Interior Savings

Annual Report 2021

Local Money for Local Good.

Local money for local good… it's present in everything we do. It means improving our communities with local investments, loans, knowledge and Member Rewards. It's about understanding local needs because we live, work and play here too. It's about global access to accounts with all the online services our members may need and a team of experts ready to help with knowledge and support right here at home. Best of all, local money means investing in our members. Money may make the world go round but local money makes our communities buzz!

At Interior Savings

we make a positive difference in people's lives and enrich each member's life journey while keeping the human touch in a digital world.

our **purpose**

We put our expertise and profits to work for our communities, stepping up to help everyone get ahead. When they succeed, we all succeed.

our **mission**

We can be counted on to help our members do more, reach higher and live richer. Our members are our focus.

our **commitment**

We work hard to perfect the blend of digital banking and personalized care our members need to succeed in today's changing world.

We commit to...

being **collaborative**

- we support our members and communities
- we are team players
- we welcome different points of view

being **curious**

- we ask questions
- we look for new ways to make life easier
- we love to learn new skills

being **courageous**

- we do what's right, not what's easy
- we embrace change
- we challenge the status quo

Contents

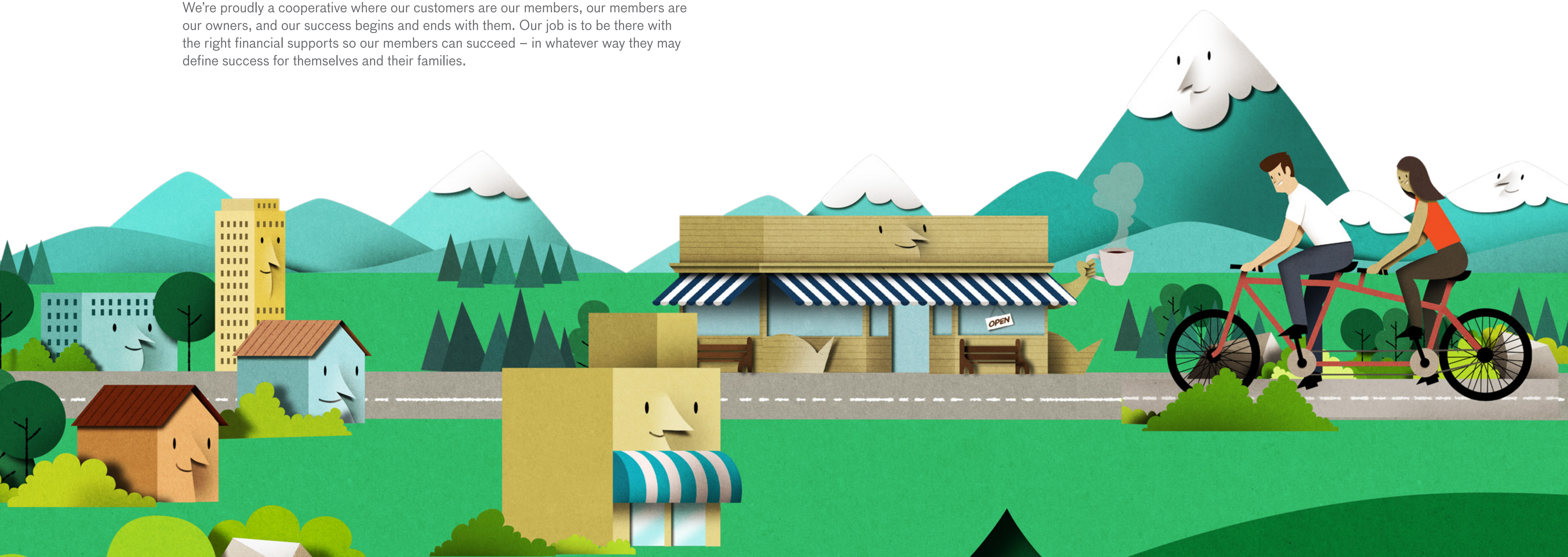
Corporate Overview

We're a financial institution offering a wide range of services. From day-to-day banking and lending to Wealth Management and Insurance Services, we have it all. With total assets under administration nearing $4 billion, Interior Savings continues to be the largest credit union based in the Interior of British Columbia. Our over 77,000 members have access to a network of 23 branches, 16 insurance offices, and two specialized Commercial Services Centres across 15 BC interior communities. We also offer members added convenience and flexibility with an Insurance Services Relationship Centre, Member Service Centre, Investment Solutions Centre and a team of Mortgage Specialists. But that's only part of the picture.

