for your support and advice, as always it is much appreciated.

The Credit Union Act for PEI has been submitted to the Province of PEI and we await approval. This act is over 30 years old and requires an update and provincial approval. A group of CEOs and Credit Union Directors held an informal reception with representatives of the province, in November, to provide further information as needed to ensure the Act receives a positive result in the spring of 2024.

The Consolidated Credit Union continues to grow in assets and last year we attained assets of \$323,646,627 million compared to 301,187,521 for 2022 and had a net earning of 1,986,966 million compared to 1,637,930 for 2022. Sarah Millar will provide further details on the financial aspect of the credit union in her report.

At this time, I would like to acknowledge and thank the following businesses and individuals for their continued support of our credit union: CUDIC (provincial regulator); Arsenault Best Cameron and Ellis (auditors); Atlantic Central and League Savings and Mortgage. Thank you to our CEO, Sarah Millar and her team, for their commitment to your credit union. To my fellow board members: James Arsenault, Derwin Clow, Harvey Wedge, Ron Silliker, John MacIsaac and Mike Deveau, thank you for your support, interest and time. To our Recording Secretary, Tanya Bernard, thank you for all you do for us. Congratulations to the recipients of the CCU Scholarship Awards from Three Oaks Senior High and Kinkora High School, well wishes and much success in your future endeavours. Finally, and most importantly thank you to all the Members of the Consolidated Credit Union for your commitment and support of your credit union. We could not be as successful without you!

In closing, thank you for attending and I look forward to a prosperous and exciting year in 2024.

Lori Gandy President and Chair Consolidated Credit Union Board of Directors "I like that at CCU, everyone is a person instead of a number... I love that they are always helping the community in one way or another."



"I've been working closely with the team at CCU for the past few years. The amount of professionalism, advice, encouragement, and support is great! It encourages me to support local, and continue to learn and build onto my financial future"



Sarah Millar

CEO's Report

"We are proud that 2023 was another financially successful year...while I am pleased with our financial result and their importance in building a strong and viable credit union for the future, I am equally proud of what we do that is not captured in the numbers."

This year I would like to review 2023 from two perspectives: what we do and how we do it.

To begin, the what we do is banking. We perform transactions on behalf of our members and use deposits to fund loans. With this comes a responsibility that we take very seriously. We are responsible for adhering to rules and regulations that ensure the safety of these funds, the quality of these loans and the security of your data/information. To do this we work with numerous partners. CUDIC provides oversight, League Data provides our technology and ensures that we are secure, Atlantic Central and League Savings and Mortgage ensure that we are tied to a larger system, and Arsenault Best Cameron Ellis reviews our operations and provides annual reporting to you - our membership - regarding our financial performance. While I have only named a few of the organizations that we work with regularly, many others are involved to help us perform our banking functions in a safe, efficient, and timely manner. I thank them all for the role they play in our credit union.

The how we do it is what sets us apart. As long as we remain focused on the items I have touched upon above, we are then able to involve ourselves in those things that make us unique, and set us apart from other financial institutions. The first differentiator is our staff. We are fortunate to have a group of professional, dedicated and committed staff who work every day with the best interests of our members in mind. Combined, this group has over 570 years of service, and I am extremely proud of how this group has worked very hard to develop deep relationships with their members. I have seen firsthand how this has strengthened over the past few years as they have embraced an environment that is a balance between in-office, remote and hybrid.

While our staff have openly embraced our new work arrangement, they have also worked to enhance the members' experience by reducing obstacles that exist in traditional banking. This, in my opinion, has resulted in exceptional member service. For that, I would like to thank every member of our team.

Another area that sets us apart is our dedication to our community. I have often said that we want to be where our members are. If something is important to you, then it should be important to us. We want to represent your values. That is why we actively participate in our community - not only by way of donation but also by investing our time; and we are proud of our involvement and do it out of a sense of community and commitment. I encourage you to take the time to review our annual report. It truly captures the message that I wanted to share with you. In it, you will find our financial report - which outlines a strong financial year -but you will also find examples of the "how we do it." You will see pictures of our staff members who have dedicated their careers to making us who we are, and you will see the events that we are honoured to be associated with

We are proud that 2023 was another financially successful year - as you will see when I review the financial report. While I am very pleased with our financial results and their importance in building a strong and viable credit union for the future, I am equally proud of what we do that is not captured in the numbers. All of what I have touched upon could not be achieved without the guidance and support of our Board. While they never lose sight of ensuring that our credit union is positioned for the future, they approach their role with a sense of community pride and encourage and support our non-financial endeavours. I truly respect them for this and appreciate their hard work and commitment.

Sincerely,

Sarah Millar Chief Executive Officer Consolidated Credit Union Ltd. "The staff are friendly and welcoming, and I always feel comfortable asking questions. I don't feel rushed, and they make sure I understand what my options are."

Supporting Local

Supporting local business is not just a priority, but a fundamental principle at CCU - after all we're local, too. We recognize that local businesses are the backbone of our community, driving economic growth, providing employment opportunities, and fostering a sense of identity and pride. That's why we are deeply committed to empowering local entrepreneurs and enterprises through tailored financial solutions, personalized support, and strategic partnerships. By investing in local businesses, we are investing in the vitality and sustainability of our community, ensuring that it remains vibrant and prosperous for generations to come. At CCU, supporting local businesses isn't just a part of our strategy - it's a reflection of our unwavering dedication to the well-being and success of the communities we proudly serve.



In 2023, we were delighted to announce the launch of our collaboration with Love for Local, Atlantic, as they embarked on their latest initiative: Atlantic365. This campaign is designed to spotlight regional entrepreneurs, fostering awareness of their enterprises and gaining support. Through the release of one local business story per day for 365 days, the campaign seeks to amplify the visibility of these ventures. For us in Summerside, it was amazing to witness several of our business members featured prominently within this initiative. The features of South Central Kitchen, Samuel Coffeehouse, Summerside Butcher Shop, Holmans Ice Cream Parlour, Credit Union Place, and Community Connections can all be accessed via the Love for Local-Atlantic social media channel



"At CCU, I don't feel like a number. They actually have time to explain things, and make sure you understand - before you sign the dotted line."

\$10,500 Awarded in Scholarships in 2023

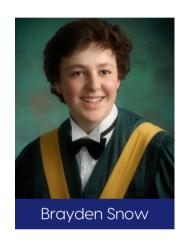
We are pleased to announce the seven Consolidated Credit Union Scholarship Recipients for 2023. Each Recipient received \$1,500 towards furthering their education in total. Consolidated Credit Union distributed \$10,500 to make their post-secondary education more affordable.

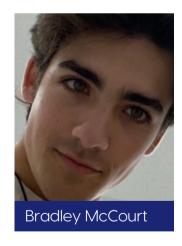
We wish all students the best of luck in their studies, and their future endeavours!



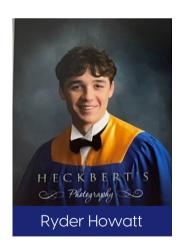












"We absolutely love the member-staff relationship at CCU. It really affects the atmosphere, and we love seeing the community involvement of staff, and the give-back that CCU offers."

Each One Teach One

We offer free Financial Literacy sessions for community groups, schools, and organizations through the Each One Teach One program.

Each One Teach One (EOTO) is an innovative program that trains employees of financial institutions to deliver basic financial skills. workshops in community settings.

Delivered in plain language, the approach of Each One Teach One is to meet individuals where they are whenever they seek training. The workshops may have as few as half a dozen participants, or as many as one hundred, and be as short as an hour or as long as a half-day.

The goal of EOTO is to provide community members with financial education so that they can confidently manage their personal finances. Workshops can cover a variety of financial topics such as: building a healthy credit history, debt smarts, fraud prevention, and basic budgeting.

If you're interested in hosting an Each One Teach One Financial Literacy session, please get in touch with us!