We're proudly a cooperative where our customers are our members, our members are our owners, and our success begins and ends with them. Our job is to be there with the right financial supports so our members can succeed – in whatever way they may define success for themselves and their families.

It's also our job to be a community champion and give back to help our communities thrive. When community is at the heart of everything that you do, day-to-day business becomes so much more: an account with us supports a neighbour's mortgage, a loan to a business down the street, insurance for a nearby family's future, bursaries for children at the local school, a sponsorship, a community centre, and many more local causes, events and programs.

Our success is our members' success and we owe it all to them!



A Message from Board Chair Rob Shirra and CEO Kathy Conway

Amid a year of forest fires, floods, heat domes, the heartbreaking discovery of unmarked graves at former Indian Residential Schools, and an ongoing global pandemic, Interior Savings held fast to our commitment of making a positive difference in our members lives and in our communities. The Credit Union remained strong and ready to help our members and communities move forward together.

Thanks to the continued support of our members, in 2021 Interior Savings' assets grew to $2.9 billion and earnings from operations were ahead of budget at $15.5 million. And that success was shared back with our members and our communities. We returned nearly $3.4 million dollars to members in the form of cash rewards, dividends and over 500 bursaries, and invested another half a million dollars in vital community programs, services and supports.

Here are some highlights from the past year:

Spruce Credit Union members voted 99% in favour of merging with Interior Savings

Following an overwhelmingly favourable vote from Spruce Credit Union members late last year, our two credit unions officially merged on January 1, 2022. We are thrilled to welcome former Spruce Credit Union employees and members to Interior Savings and to become part of the Prince George community. Together, we now serve over 77,000 members with 23 branches across 15 interior BC communities, and manage over $6.2 billion in deposits, loans and wealth management assets.

Offering members more options, greater convenience, and guidance towards financial health

Technology continues to evolve and, with it, expectations for choice, speed and convenience. At the same time, the need for personalized advice and guidance remains paramount. Last year we gave members more ways to connect with us and introduced several new products.

We opened a new branch in Penticton. We launched a digital assistant on our website to help members quickly find what they're looking for. We worked to build our capability to serve members safely and securely through text messaging. We spent the better part of the year preparing to launch system improvements that will give us a more comprehensive picture of our members' financial health, helping us ensure they are on track to realize their financial goals, and that we're checking in at the right times.

We also launched a low-rate eco loan for members looking to switch to an electric vehicle; piloted a new pre-paid MasterCard; introduced enhancements and member discounts for travel insurance; and, for businesses, improved technology that will result in faster approval on loans and lines of credit.

Investing in our people

Our employees are the face of our credit union and key to the outstanding member satisfaction rating we receive year after year. Maintaining a capable, engaged and committed workforce that innovates for the future means continued investment in training and development. In 2021, we laid the groundwork for a new performance management system and provided training on how to lead effectively in a remote work environment. We also helped nurture the development of our up-and-coming leaders through our Young Leaders program. In 2021 with a mixture of curiosity, courage and commitment, our young leaders led our organization in a series of *Health is Wealth* events and challenges; launched an *Exec for a Day* program; encouraged process improvement with their *Kill a Silly Rule* program; hosted Ted talks; and launched an organization-wide mentorship program.

We also developed a new remote-work policy enabling employees in suitable roles to continue working from home, or in a hybrid arrangement.

Leading with purpose

Navigating the second year of a pandemic, with one natural disaster after another, we banded together to help our members and communities move forward while also exploring ways we can help build a brighter, more inclusive, and sustainable future.

We encourage you to read our 2021 Community Investment Report to learn more about how we responded to the challenges faced by our communities, from inviting our members to join us in donating to emergency relief efforts to supplying wheelbarrows, shovels and shop vacs to help Merritt rebuild after the flood. Find that report at www.interiorsavings.com/about-us/governance/corporate-reports.

With an eye to a better future for everyone, in 2021 we joined the Social Purpose Institute of the United Way as we worked to understand the critical issues facing our members and communities and to identify opportunities to leverage our strengths, skills and the work we do every day to tackle these major challenges. We collected input from our employees, members and community experts and began the task of defining an Environment, Social and Governance (ESG) Strategy that will help focus our efforts on making a meaningful and tangible difference.

And after what seemed like a long hiatus on community events, we were thrilled to bring our Moonlight Movie Tour back to many of our communities, and to once again celebrate our Day of Difference by closing early and sending all 500+ employees out into the community to lend a helping hand.

Remembering Rolli

It is with both sadness and deep gratitude that we remember Rolli Cacchioni: an inspiring leader, a changemaker, and a passionate advocate for youth. We will miss Rolli's larger-than-life personality and the indelible mark he left on our credit union after serving on our Board for 38 years. In honour of his legacy, we contributed $10,000 to the Central Okanagan Bursary and Scholarship Society and, each year, we will continue to support the educational aspirations of Interior Savings' young leaders with our own Rolli Cacchioni Young Leaders Bursary.

Closing with thanks

On behalf of Interior Savings' Board of Directors, we would like to thank our members for your ongoing support and loyalty and for empowering us to make a difference in our members lives and in our communities. We would also like to express our sincere appreciation to Kathy Conway, Interior Savings' President and CEO, who announced her retirement effective March 2022. For the past 20 years, Kathy has helped lead our credit union through incredible growth and she has done so with courage, compassion and a dedication to providing a different kind of banking that puts people at the centre of everything we do. We wish Kathy continued health and happiness in her retirement.

2021 Board and Management Report

Board of Directors

The 2021 election saw the re-election of Stacey Fenwick, Shelley Sanders and Bruce Tisdale for three-year terms. Newly elected to the Board for a three-year term is Sandy Watt. Following the election, Mr. Robert Shirra was elected as Chair of the Board of Directors.

The Board of Directors is responsible for overseeing the strategic direction of the Credit Union. In practice, the Board of Directors delegates responsibility for the management of the Credit Union to the President and Chief Executive Officer while retaining oversight responsibility.

The Board of Directors is expected to act in a manner that protects and enhances the value of the Credit Union in the interest of the membership. While adhering to the Credit Union's policies and procedures, and to statutory and regulatory requirements, the Board of Directors is required to exercise independent judgement with utmost honesty and integrity. The Board of Directors is rigorous in fulfilling its responsibilities and stands proudly behind the Credit Union and each and every one of its employees.

For information on Board responsibilities and activities, please refer to the 2021 Interior Savings Corporate Governance Report which can be found on our website, www.interiorsavings.com/about-us/governance/corporate-reports.

Senior Management

Our senior management team works with the Board of Directors to position the Credit Union's strategic direction and develop the annual business plan. They monitor each aspect of the plan to ensure progress is being maintained and the organization is on track. They are responsible for a team of managers, and are committed to ongoing personal and professional development, and involvement in their communities

Kathy Conway, President and Chief Executive Officer

Ted Schisler, Senior Vice President and Chief Operating Officer

Trevor Tremblay, Senior Vice President and Chief Financial and Risk Officer

Gene Creelman, Senior Vice President, Member and Community Engagement

Karen Hawes, Senior Vice President, Culture and Technology

Rob Shirra
Board Chair
Summerland

Liza Curran
Vice Chair
Ashcroft

Ken Christian
Kamloops

Elmer Epp
Kamloops

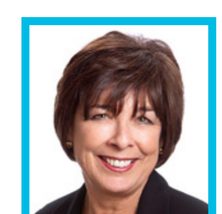
Stacey Fenwick
Kelowna

Aniela Florczynski
Kelowna

Don Grant
Peachland

Caroline Grover
Kelowna

Daphane Nelson
Kamloops



Shelley Sanders
Merritt

Bruce Tisdale
Kamloops

Sandy Watt
Kamloops

2021 Management Discussion and Analysis

This MD&A section is presented to provide an overview of the Credit Union's financial and operating performance. It is prepared in conjunction with the audited consolidated financial statements.

2021 Management Discussion and Analysis

Summary

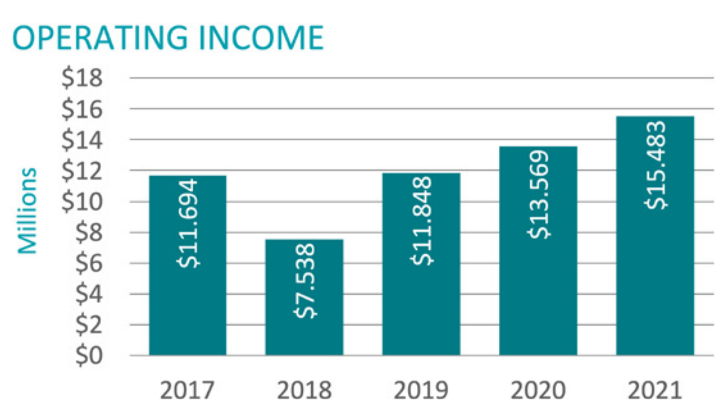
2021 was another challenging year as many businesses and individuals had to cope with the evolving global pandemic and its effects on the economy and jobs. Interior Savings Credit Union remained operational while keeping in line with all provincial health guidelines. We instituted work from home protocols with staff, participated in Federal programs such as the Canadian Emergency Business Account (CEBA) for our business members and supported our members' financial health when needed through offering a variety of loan deferral options.