13

Financial literacy workshops hosted in 2023.





"It's not about the product, it's about teaching them the skills the financial literacy - they need to make good decisions for their life going forward.". -Sandra Hickey, EOTO Trainer

"I became a CCU member at the age of 16 and have been banking with them ever since. I highly recommend CCU - they have amazing customer service, and they're always there to answer any questions or concerns."

Community Impact

At CCU, community lies at the very core of our mission and drives every decision we make. We firmly believe that a strong community forms the foundation for collective prosperity and growth. Everything we do, from financial services to donations, is rooted in the belief that by empowering and supporting our community, we can create a brighter future for all. Our dedication to community engagement, financial education, and personalized service reflects our unwavering commitment to the people and neighbourhoods we proudly serve. At CCU, community isn't just a part of what we do - it's the heart that beats at the centre of everything we stand for.



In 2O23, we were proud to be a donation location for the Miracle Holiday Toy Drive in support of Santa's Angels PEI. Each year, we love seeing the community come together and fill Islanders holiday season with smiles and joy.



Did you know that over 60% of college students reported being food insecure? That's why for International Credit Union Day in October, we decided to host a food drive for the Holland College Food Pantry. We have a long-standing history of supporting the Holland CollegeFood Pantry, but with the rising cost of living on PEI, we knew students now, more than ever, could use a bit more.



Coats for Kids is a campaign we look forward to supporting each year - and 2023 was no exception. We were able to donate several new snowsuits, winter coats, and mittens, plus some of our team donated some gently used coats as well. We know that it takes a village, and we're happy to be able to support these initiatives whenever we can.

"...The entire staff at CCU make it the best place to bank in Summerside!"

Community Impact



This holiday season, we were feeling extra festive, and were happy to serve up some delicious hot drinks for attendees of the Summerside Santa Claus Parade. We love getting to be a part of the events. that are happening in our community, and getting to connect with our neighbours as often as we can.



In November, we were the School Day Game sponsor for the inaugural U17 World Hockey Challenge that was hosted at the Credit Union Place. Seeing all those smiling students was the perfect way to kick off this exciting event in our city. Ensuring that the students on our Island have opportunities to experience magical things happening right here on home turf - without having to worry about the financial element.- is just what we do.



The LifeHouse Emergency Shelter & Transitional Housing for Women & Children - based in Summerside - is a cause that's very near and dear to our hearts. We are proud to be ongoing supporters of the Shelter and were honoured when our very own Sarah Millar and Shannon Kennedy were asked to be the MCs for the fundraising fashion show in the fall of 2023. We look forward to many more opportunities to support the endeavours of LifeHouse.



In 2023, we were so proud to band together with the other three Credit Union on PEI and pledge \$250,000 to the Holland College Alumni Thrive Campaign. The Campaign was launched to raise funds for the new student wellness building which aims to support and help students focus on all elements of health: mental, physical, and financial



"Credit Unions across Prince Edward Island have been long-term supporters of Holland College, and we're thrilled to be able to continue our support of the organization with the implementation of the new building. We know that an individual's greatest wealth is their health, and there is nothing more important than one's own mental health..." - Sarah Millar

"We have been very pleased with the service we have received from CCU to date. Everyone has been very helpful, professional, and more than willing to go above and beyond to help us."

Community Impact



We were proud to sponsor the PEI Marathon's 16K run in 2023. We had a blast cheering on runners, handing out water and Gatorade, and seeing all of the incredible talent and skill that our Islanders have! What an incredible event!



Each year when the Ocean 100 Stuff a Bus is in Summerside, we always make sure we stop by and donate to the amazing cause. The Ocean 100 Stuff a Bus provides food and school supplies for Island students who are gearing up to go back to school each summer. It's always a great day for a great initiative!



Bucket hats, anyone? We were proud sponsors of the 2O23 U16 Girls Baseball National Championship, and we made sure that attendees from across the country got some awesome swag items to go home with. From wallet cases to bucket hats, the athletes and spectators from coast to coast were thrilled with the goodies that we brought to the event. We've never seen our hats get spoken for so quickly!



Summer on PEI isn't summer without parades! From the Somerset Parade in Kinkora to the Twin Shores Parade, we were happy to provide some more of our sweet bucket hats to event goers to help them look stylish while protecting them from the sun.

"The staff are friendly and welcoming, and I always feel comfortable asking questions. I don't feel rushed, and they make sure I understand what my options are."

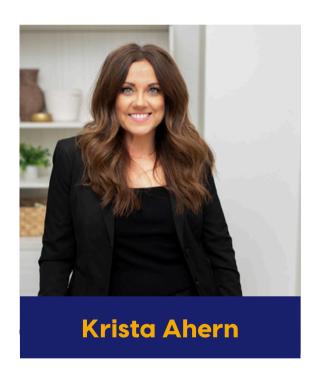
Financial Planning

You'll always be ahead when you've got someone behind you.



PLAN | INVEST | PROTECT

At CCU, you'll find the wealth management solutions you need, from a partner you can depend on. Let us help you grow and protect your wealth with a strategy that's right for you.





We partner with 13 Credit Union across Atlantic Canada, who constantly seek to add quality services, and convenience to members' lives. We are pleased to provide access to CU Financial Management Ltd, Credential Securities Services, and Credential Asset Management Inc.

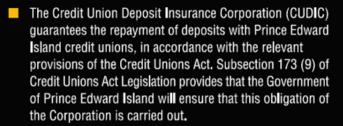
Together, we can redefine your future. Don't hesitate to contact us to find out more information.

"Originally, I became a CCU member because it was a financial institution in my community. But the excellent customer service over the years has made me stay with them."

- Consolidated Credit Union member

MEMBERSHIP & INFORMATION

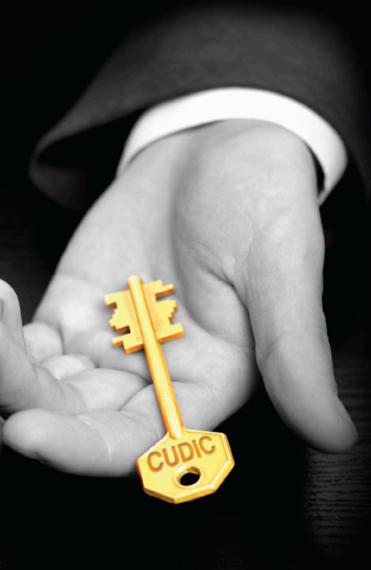
CUDIC CREDIT UNION DEPOSIT INSURANCE CORPORATION



A brief summary of the deposit insurance coverage offered by CUDIC is set out below.

- Membership is limited to Credit Unions incorporated under the laws of Prince Edward Island. All Island Credit Unions are required to be members of CUDIC.
- The maximum deposit insurance is \$125,000 per person in each Credit Union. Where a Credit Union operates a branch office, deposits are not insured separately in such branch offices.
- CUDIC insures 100% of insurable deposits held in registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), registered education savings plans (RESPs), registered disability savings plans (RDSPs), tax-free savings accounts (TFSAs), and first home savings account (FHSA). These are separately insured from other deposits a person may have with the same Credit Union.
- Deposits in each Credit Union are separate and distinct and the limits apply to each Credit Union separately. Eligible deposits in one Credit Union do not affect the limits for eligible deposits in another Credit Union.
- A depositor may be an individual, an association of individuals, a corporation, an association of corporations or a government.
- Insurable deposits include Canadian currency savings and chequing accounts, foreign currency savings accounts and chequing accounts, membership share amounts, Canadian and foreign term deposits, investment certificates, drafts and money orders issued by the Credit Union.
- Separate insurance, to the \$125,000 maximum, applies to joint accounts and trust deposits.
- Credit Union Deposit Insurance Corporation (CUDIC) does not insure all deposits and investments offered by the Credit Union.
- CUDIC does not insure debentures issued by a Credit Union, bonds or debentures issued by government or corporations, treasury bills and investments in mortgages, stocks, and mutual funds.