Even with the tough economic challenges brought on by the pandemic, Interior Savings' financial performance continued to improve in 2021. Consolidated total assets of Interior Savings grew by $96.1 million or 3.4% to close the year over $2.9 billion at December 31, 2021.

The use of excess liquidity to fund loan growth of $104.1 million or 4.6% contributed positively to improving overall financial performance in 2021. The growth in loan balances includes both loan interest receivable and the allowance for impaired loans, the latter of which reduces the overall loan portfolio. Impaired loan carrying values and write-offs decreased during 2021.

Member deposit balances increased in 2021, up $187.3 million to just over $2.6 billion. The increase of member deposits is attributed to the extended duration of the pandemic and the impact on reduced consumer spending. We continued to operate in a low-rate environment throughout 2021. Rates have begun to rise in early 2022 which could impact overall loan and deposit growth.

Consolidated operating income in 2021 totalled $15.5 million compared to $13.6 million in 2020. This is primarily a result of improved financial margin and other income. Consolidated net income also increased from $8.6 million in 2020 to $10.1 million in 2021, resulting in increased retained earnings to reach $227 million. Retained earnings represents the Credit Union's primary source of required regulatory capital.



Financial Margin

Financial margin is the difference between interest and investment income earned on assets and interest expensed on deposits and other liabilities, including borrowings. In 2021, our financial margin was $57.2 million compared to $55.4 million in 2020. Overall, total interest revenues decreased $8.1 million in 2021 due to operating in the low interest environment in 2021 and due to the reduction in our mandatory liquidity investments return. Interest expense on members' deposits and borrowing decreased $10 million compared to 2020. The large decrease in interest expense was the net effect of deposit growth in lower rate products, including a migration of maturing term deposits to demand deposits.

The Bank of Canada held its target interest rate steady throughout 2021 and in response, our prime lending rate was unchanged at 2.45% for the same period. Bond yields were also low for the better part of the year, resulting in low and competitive mortgage rates and negative pressure on the financial margin. Periods of fluctuation in the Government of Canada bond yields in 2021 did cause some corresponding adjustments to loan and deposit rates in the marketplace. Overall, the pandemic has led to minor fluctuations in interest rates throughout 2021. Interest rates are on the rise as we enter 2022.

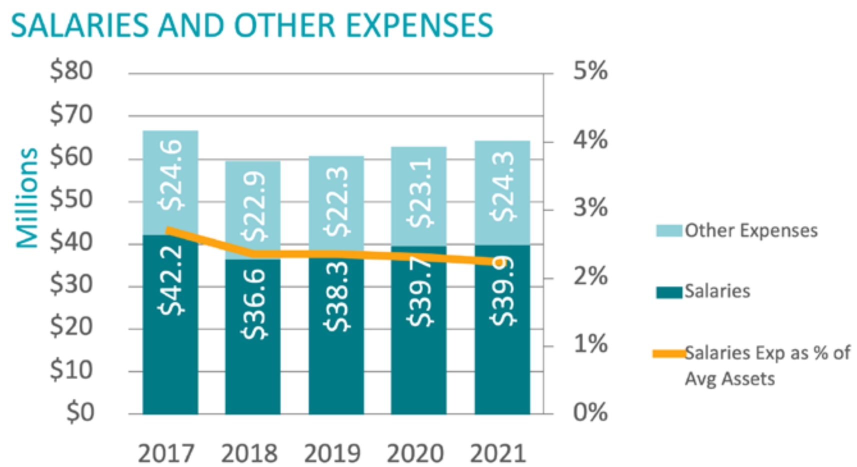
Other Income

Other income is comprised of loan fees, service charges, commissions related to mutual fund sales, foreign exchange and other revenues that are not interest related. In aggregate, other income increased by $1.1 million year over year with most of the increase related to prepayment penalty and commercial application fee income, which reflect the record setting volumes of mortgage payouts/refinancing activities and the increased volumes of new commercial lending. Changes to member's product fee structure after the banking system conversion resulted in a reduction of member service charge income year over year.

Operating Expenses

The average rate of inflation in Canada for 2021 was reported to be 3.4% while our total operating expenses increased only 2.3% or $1.4 million to $64.2 million in 2021. Employee salaries and benefits expense were slightly increased from 2020, but were held fairly consistent.

Note: figures in the charts that follow include the insurance company figures under the consolidation method of presentation for 2017 through March 31, 2019.



After converting to a new banking system in September 2020, one of the main focus areas in 2021 was to continue the integration of the new banking system, change internal processes to align with the new banking system and continue efforts to furthering improvements of our digital member experiences, including work on a Customer Relationship Management software. There was a decrease in data processing costs in 2021 as the conversion in 2020 resulted in higher data processing costs due to the overlap of two systems for much of the year. We also saw a slight increase in occupancy expenses due to the continued necessary purchases such as sanitizer, masks, and disinfectant in order to create a safe space for our team and our members. General operating and administrative costs increased by $1.8 million from 2020. The increases in 2021 were in deposit insurance as we experienced a temporary reprieve in 2020, and in professional fees due to legal and consulting work done in relation to the acquisition of Spruce Credit Union.

The result of total operating expenses increasing by less than the growth in total revenues was an improvement in the consolidated operating efficiency ratio to 80.4% from 81.7% in the previous year. The efficiency ratio is a measure of expenses incurred to revenues earned. With this ratio, a lower number is better.

Distributions to Members

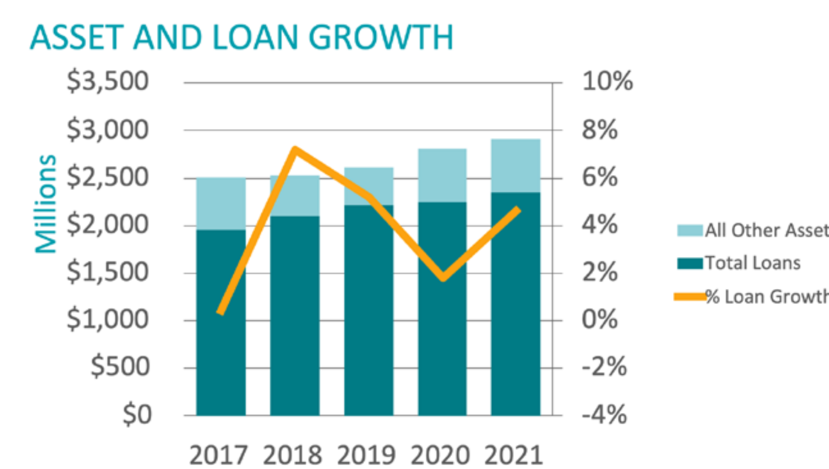
We have had a long-standing tradition of sharing our profits with our members. For 2021, we are sharing $3.4 million which includes $2.7 million in patronage distributions, based on usage of services, $0.1 million in dividends on equity shares and $0.6 million for the current year's commitment for the bursary program. All distributions are approved annually by the Board of Directors. To line up with our fiscal year-end, payments to members are made in the spring of every year, after the completion of the annual audit. Since 2002, members have received over $69.5 million in the form of patronage and dividend distributions.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI). Elements of net income have been described above. Interior's OCI includes changes in cash flow hedges including the unrealized losses from fair valuation changes and the flow of those losses to net income when realized. It also includes unrealized losses on fair value changes on mandatory liquidity investments. Unrealized losses from cash flow hedges and unrealized losses from mandatory liquidity investments, if unwound early or disposed of prior to maturity, will flow to net income. In 2021, other comprehensive loss was $5.6 million compared to a gain of $2.2 million in 2020. This change in OCI for 2021 was largely due to the net change in cash flow hedges and mandatory liquidity investments.