This information is presented in a non-technical way and is not intended to be a legal explanation of the Prince Edward Island Credit Unions Act.



Financial Statements

Consolidated Credit Union Ltd.

Financial Statements **December 31, 2023**



Management's Report

Management's Report

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management in accordance with International Financial Reporting Standards established by the International Accounting Standards Board. A summary of the significant accounting policies is disclosed in note 3 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Management is accountable to the Board of Directors of Consolidated Credit Union Ltd. on matters of financial reporting and internal control. Management provides the Board of Directors with externally audited financial statements annually. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Board. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Consolidated Credit Union Ltd.

General Manager

Auditor's Report



Member of The AC Group of Independent Accounting Firms

Chartered Professional Accountants & Business Advisors 8 MacLood Crescent Charlottetown, Prince Edward Island Canada C1E 3K2

Canada C1E 3K2 Telephone (902) 368-3100 Fax (902) 566-5074 www.acgca.ca

March 19, 2024

Independent Auditor's Report

To the Members of Consolidated Credit Union Ltd.

Opinion

We have audited the accompanying financial statements of Consolidated Credit Union Ltd., which comprise the statement of financial position as at December 31, 2023, and the statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Consolidated Credit Union Ltd. as at December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

Auditor's Report



Member of The AC Group of Independent Accounting Firms

Chartered Professional Accountants & Business Advisors 8 MacLeod Crescent Charlottetown, Prince Edward Island Canada C1E 3K2 Telephone (902) 368-3100 Fax (902) 566-5074

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

We also:

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

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

Arsenault Best Cameron Ellis

Chartered Professional Accountants

Statement of Financial Position

Consolidated Credit Union Ltd.

Statement of Financial Position

As at December 31, 2023

	2023 \$	2022 S
Assets		
Cash and cash equivalents	30,037,830	14,282,341
Accounts receivable	504,487	169,157
Loans and mortgages (notes 6 and 15)	253,796,441	250,019,389
Prepaid expenses (note 18)	1,356,106	606,494
Property and equipment (note 7)	2,704,124	2,781,643
Investments (note 8)	35,247,639	33,328,497
	323,646,627	301,187,521
Liabilities		
Member deposits (note 9)	301,301,348	283,016,984
Accrued interest payable	2,784,837	1,422,714
Other liabilities (note 11)	488,902	143,078
Income taxes payable	168,661	379,332
Deferred income taxes (note 12)	35,300	42,400
	304,779,048	285,004,508
Members' Equity		
Class A preferred shares (note 10)	5,000,000	4,302,400
Undistributed income	13,867,579	11,880,613
	18,867,579	16,183,013
	323,646,627	301,187,521

Approved by the Board of Directors

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Director



Statement of Changes in Members' Equity

Consolidated Credit Union Ltd.

Statement of Changes in Members' Equity For the year ended December 31, 2023

	2023 \$	2022 S
Undistributed income - Beginning of year	11,880,613	10,242,683
Net comprehensive income for the year	1,986,966	1,637,930
Undistributed income - End of year	13,867,579	11,880,613

Statement of Comprehensive Income

Consolidated Credit Union Ltd.

Statement of Comprehensive Income

For the year ended December 31, 2023

	2023	2022
	S	\$
Revenue		
Loan interest (note 15c)	10,709,453	8,438,986
Investment	2,016,807	654,171
Service fees	607,720	623,609
Commissions	682,724	479,046
Property rentals	13,529	14,778
Other income	45,267	44,000
	14,075,500	10,254,590
Expenses		
Staff (notes 13 and 15)	2,729,280	2,527,204
Premises	207,983	179,895
Insurance	375,073	349,499
Office	162,778	151,731
Service fees (note 11)	1,177,219	1,069,262
General	729,376	673,887
Cost of capital	5,616,098	2,768,655
Amortization	183,762	188,962
	11,181,569	7,909,095
Operating earnings	2,893,931	2,345,495
04		
Other expenses		
Share dividends	109,085	99,323
Recovery of loan losses (note 6)	35,123	25,546
	144,208	124,869
	2,749,723	2,220,626
Provision for (recovery of) income taxes (note 12)		
Current	769,857	601,196
Deferred	(7,100)	(18,500)
	762,757	582,696
Net comprehensive income for the year	1,986,966	1,637,930

Statement of Cash Flows

	2023 S	2022 \$
	3	•
Cash provided by (used in)		
Operating activities		
Net comprehensive income for the year Items not affecting cash	1,986,966	1,637,930
Amortization	183,762	188,962
Deferred income taxes	(7,100)	(18,500)
Loss (gain) on sale of property and equipment Provision for loan losses	35,123	(1,563) 25,546
1104151011 TOT TOTAL TOSSES		
	2,198,751	1,832,375
Net change in non-cash working capital items		
Increase in accounts receivable	(335,330)	(140,317)
Increase in loans and mortgages Increase in prepaid expenses	(3,812,175)	(36,385,684)
Increase in accrued interest payable	(749,612) 1,362,123	(280,218) 208,800
Increase (decrease) in other liabilities (note 11)	349,080	(17,299)
Increase (decrease) in income taxes payable	(210,671)	485,446
	(1,197,834)	(34,296,897)
Financing activities		
Increase in member deposits	18,284,364	18,179,650
Repayment of other liabilities - lease liability (note 11)	(3,256)	(3,148)
Increase in Class A preferred shares	697,600	4,302,400
	18,978,708	22,478,902
Investing activities		
Purchase of property and equipment	(106,243)	(43,551)
Proceeds on disposal of property and equipment Increase in investments	(1.010.142)	7,250
merease in investments	(1,919,142)	11,088,550
	(2,025,385)	11,052,249
Increase (decrease) in cash and cash equivalents	15,755,489	(765,746)
Cash and cash equivalents - Beginning of year	14,282,341	15,048,087
Cash and cash equivalents - End of year	30,037,830	14,282,341
Supplementary disclosure		
Interest received	12,468,041	8,833,297
Interest paid	4,265,223	2,577,541
Dividends paid	99,323	78,957
Incomes taxes received	-	95,481
Income taxes paid	991,161	211,231





Consolidated Credit Union Ltd.

Notes to Financial Statements December 31, 2023

1 General information

Consolidated Credit Union Ltd. (the "Credit Union") is incorporated under the Prince Edward Island Credit Unions Act. Its principal business activities include financial and banking services for credit union members.

The Credit Union's head office is located in Summerside, Prince Edward Island.

2 Basis of presentation

(a) Statement of compliance

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

These financial statements have been approved for issue by the Board of Directors on March 19, 2024.

(b) Basis of measurement

These financial statements have been presented on the historical cost basis except for certain financial instruments as indicated in note 3.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments that have the most significant effect on the amounts recognized in the financial statements are detailed in note 4.

Consolidated Credit Union Ltd.

Notes to Financial Statements December 31, 2023

3 Summary of significant accounting policies

(a) Financial instruments

Classification and measurement of financial assets

The Credit Union classifies its financial assets into one of the following measurement categories:

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

Financial assets include both debt and equity instruments.

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- i) the Credit Union's business model for managing the asset; and
- ii) the cash flow characteristics of the asset.

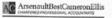
Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Credit Union's business model assessment is based on the following categories:

- Held to collect: The objective of the business model is to hold assets and collect contractual
 cash flows. Any sales of the asset are incidental to the objective of the model.
- Held to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither held-to-collect nor held-to-collect and for sale.

The Credit Union assesses the business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of a business model, the Credit Union takes into consideration the following factors:

- How the performance of assets in a portfolio is evaluated and reported to group heads and other key decision makers within the Credit Union's business lines;
- How compensation is determined for the Credit Union's business lines' management that manages the assets;
- Whether the assets are held for trading purposes (ie. assets that the Credit Union acquires or
 incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of
 a portfolio that is managed together for short-term profit or position taking);
- The risks that affect the performance of assets held within a business model and how those risks are managed.