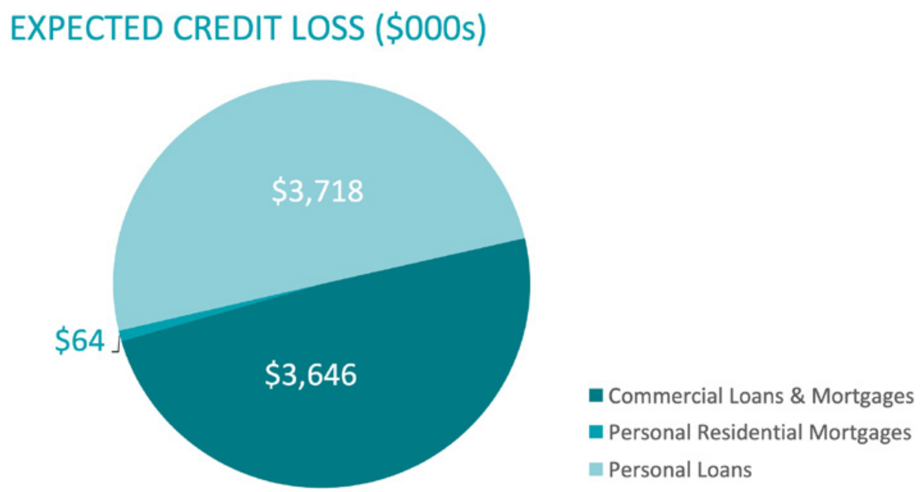
Loans

Total loan growth for 2021 rebounded from a slow growth year in 2020, with total member and other loans, net of accrued interest, increasing by 4.6% ($104 million). The commercial lending category increased by 11.5%, which amounted to $49.5 million and is the net of new commercial project financing and payouts from projects that completed throughout the year. Interior Savings continued to support local businesses and multi-year residential construction developments in 2021 which are expected to fund growth in 2022 and beyond. As a proportion of loans at year-end, commercial lending represented 20.2% of the loan portfolio. Personal loans increased a total of $110.5 million or 6.4%. The growth in personal was in personal real estate secured lending, which was driven by a strong housing market and increased sales activity in 2021. This growth was somewhat offset by a decline in our non-member loans of $56 million. This non-member lending will continue to decrease into 2022.



Allowance for Loan Loss

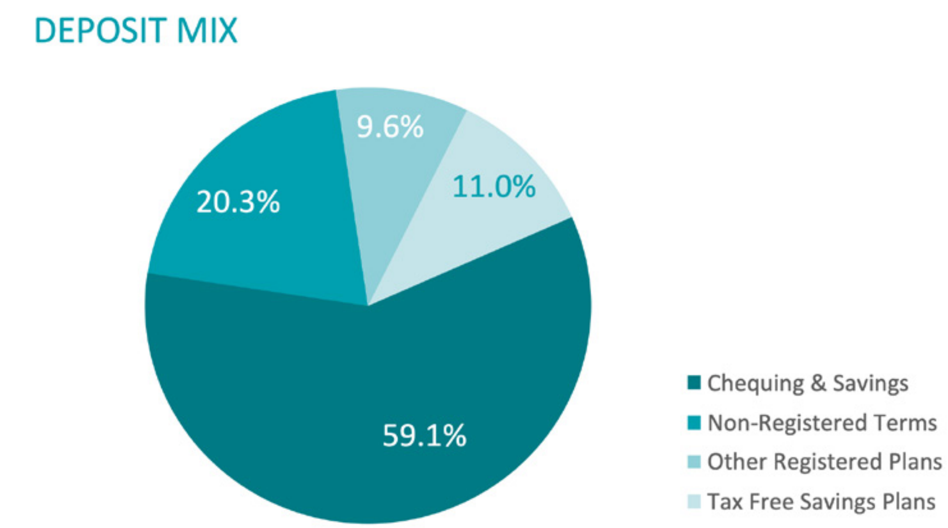
The allowance for loan loss is the aggregate of the expected credit losses ('ECL') for all stages of loan impairment. This was estimated at a total loss allowance of $7.4 million which is $0.5 million higher than in 2020 and in line with industry norms. While the overall loss allowance has increased, the mix relative to loan portfolio groups has shifted with a larger portion estimated for commercial loans indicative of underlying credit risk.



Deposits

Total member deposits at the end of 2021 were $187.3 million higher than in 2020. The total growth and shifting member deposit product preferences resulted in a $41.7 million decline in non-registered term deposits, $22.7 million decline in tax-free plan deposits, $279.2 million growth in non-registered chequing and savings account balances, and a $27.8 million decline in registered deposits. The result is member deposits in non-registered chequing & savings represent 59.1% of total deposits.

In addition to our deposit products, we offer our members investment products from third-party suppliers, such as mutual funds, for which we receive a commission. In 2021, these funds under administration totalled $850.3 million, an increase of $153.8 million from the prior year. This increase in overall funds under administration is the combined result of net sales growth and the impact of an increase in total market valuations of the underlying securities.

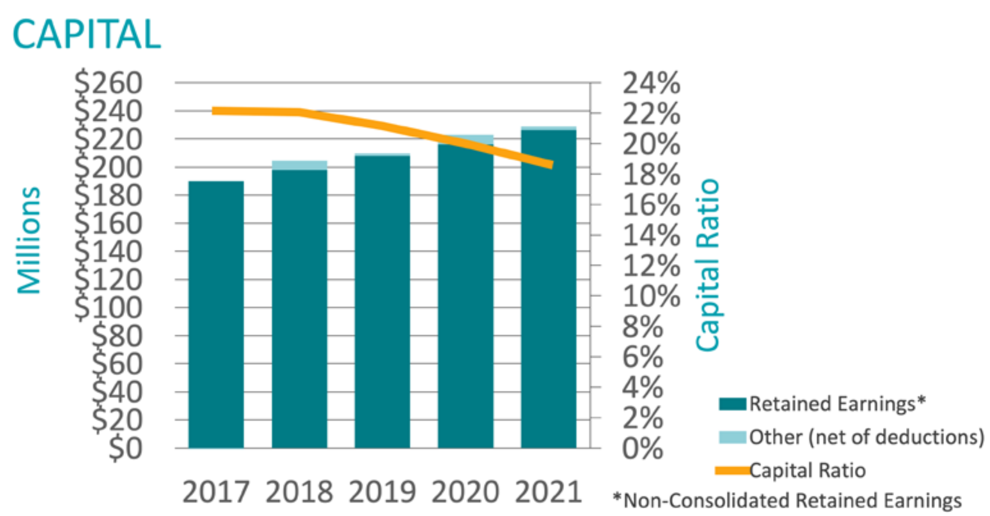


Borrowings

Borrowings at year-end represent amounts due under the Canada Mortgage Bond program which are secured by member and other loans.

Members' Equity and Capital

Total members' equity increased to $221.2 million at the end of 2021. Retained earnings grew by $10.1 million. Interior Savings continues to have one of strongest capital positions, relative to other BC credit unions of similar size, which builds long-term membership value and enables us to invest for future growth. At year-end, our regulatory capital position decreased to 18.65%. The decrease in our capital position was due to increases in capital deductions for goodwill that are prescribed by our regulatory body. Our regulators, the BC Financial Services Authority ('BCFSA'), monitor our capital, which under current requirements for regulatory capital and supervisory capital must be maintained at a minimum of 8% and 10%, respectively, of risk-weighted assets. The Credit Union's Internal Capital Adequacy Assessment Process ('ICAAP') includes the calculation of an internal capital target ('ICT') to be above the supervisory target. The ICT was calculated to be 11.6% as at December 31, 2021. Management regularly monitors the Credit Union's capital position in relation to the established ICT. More information on capital management can be found in Note 23 of the financial statements.



Risk Management

As a financial institution, we are exposed to a variety of risks. Our risk governance framework starts with the Board of Directors and its Committees which provide overall strategic direction, oversight of risk management and approved risk policies, and set risk tolerance levels for key areas of potential risk. Our executive management is responsible for implementing strategies and policies approved by the Board and for developing processes that identify, measure, monitor and mitigate risks. In addition to risks identified in note 22 to the financial statements, the Credit Union is also exposed to strategic, operational, and regulatory risks, for which planning, policies and procedures, controls and monitoring are in place. To support our risk management, we have internal and external audit functions, which are independent of management and report to the Audit & Risk Committee of the Board. In addition, the Board of Directors establishes the risk culture through a risk appetite framework and management has implemented enterprise risk management to effectively monitor and manage key business risks including emerging risks.

Outlook for 2022

As Canada, and more specifically the province of BC, begin to remove Covid restrictions our expectations are for further economic recovery into 2022. The Thompson Okanagan region, which has a significant economic reliance on travel and tourism and a migration of retirees for population growth, may be positively impacted as Canadians travel more locally and cross border visitors begin returning to the area. The Bank of Canada raised its prime rate in March of 2022 starting the turnaround from the unprecedented interest rate cuts in 2020 that exacerbated the existing low interest rate environment. The potential impact on loan losses in the years to come after government support for Covid ends, is not yet known. However, we have sufficient loan loss reserves. Over time we will monitor forecasted unemployment rates and the potential for real estate price corrections to determine if additional loan loss reserves need to be provided for. These assumptions are subject to considerable uncertainty and will likely change as 2022 progresses. However, employment rate is forecasted to be strong in 2022 in our area.

The beginning of 2022 saw us acquire Spruce Credit Union in beautiful Prince George, BC. This acquisition brings with it two branches, nearly 7,000 members and access to a region in the Interior of BC that has positive growth potential.

As we look optimistically at 2022, we do expect a continuation of our growth in new members and the deepening of relationships with existing members, while striving to improve our digital service offering. Our members' deposits are 100% guaranteed by CUDIC and our strong liquidity and capital position provides us the means to continue with local growth opportunities where prudent in a challenging financial environment. We are confident that our comprehensive and competitive product and service offering, coupled with our local money for local good focus, will result in continued growth in retail and commercial member loans, deposits, insurance services and wealth management.