Consolidated Credit Union Ltd.

Notes to Financial Statements

December 31, 2023

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding.

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments or amortization of premium/discount.

Interest is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), and a profit margin.

If the Credit Union identifies any contractual features that could significantly modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

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

Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in note 6. Interest income from these financial assets is included in loan interest revenue using the effective interest rate method.

Fair value through profit or loss

Assets that do not meet the criteria for amortized cost are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss, and is not part of a hedging relationship, is recognized in comprehensive income and presented in the comprehensive income statement within investment revenue in the period in which it arises. Interest income from these financial assets is included in investment revenue using the effective interest method.

Equity instruments

The Credit Union subsequently measures all equity investments at FVTPL. Impairment losses and reversals of impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Credit Union's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in investment revenue in the statement of comprehensive income (SCI).



Consolidated Credit Union Ltd.

Notes to Financial Statements December 31, 2023

ii) Classification and measurement of financial liabilities

Financial liabilities are classified into one of the following measurement categories:

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

Financial liabilities measured at amortized cost

Member deposits are accounted for at amortized cost. Interest on deposits, calculated using the effective interest rate method, is recognized as cost of capital expense. Interest on subordinated notes and debentures, including capitalized transaction costs, is recognized using the effective interest rate method as interest expense.

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL form a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-making. Financial liabilities are recognized on the trade date and are accounted for at fair value, with changes in fair value and any gains or losses recognized in the SCI as part of the non-interest income. Transaction costs are expensed as incurred.

iii) Determination of fair value

Fair value of a financial asset or liability is the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Credit Union has access at the measurement date.

The company measures instruments carried at fair value under the following fair value hierarchy. The different levels have been defined as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the
 asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices); and
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.



Consolidated Credit Union Ltd.

Notes to Financial Statements December 31, 2023

iv) Derecognition of financial assets and liabilities

The derecognition criteria are applied to the transfer of part of an asset rather than the asset as a whole, only if such part comprises specifically identified cash flows from the asset, a fully proportionate share of the cash flows from the asset, or a fully proportionate share of specifically identified cash flows from the asset.

A financial asset is derecognized when the contractual rights to the cash flows from the asset has expired or the Credit Union transfers the contractual rights to receive the cash flows from the financial asset; or has assumed an obligation to pay those cash flows to an independent third-party, or the Credit Union has transferred substantially all the risks and rewards of ownership of that asset to an independent third-party. Management determines whether substantially all the risk and rewards of ownership have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows remains significantly similar subsequent to the transfer, the Credit Union has retained substantially all of the risks and rewards of ownership.

Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Credit Union derecognizes the transferred asset only if it has lost control over the asset. Control over the asset is represented by the practical ability to sell the transferred asset. If the Credit Union retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the SCI.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. If an existing financial liability is replaced by another from the same counterparty on substantially different terms or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amount of the existing liability and the new liability is recognized as a gain/loss in the SCI.

Impairment

The Credit Union applied a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9 for the financial assets measured at amortized cost.

The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument.

The impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

Consolidated Credit Union Ltd.

Notes to Financial Statements **December 31, 2023**

- Stage 1 where there has not been a significant increase in credit risk since initial recognition
 of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The
 expected credit loss is computed using a probability of default occurring over the next 12
 months. For those instruments with a remaining maturity of less than 12 months, a probability
 of default corresponding to remaining term to maturity is used.
- Stage 2 when a financial instrument experiences a credit risk subsequent to origination but is
 not considered to be in default, it is included in Stage 2. This requires the computation of
 expected credit loss based on the probability of default over the remaining estimated life of the
 financial instrument.
- Stage 3 financial instruments that are considered to be in default are included in this stage.
 Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The probability of default (PD), exposure at default (EAD) and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical inputs are as follows:

- PD the probability of default is an estimate of the likelihood of default over a given time period. A default may only happen at a certain time over the remaining estimated life.
- EAD the exposure at default is an estimate of the exposure at a future default date, taking into
 account expected changes in the exposure after the reporting date, including repayments of
 principal and interest, whether scheduled by contract or otherwise, expected drawdowns on
 committed facilities and accrued interest from missed payments.
- LGD the loss given default is an estimate of the loss arising in the case where a default occurs
 at a given time. It is based on the difference between the contractual cash flows due and those
 that the lender would expect to receive, including from the realization of any collateral. It is
 usually expressed as a percentage of the EAD.

At each reporting date, the Credit Union assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral and the impact of forward-looking macroeconomic factors. Common assessments for credit risk include management judgment, delinquency and monitoring.

When measuring expected credit loss, the Credit Union considers the maximum contractual period over which the Credit Union is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment and extension and rollover options.

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

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Consolidated Credit Union Ltd.

Notes to Financial Statements December 31, 2023

- · Significant financial difficulty of the borrower;
- · Default or delinquency in interest or principal payments;
- · High probability of the borrower entering a phase of bankruptcy or a financial recognition;
- Measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Credit Union considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due.

The Credit Union writes off an impaired financial asset, either partially or fully, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

(b) Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Credit Union at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between cost in the functional currency at the beginning of the period, and the cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on the translation are recognized in the statement of comprehensive income.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(d) Property and equipment

Furniture, equipment and computers and pavement are stated at cost less accumulated amortization. Land and buildings were stated at fair value on October 1, 2010 which subsequently became the cost basis (see note 4). Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost can be measured reliably. Repairs and maintenance costs are charged to expenses during the financial period in which they are incurred.

Land is not depreciated. Buildings and right-of-use asset depreciation are calculated on a straight-line method over 40 years and 5.5 years, respectively. All other property and equipment is amortized using the declining balance method at the following annual rates:

Furniture and equipment 20%
Computers 30%
Pavement 8%

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Consolidated Credit Union Ltd.

Notes to Financial Statements

December 31, 2023

Right-of-use assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Credit Union will obtain ownership by the end of the lease term, in which case they are depreciated to the end of the useful life of the underlying asset. Right-of-use assets are recognized for contracts that are, or contain, leases.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment were identified as impaired as at December 31, 2023.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds to the net book value of the asset and are presented as a gain or loss on disposal in the statement of comprehensive income.

(e) Leased assets

For any new contracts entered into on or after January 1, 2019, the Credit Union considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Credit Union assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or
 implicitly specified by being identified at the time the asset is made available to the Credit Union;
- the Credit Union has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period, considering its rights within the defined scope of the contract;
- the Credit Union has the right to direct the use of the identified asset throughout the period. The
 Credit Union assesses whether it has the right to direct 'how and for what purpose' the asset is used
 throughout the period.

At lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Credit Union, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

At the commencement date, the Credit Union measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Credit Union's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

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Consolidated Credit Union Ltd.

Notes to Financial Statements **December 31, 2023**

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in insubstance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Credit Union has elected to account for short-term leases and leases of low-value assets using the practical expedients option. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property and equipment and lease liabilities have been included in other liabilities.

(f) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the asset's fair value less costs of disposal. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(g) Employment benefits

Short-term obligations

Liabilities for wage and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in the SCI in respect of the employees service up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are included in other liabilities in the statement of financial position.

(h) Revenue recognition

i) Loan interest

Interest on loans and mortgages is recognized on an amortized cost basis using the effective interest rate method. The effective rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan and mortgage to the net carrying amount of the loan and mortgage. When estimating the future cash flows the Credit Union considers all contractual terms of the loan and mortgage excluding any provision for future credit losses. The calculation includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premium or discounts. Mortgage prepayment penalties are recognized in SCI when received. All interest is recognized on an accrual basis.

ii) Investment and other income

Investment and other income is recognized as revenue on an accrual basis.

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Consolidated Credit Union Ltd.

Notes to Financial Statements December 31, 2023

iii) Service fees

Service fees are recognized on an accrual basis in accordance with the service agreement.

iv) Commissions

Commissions income is recognized when the event creating the commission takes place.

v) Property rentals

Property rental income is recognized in the month the rent is earned.

(i) Income taxes

Income tax expense comprises current and deferred tax and is recognized in the SCI.

Current income tax

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous periods.

ii) Deferred income tax

Deferred income tax is recognized in respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are comprised primarily of differences between the carrying amounts and the income tax basis of the Credit Union's loans outstanding and property and equipment. Deferred income tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

(j) Related parties

A related party is a person or an entity that is related to the Credit Union.

A person or a close member of that person's family is related to the Credit Union if that person:

- Has control or joint control over the Credit Union, with the power to govern the Credit Union's financial and operating policies;
- Has significant influence over the Credit Union, participating in financial and operating policy decisions, but not control over these policies; or
- iii) Is a member of the key management personnel of the Credit Union. Key management personnel, consistent with the definition under IAS 24, Related Party Disclosures, are persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any director of the Credit Union.

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Consolidated Credit Union Ltd.

Notes to Financial Statements **December 31, 2023**

(k) Capital disclosures

The Credit Union considers its capital to be its members' equity. The Credit Union's objectives when managing its capital are to safeguard its ability to continue as a going concern in order to provide services to its members. Capital is under the direction of the Board with the objective of minimizing risk and ensuring adequate liquid investments are on hand to meet the Credit Union's national standards.

(1) Standards issued but not yet effective

Certain new accounting standards and interpretations have been issued but are not effective for the fiscal year ended December 31, 2023 and have not been early adopted by the Credit Union. These standards are not expected to have a material effect on the Credit Union in the current or future reporting periods.

4 Critical accounting estimates and judgments

The Credit Union makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the period the assumptions change. The principal areas involving a higher degree of judgment or complexity and/or area which require significant estimates are described below:

(a) Fair value of land and building

On October 1, 2010, the Credit Union increased the carrying value of land and building by \$212,112. The fair value of the property was determined by an independent third party appraisal.

(b) Allowance for credit losses

The expected credit loss model requires the recognition of credit losses based on up to 12 months of expected losses for performing loans and the recognition of lifetime losses on performing loans that have experienced a significant credit risk since origination.

The determination of a significant increase in credit risk takes into account many different factors since origination, and certain other criteria, such as delinquencies. The assessment of a significant increase in credit risk requires experienced credit judgment.

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

Consolidated Credit Union Ltd.

Notes to Financial Statements December 31, 2023

(c) Estimated useful lives of property and equipment

Management estimates the useful lives of property and equipment based on the period during which assets are expected to be available for use. The amounts and timing of recorded amortization expense of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal and other limits to use. It is possible that changes in these factors may cause changes in the estimated useful lives of the Credit Union's property and equipment in the future.

(d) Fair value of financial instruments

Fair value measurement techniques are used to value various financial assets and financial liabilities and are used in impairment testing on certain non-financial assets.

The fair values of the Credit Union's financial instruments were estimated using the valuation methods and assumptions described below. Since many of the Credit Union's financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in interest rates that have occurred since their origination. Due to the use of subjective assumptions and uncertainties, the fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

Fair values of floating loans and deposits approximate book value as the interest rates on these instruments automatically re-price to market and the spread remains appropriate. Fixed rate loans are valued by discounting the contractual future cash flows at current market rates for loans with similar credit risks. Fixed rate deposits are valued by discounting the contractual future cash flows using market rates currently being offered for deposits with similar terms. A credit valuation adjustment is applied to the calculated fair value of uninsured deposits to account for the credit union's own risk.

The fair value for the Credit Union's investments as detailed in note 5 is determined as follows:

- Membership shares in Atlantic Central, League Data, Co-operative, CU Financial Management
 Limited and CU Cumis Wealth do not trade in a public market. Fair market value approximate par
 value as the shares are subject to regular rebalancing across the membership; and
- Liquidity reserve deposits are fair valued by discounting the contractual future cash flows at current market rates of similar financial instruments with similar terms.

(e) Income taxes

The actual amounts of income tax expense only become final upon filing and acceptance of the tax return by relevant authorities which occur subsequent to the issuance of the financial statements. Estimation of income taxes include evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions, before they expire, against future taxable income. Tax assessment is based upon enacted tax acts and estimates of future taxable income. To the extent estimates differ from the final tax provision, earnings would be affected in a subsequent period.

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Consolidated Credit Union Ltd.

Notes to Financial Statements

December 31, 2023

(f) Extension of options for leases

When the Credit Union has an option to extend a lease, management uses its judgment to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practices and any cost that will be incurred to change the asset is an option to extend is not take, to help them determine the lease term.

Fair value of financial instruments

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

			2023		2022
	Fair level hierarchy	Carrying amount \$	Fair value S	Carrying amount S	Fair value S
Financial assets					
Loans and mortgages	Level 2	253,796,441	253,796,441	250,019,389	250,019,389
Liquidity reserve deposi	it Level 2	19,820,395	19,820,395	17,979,183	17,979,183
Atlantic Central shares	Level 2	3,352,484	3,352,484	3,274,554	3,274,554
League Data shares	Level 2	71,730	71,730	71,730	71,730
Co-operative membersh	ip Level 3	3,000	3,000	3,000	3,000
CU Financial Managem	ent				-,
Limited	Level 3	28	28	28	28
CU Cumis Wealth	Level 3	2	2	2	2
Term deposits	Level 2	12,000,000	12,000,000	12,000,000	12,000,000
		289,044,080	289,044,080	283,347,886	283,347,886
Financial liabilities					
Member deposits	Level 2	301,301,348	301,301,348	283,016,984	283,016,984

The fair value for items that are short-term in nature are equal to book value. These include cash and cash equivalents, accounts receivable, accrued liabilities and other liabilities.



Consolidated Credit Union Ltd.

Notes to Financial Statements **December 31, 2023**

6 Loans and mortgages

(a) Loans at amortized cost

	Gross Ioans	Allowance for credit losses	2023 Net carrying amount	Gross loans	Allowance for credit losses	2022 Net carrying amount
	\$	S	\$	\$	S	S
Insured mortgages Uninsured	2,051,718	154	2,051,564	1,732,502	130	1,732,372
mortgages	142,380,558	12,966	142,367,592	136,015,924	27,648	135,988,276
Personal loans	4,372,782	11,844	4,360,938	4,856,516	21,126	4,835,390
Personal lines of credit and						
overdrafts	5,200,793	44,231	5,156,562	5,086,496	51,316	5,035,180
Dealer plan loans	288,092	1,008	287,084	657,322	2,301	655,021
Commercial loans	2,346,844	20,734	2,326,110	2,433,053	4,981	2,428,072
Commercial						
mortgages	87,769,978	65,828	87,704,150	87,832,291	65,875	87,766,416
Commercial lines o	f					
credit	2,727,009	43,113	2,683,896	4,249,057	53,314	4,195,743
Syndication loans	189,556	47	189,509	2,076,320	519	2,075,801
Mortgage pools	441,475	33	441,442	485,616	36	485,580
Municipalities	1,886,081	141	1,885,940	998,629	75	998,554
Secured lines of credit and						
overdrafts	4,342,118	464	4,341,654	3,823,493	509	3,822,984
	253,997,004	200,563	253,796,441	250,247,219	227,830	250,019,389

Mortgages and loans

Mortgages are secured by realty mortgages with interest rates of 2.39% - 6.95% (2022 - 2.39% - 6.79%).

Non-mortgage loans are priced at market rates unless circumstances warrant special considerations. The interest rates range from 0.50% - 18.99% (2022 - 0.50% - 18.50%) on personal and business loans and 0.00% - 30.00% (2022 - 0.00% - 30.00%) on line of credits and overdrafts. The non-mortgage loans are secured by an assignment of specific call deposits and share capital of the borrower and other specific assigned securities.

The Credit Union's prime lending rate

The Credit Union's prime lending rate is set by the Board based on the prime interest rate of chartered banks in Canada. The rate as at December 31, 2023 was 7.20% (2022 - 6.45%).



Consolidated Credit Union Ltd.

Notes to Financial Statements **December 31, 2023**

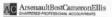
(b) Impaired loans

			2023			2022
	Gross impaired loans \$	Allowance for credit losses	Net carrying amount S	Gross impaired loans S	Allowance for credit losses	Net carrying amount \$
Uninsured mortgages	213,217	2,304	210,913	431,162	17,479	413,683
Personal loans Personal lines of	14,773	3,128	11,645	58,495	11,530	46,965
credit and overdrafts	65,163	18,553	46,610	40,876	26,088	14,788
Commercial loans Commercial lines of	139,382	17,423	121,959	10,779	1,347	9,432
credit Secured lines of credit	58,938	22,102	36,836	54,075	20,278	33,797
and overdrafts	4,623	139	4,484	7,438	223	7,215
_	496,096	63,649	432,447	602,825	76,945	525,880

(c) Allowance for credit losses

				2023
		Provision		
	Balance	for		
	as at	(recovery of)		
	January 1,	credit	Net	
	2023	losses	write-offs	Net
	\$	s	S	S
Insured mortgages	130	24	-	154
Uninsured mortgages	27,648	(14,682)		12,966
Personal loans	21,126	12,234	(21,516)	11,844
Personal lines of credit and				
overdrafts	51,316	22,105	(29,190)	44,231
Dealer plan loans	2,301	(1,293)		1,008
Commercial loans	4,981	27,375	(11,622)	20,734
Commercial mortgages	65,875	(47)		65,828
Commercial lines of credit	53,314	(9,216)	(985)	43,113
Syndication loans	519	(472)	` -	47
Mortgage pools	36	(3)		33
Municipalities	75	66		141
Secured lines of credit and				
overdrafts	509	(45)	-	464
	227,830	36,046	(63,313)	200,563

(21)



Consolidated Credit Union Ltd.

Notes to Financial Statements December 31, 2023

As at December 31, 2023	Stage 1	Stage 2	Stage 3	2023 Total \$
Insured mortgages	154	-		154
Uninsured mortgages	10,663	1,498	805	12,966
Personal loans	8,716	84	3,044	11,844
Personal lines of credit and	-,		-,	11,011
overdrafts	25,678	9,059	9,494	44,231
Dealer plan loans	1,008	-		1,008
Commercial loans	3,311		17,423	20,734
Commercial mortgages	65,828			65,828
Commercial lines of credit	21,011		22,102	43,113
Syndication loans	47			47
Mortgage pools	33	-		33
Municipalities	141	-		141
Secured lines of credit and				
overdrafts	325	-	139	464
	136,915	10,641	53,007	200,563
				2022
	Stage 1	Stage 2	Stage 3	Total
As at December 31, 2022	S	S	\$	S
Insured mortgages	130			130
Uninsured mortgages	10,169	1,199	16,280	27,648
Personal loans	9,595	502	11,029	21,126
Personal lines of credit and			,	,
overdrafts	25,228	. 29	26,059	51,316
Dealer plan loans	2,301	-	-	2,301
Commercial loans	3,634	-	1,347	4,981
Commercial mortgages	65,875	-	-	65,875
Commercial lines of credit	33,036		20,278	53,314
Syndication loans	519			519
Mortgage pools	36		-	36
Municipalities	75		-	75
Secured lines of credit and				
overdrafts	286	-	223	509
	150,884	1,730	75,216	227,830

(22)



Consolidated Credit Union Ltd.

Notes to Financial Statements

December 31, 2023

(d) Provision for loan losses

	2023 \$	2022 S
Increase (decrease) in allowance	(27,267)	26,191
Write offs	63,313	
Recoveries	(923)	(645)
	35,123	25,546

(e) Loans past due but not impaired

At December 31, 2023 and December 31, 2022, all loans that were past due have been considered impaired by the Credit Union.

7 Property and equipment

			Furniture, equipment		
	Land	Building	and computers	Pavement	Total
	S	S	s	S	\$
Recorded amount					
Balance - Beginning of					
year	440,144	2,664,246	768,664	116,302	3,989,356
Additions	-	67,367	38,876	-	106,243
Balance - End of year	440,144	2,731,613	807,540	116,302	4,095,599
Accumulated amortization	on				
Balance - Beginning of year		623,854	497,096	86,763	1,207,713
Current period amortization	-	112,309	69,090	2,363	183,762
Balance - End of year	-	736,163	566,186	89,126	1,391,475
Carrying value					
December 31, 2022	440,144	2,040,392	271,568	29,539	2,781,643
December 31, 2023	440,144	1,995,450	241,354	27,176	2,704,124

As at December 31, 2023, furniture, and equipment and computers includes right-of-use assets with a cost of \$17,907 (2022 - \$17,907), accumulated amortization of \$14,651(2022 - \$11,395), and carrying amount of \$3,256 (2022 - \$6,511). For the year ended December 31, 2023, amortization expense includes \$3,256 related to the right-of-use assets (2022 - \$3,256).

During fiscal 2023 Consolidated Credit Union Ltd. received a government rebate of \$10,725 from the Province of Prince Edward Island. This rebate has been netted against the cost of equipment.

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Consolidated Credit Union Ltd.

Notes to Financial Statements **December 31, 2023**

8 Investments

an residents	2023 \$	2022 \$
Measured at fair value through profit or loss		
Liquidity reserve	19,820,395	17,979,183
Atlantic Central shares	3,352,484	3,274,554
League Data shares	71,730	71,730
Co-operative membership	3,000	3,000
CU Financial Management Ltd.	28	28
CUMIS Wealth Holdings	2	2
Total fair value measured through profit or loss	23,247,639	21,328,497
Measured at amortized cost		
Term deposits	12,000,000	12,000,000
	35,247,639	33,328,497

Liquidity reserve deposit

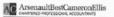
In order to meet the Credit Union national standards, the Credit Union is required to maintain on deposit in Atlantic Central an amount equal to 6% of the prior quarter's assets (note 16b). The deposit bears interest at a variable rate.

Term deposits

Term deposits were invested with Atlantic Central and were carried at amortized cost which approximated fair value. These term deposits have the following maturity dates and rates of return:

	Amount \$	Rate of Return	Maturity
	5,000,000	4.81%	March 1, 2024
	1,000,000	4.35%	March 26, 2024
	1,000,000	4.64%	April 26, 2024
	5,000,000	5.11%	November 5, 2024
Total	12,000,000		

(24)



Consolidated Credit Union Ltd.

Notes to Financial Statements December 31, 2023

Member deposits

	2023 \$	2022 \$
Member shares and deposits (note 10)	21,600,962	22,177,507
Savings and Plan 24	41,663,932	42,059,572
Chequing accounts	103,120,088	102,160,432
Term deposits	89,891,920	72,592,773
RRSP and RRIF	45,024,446	44,026,700
	301,301,348	283,016,984

Member share and share accounts include the \$5 membership share plus individual members' deposits,

Member share and share accounts pay members a dividend return at the discretion of the Board, Privileges of the shares are under the authority of the Board. The member dividend rate declared and paid for 2023 was 0.50% (2022 - 0.50%) based on the average minimum monthly share balance throughout the period.

Savings and Plan 24 are deposits on a call basis that pay holders a variable interest rate ranging from 0.00% -5.15% (2022 - 0.00% - 4.50%) and 0.00% - 2.50% (2022 - 0.00% - 1.10%), respectively.

Chequing accounts are held on a call basis and pay the account holders interest at the Credit Union's stated rates, 0.00% -5.15% (2022 - 0.00% - 1.75%).

Term deposits are for periods of one to five years and generally may not be withdrawn prior to maturity, without penalty. Term deposits for periods less than one year may be withdrawn after 30 days, subject to an interest reduction.

Fixed term deposits bear interest at various rates ranging from 0.00% - 7.25% (2022 - 0.00% - 7.25%) and extend for a term of up to five years.

Withdrawal privileges on all member deposit accounts are subject to the overriding right of the Board to impose a waiting period.

RRSP and RRIF

Concentra Financial is the Trustee for the registered savings plans offered to plan owners. Under an agreement with the trust company, members' contributions to the plans, as well as income earned on them, are deposited in the Credit Union. On withdrawal, payment of the plan proceeds is made to the members, or the parties designed by them, by the Credit Union, on behalf of the trust company. RRSP and RRIF term deposits bear interest at various rates ranging from 0.00% - 6.75% (2022 - 0.00% - 6.75%).

Consolidated Credit Union Ltd.

Notes to Financial Statements December 31, 2023

10 Member shares

Member shares are not guaranteed by the Credit Union Deposit Insurance Corporation

	2023 \$	2022 S
Membership shares and deposits	21,600,962	22,177,507
Class A preferred shares	5,000,000	4,302,400

Membership shares

An unlimited number of membership shares are available for issuance, with a par value of \$5 each. As a condition of membership in Consolidated Credit Union Ltd., each member must hold at least one share. These shares are non-transferable, redeemable by the Credit Union, retractable by shareholders subject to the Credit Union's right to suspend redemption, if the redemption would impair the financial ability of the Credit Union, for a period of up to twelve months by Board resolution and indefinitely by Board resolution with the approval of the Credit Union Deposit Insurance Corporation. Dividends on membership shares are payable at the discretion of the Board.

Class A preferred shares

The Credit Union will issue up to 50,000 Class A preferred shares having a par value of \$100 per share available only to members of the Credit Union. The minimum number of Class A preferred shares shares which may be issued by one member is 10 and the maximum number of shares which may be purchased by one member is 500. The Class A preferred shares are non-cumulative, non-voting, non-participating shares with a minimum dividend rate adjusted every three years. The dividend rate for the first 3 year period is 7.25% and will be paid annually in the form of interest. The dividends shall be paid in priority to any dividends on any other shares of the Credit Union and in priority to patronage refunds. After the 3 year period, the shares may be redeemed or rolled over into a new issuance of Class A preferred shares at the sole direction of the directors. Based upon these redemption characteristics, these shares have been classified as part of members' equity.

As of December 31, 2023, all 50,000 shares have been issued.

11 Other liabilities

	S	\$
Trade liabilities	324,817	41,197
Accrued liabilities Lease liability	160,011	94,551
	4,074	7,330
	488,902	143,078

(26)



2023

Consolidated Credit Union Ltd.

Notes to Financial Statements December 31, 2023

> The initial recognition of the present value of the lease liability of \$17,907 is a non-cash transaction. During the year, payments of \$3,509 (2022 - \$3,509) were made of which \$3,256 (2022 - \$3,148) was a reduction to the lease liability and \$253 (2022 - \$361) was recorded as a service fee expense.

> Consolidated Credit Union Ltd. has entered into an equipment lease agreement which expires December 16. 2024. Undiscounted contractual cash flows are as follows:

Year ending December 31, 2024	3,509

12 Income taxes

(a) Tax rate reconciliation

Tua Tue reconciliation	2023 \$	2022 \$
Income before income taxes	2,749,723	2,220,626
Taxes at statutory rates - 31.00% (2022 - 31.00%) Impact of the 21% (2022 - 21%) small business deduction and additional deduction	852,414	688,394
for credit unions	(89,427)	(105,000)
Permanent differences and other	6,870	17,802
	769,857	601,196

(b) Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 31% (2022 - 31%), as follows:

2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2	2023 \$	2022 S
Balance - Beginning of period Comprehensive income statement expense	42,400 (7,100)	60,900 (18,500)
Balance - End of period	35,300	42,400
Deferred income tax liabilities are attributable to the following items:		

	2023 \$	2022 \$
Deferred income tax liability Property and equipment Allowance for impaired loans	79,700 (44,400)	91,600 (49,200)
	35,300	42,400

(27)

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Consolidated Credit Union Ltd.

Notes to Financial Statements **December 31, 2023**

13 Pension plan

The Credit Union provides employees with a voluntary defined contribution pension plan in which the Credit Union matches employee contributions to the plan, within specified limits. During the period, the Credit Union expensed \$152,386 (2022 - \$113,575) in contributions to the plan. This expense is included with staff expenses on the SCI.

14 Related party transactions

The Credit Union provides financial services to members. These members hold the loans and mortgages and member deposits and therefore the interest income and interest expense are transacted in the ordinary course of business with these members.

15 Composition of key management

Key management includes the Board of Directors, chief executive officer, chief financial officer, front office manager, senior financial services officer, compliance officer, IT administrator and marketing and project manager. Compensation awarded to key management included:

1	(a)	Kev	management	excluding director	
٦	aj	recy	management,	excluding director	

		2023 \$	2022 S
	Salaries and short-term employee benefits	971,373	811,434
(b)	Directors' remuneration		
		2023 S	2022 S
		•	3
	Honorariums	28,100	28,500
	Payment for expenses while on credit union business	9,312	6,427
(c)	Loans to directors and key management personnel		
		2023	2022
		S	S
	Loans outstanding - Beginning of year	1,786,080	2,001,095
	Loans issued during the year	362,734	484,567
	Loan repayments during the year	(457,914)	(546,223)
	Net change due to change in personnel and board	(622,350)	(153,359)
	Loans outstanding - End of year	1,068,550	1,786,080
	Interest income earned	36.817	59 869

The loans issued to directors and key management personnel and close family members during the year of \$1,068,550 (2022 - \$1,786,080) are repayable over 1-7 years and have interest rates ranging from 2.39% - 8.20% (2022 - 2.39% - 7.45%).

(28)



Consolidated Credit Union Ltd.

Notes to Financial Statements December 31, 2023

16 Risk management

The Credit Union's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market, interest rate and operational risk. Authority for all risk-taking activities rests with the Board of Directors (the "Board"), which approves risk management policies, delegates limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout the Credit Union manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the Credit Union's commercial and consumer loans and advances, and loan commitments arising from such lending activities.

Credit risk is the single largest risk for the Credit Union's business; management therefore carefully manages its exposure to credit risk. Oversight for the credit risk management and control is done by management who reports to the Board.

The Credit Union's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial assets is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities or parties fail to perform their obligations under the financial instruments in question. The principal collateral and other credit enhancements the Credit Union holds as security for loans include (i) insurance and mortgages over residential lots and properties, (ii) recourse to business assets such as an assignment of real estate, equipment, inventory and accounts receivable, and (iii) recourse to liquid assets, guarantees and securities. The value of collateral held against individual exposures is generally assessed at the time of borrowing and when a specific review of that exposure is undertaken in accordance with policy.

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

	2023	2022
	S	S
Cash and cash equivalents	30,037,830	14,282,341
Accounts receivable	504,487	169,157
Loans and mortgages	253,796,441	250,019,389
Investments	35,247,639	33,328,497
	319,586,397	297,799,384

Consolidated Credit Union Ltd.

Notes to Financial Statements **December 31, 2023**

Cash and cash equivalents and investments have low credit risk exposure as these assets are high quality investments with low risk counterparties. For the loan portfolio, the Credit Union's underwriting methodologies and risk modelling is customer based rather than product based. The Credit Union reviews the member's capacity to repay the loan rather than relying exclusively on collateral, although it is an important component in establishing risk.

(b) Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities as they come due. Liquidity risk is inherent in any financial institution and could result from entity level circumstances and/or market events.

The Credit Union's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation.

Exposure to liquidity risk:

The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to deposits. For this purpose, liquid assets may comprise of the following:

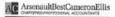
	2023 \$	2022 S	
Cash and cash equivalents	30,037,830	14,282,341	

Credit Union bylaws require Consolidated Credit Union Ltd. to maintain sufficient liquid assets and a line of credit to meet its normal cash flow requirements. Consistent with other Prince Edward Island Credit Unions, Consolidated Credit Union Ltd. is required by the Credit Union Deposit Insurance Corporation to maintain 10% of the prior quarter's member deposits in liquid investments of which 90% must be held by Atlantic Central in order to ensure ongoing cash flow requirements are met. The Credit Union was compliant with this requirement at December 31, 2023.

Cash flows payable under financial liabilities by remaining contractual maturities are as follows:

(30)

	Under 1 year	Over 1 to 5 years	Over 5 years	2023 Total
	\$	\$	\$	S
Member deposits	220,425,506	59,274,880		279,700,386
Share accounts	21,600,962	-	-	21,600,962
Accrued interest payable	2,784,837		-	2,784,837
Other liabilities	488,902	-	-	488,902
	245,300,207	59,274,880	-	304,575,087



Consolidated Credit Union Ltd.

Notes to Financial Statements **December 31, 2023**

	Under 1 year S	Over 1 to 5 years \$	Over 5 years \$	2022 Total \$
Member deposits	222,224,724	38,614,753	-	260,839,477
Share accounts	22,177,507		-	22,177,507
Accrued interest payable	1,422,714		-	1,422,714
Other liabilities	143,078	-	-	143,078
	245,968,023	38,614,753	-	284,582,776

The Credit Union expects that many members will not request repayment on the earliest date the Credit Union could be required to pay.

(c) Market risk

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Credit Union as part of its normal trading activities. As the Credit Union does not deal in foreign exchange contracts or commodities, market risk consists solely of interest rate risk. The objective of market rate risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. For the Credit Union, mismatches in the balances of assets, liabilities and off-balance sheet financial instruments that mature and reprice in varying reporting periods generate interest rate risk. These mismatches will arise through the ordinary course of business as the Credit Union manages member portfolios of loans and deposits with changing term preferences and through the strategic positioning of the Credit Union to enhance profitability.

The following table provides the potential before-tax impact of an immediate and sustained 1% increase or decrease in interest rates on net interest income, assuming no further hedging is undertaken. These measures are based on assumptions made by management. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and the Credit Union's management initiatives.

	Net interest income change 2023	Net interest income change 2022
Before tax impact of 1% increase in interest rates	185,304	(67,000)
1% decrease in interest rates	(185,304)	8,600

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Consolidated Credit Union Ltd.

Notes to Financial Statements **December 31, 2023**

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Credit Union's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(f) Capital management

The primary objective of the Credit Union's capital management is to ensure that it maintains a healthy financial position in order to support its business. The Credit Union manages its capital structure and makes changes to it in light of changes in economic conditions.

Consistent with other Prince Edward Island Credit Unions, Consolidated Credit Union Ltd. is required by the Credit Union Deposit Insurance Corporation to maintain an equity level of 5% of the Credit Union's total assets.

In accordance with the recommendations of the Canadian Chartered Professional Accountants related to the financial statement presentation of financial instruments, the ownership shares are presented in the statement of financial position as financial liabilities. At December 31, 2023, the equity level for regulatory purposes is as follows:

	2023	2022
	S	S
Ownership shares (note 10)	39,675	41,200
Members' equity	13,867,579	11,880,613
Class A preferred shares	5,000,000	4,302,400
Total regulatory equity	18,907,254	16,224,213
Total assets	323,646,627	301,187,521
Equity level	5.84%	
	#	2023 \$
Opening, January 1, 2023	8,240	41,200
Net decrease	(305)	(1,525)
Closing, December 31, 2023	7,935	39,675

No.

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Consolidated Credit Union Ltd.

Notes to Financial Statements **December 31, 2023**

17 Interest rate sensitivity

The following table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the company's interest rate risk position is limited by the fact that certain borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing dates. For example, notes receivable are shown at contractual maturity but certain notes could prepay earlier.

					2023
	Under 1 year	Over 1 to 5 years	Over 5 years	Not interest rate sensitive	Total
	S	S	S	S S	S
Assets			•	,	,
Cash and equivalents	29,075,812			962,018	30,037,830
Effective interest rate	2.87%			702,010	50,057,050
Accounts receivable				504,487	504,487
Loans and mortgages	82,107,226	171,259,130	117,298	312,787	253,796,441
Effective interest rate	5.78%	3.88%	6.13%	212,707	200,770,771
Prepaid expenses	-	-	-	1,356,106	1,356,106
Property and equipment	-		-	2,704,124	2,704,124
Investments	35,247,639				35,247,639
Effective interest rate	3.35%				
Total assets	146,430,677	171,259,130	117,298	5,839,522	323,646,627
Liabilities and surplus					
Member deposits	168,405,753	59,274,880		73,620,715	301,301,348
Effective interest rate	2.40%	4.35%		,,	501,501,510
Accrued interest payable	-			2,784,837	2,784,837
Other liabilities	-			488,902	488,902
Income taxes payable				168,661	168,661
Deferred income taxes	-			35,300	35,300
Share capital	-	-	-	5,000,000	5,000,000
Undistributed income				13,867,579	13,867,579
Total liabilities and surplus	168,405,753	59,274,880	-	95,965,994	323,646,627
Interest rate sensitivity gap	(21,975,076)	111,984,250	117,298	(90,126,472)	

ArsenaultBestCameronEllis

Consolidated Credit Union Ltd.

Notes to Financial Statements **December 31, 2023**

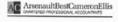
					2022
	Under 1 year \$	Over 1 to 5 years \$	Over 5 years S	Not interest rate sensitive \$	Tota
Assets					
Cash and cash equivalents Effective interest rate	13,128,015 0.30%		-	1,154,326	14,282,341
Accounts receivable	-	-	-	169,157	169,157
Loans and mortgages Effective interest rate	69,928,729 5.55%	179,470,898 3.72%	428,114 4.36%	191,648	250,019,389
Prepaid expenses	-	-	-	606,494	606,494
Property and equipment		-		2,781,643	2,781,643
Investments	33,328,497	-	-		33,328,497
Effective interest rate	0.50%				
Total assets	116,385,241	179,470,898	428,114	4,903,268	301,187,521
Liabilities and surplus					
Member deposits	168,259,391	38,614,753		76,142,840	283,016,984
Effective interest rate	1.59%	2.47%		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
Accrued interest payable	-			1,422,714	1,422,714
Other liabilities	-			143,078	143,078
Income taxes payable				379,332	379,332
Deferred income taxes	-			42,400	42,400
Share capital			-	4,302,400	4,302,400
Undistributed income		-	-	11,880,613	11,880,613
Total liabilities and surplus	168,259,391	38,614,753	-	94,313,377	301,187,521
Interest rate sensitivity gap	(51,874,150)	140,856,145	428,114	(89,410,109)	

As at December 31, 2023, the Credit Union's net interest spread was 2.21% (2022 - 2.18%). The net interest spread is calculated by expressing the difference between (a) the percentage of income earned on the average year-end interest bearing assets and (b) the percentage of costs of capital and borrowings on the average year-end interest bearing liabilities.

18 Commitments

On May 24, 2022 the Credit Union entered into a committment with League Data Limited to transition its core banking platform to a new platform. The total cost of the transition is estimated to be \$1,579,166. As at December 31, 2023, the Credit Union has incurred costs of \$1,105,415 which is included on the financial statements in prepaid expenses.

The Credit Union had lines of credit and loans and mortgages approved but not disbursed at December 31, 2023 amounting to \$13,700,584.



"CCU has amazing staff!
I never hesitate to ask if I need anything. Everyone is very helpful, and they help me get the answers I need."

- Consolidated Credit Union member



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