Consolidated Financial Statements

Consolidated Financial Statements

Management's Responsibility

To the Members of Interior Savings Credit Union:

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

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

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

MNP LLP is appointed by the members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

March 19, 2022

[Signed] Karen Hawes	**[Signed] Trevor Tremblay**
Acting Chief Executive Officer	Senior VP, Chief Financial & Risk Officer

Independent Auditor's Report

To the Members of Interior Savings Credit Union:

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Credit Union as at December 31, 2021, and its consolidated financial performance and its consolidated 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 the Consolidated Financial Statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

MNP LLP

Chartered Professional Accountants

Kelowna, British Columbia
March 19, 2022

Consolidated Statement of Financial Position

As at December 31, 2021 ($ in thousands)	2021	2020
Assets		
Cash	**74,039**	71,204
Investments (Note 5)	**389,514**	404,637
Derivative financial instruments (Note 6)	**7,243**	3,747
Member and other loans (Note 22)	**2,360,270**	2,256,174
Corporate income tax recoverable	**429**	1,381
Property, plant and equipment (Note 7)	**30,039**	29,440
Intangible assets (Note 8)	**7,403**	7,451
Other assets (Note 9)	**6,270**	4,920
Advances to joint venture (Note 10)	**259**	414
Deferred tax asset (Note 11)	**4,821**	5,294
Investment in joint venture (Note 12)	**30,703**	30,186
	2,910,990	2,814,848
Liabilities		
Member deposits (Note 14)	**2,616,512**	2,429,252
Payables and other liabilities	**17,253**	28,349
Derivative financial instruments (Note 6)	**10,579**	3,794
Borrowings (Note 13)	**25,051**	117,875
Lease liabilities (Note 15)	**16,748**	15,119
Member shares (Note 16)	**3,671**	3,895
	2,689,814	2,598,284
Members' equity		
Member shares (Note 16)	**195**	113
Retained earnings	**226,737**	216,590
Accumulated other comprehensive loss	**(5,756)**	(139)
	221,176	216,564
	2,910,990	2,814,848

Approved on behalf of the Board

Rob Shirra
Chair, Board of Directors

Bruce Tisdale
Chair, Audit and Risk Committee

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

Consolidated Statement of Income

For the year ended December 31, 2021 ($ in thousands)	2021	2020
Interest revenue		
Interest on member and other loans	**66,141**	72,275
Investment revenue	**5,148**	7,163
	71,289	79,438
Interest expense		
Interest on member deposits	**11,570**	20,196
Interest expense on borrowings	**2,478**	3,869
	14,048	24,065
Financial margin	**57,241**	55,373
Provision for loan impairment (Note 22)	**144**	500
	57,097	54,873
Other income (Note 18)	**22,562**	21,442
	79,659	76,315
Operating expenses		
Employee salaries and benefits	**39,871**	39,684
General operating and administrative (Note 19)	**12,185**	10,363
Data processing	**4,042**	5,155
Occupancy and equipment	**2,882**	2,733
Depreciation and amortization	**5,196**	4,811
	64,176	62,746
Operating income	**15,483**	13,569
Distribution to members (Note 16)	**3,393**	2,985
Income before income taxes	**12,090**	10,584
Provision for (recovery of) income taxes (Note 11)		
Current	**1,469**	2,414
Deferred	**474**	(406)
	1,943	2,008
Net income	**10,147**	8,576

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

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2021 ($ in thousands)	2021	2020
Net income	**10,147**	8,576
Other comprehensive income (loss)		
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain on defined benefit plan, net of income tax	**162**	64
Items that will be reclassified subsequently to profit or loss		
Unrealized losses on mandatory liquidity investments, net of income tax	**(2,033)**	–
Realized gains (losses) on cash flow hedges, net of income tax	**(681)**	2,155
Unrealized losses on cash flow hedges, net of income tax	**(3,065)**	–
	(5,779)	2,155
Other comprehensive income (loss), net of income tax	**(5,617)**	2,219
Total comprehensive income	**4,530**	10,795

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

Consolidated Statement of Changes in Members' Equity

For the year ended December 31, 2021 ($ in thousands)

	Member shares	Retained earnings	Accumulated other comprehensive loss	Total equity
Balance December 31, 2019	**259**	**208,014**	**(2,358)**	**205,915**
Net income	–	8,576	–	8,576
Actuarial gain on defined benefit plan, net of income tax	–	–	64	64
Realized gains on cash flow hedges, net of income tax	–	–	2,155	2,155
Redemption of member shares	(146)	–	–	(146)
Balance December 31, 2020	**113**	**216,590**	**(139)**	**216,564**
Net income	–	10,147	–	10,147
Issuance of member shares, net of income tax	82	–	–	82
Actuarial gain on defined benefit plan	–	–	162	162
Unrealized losses on mandatory liquidity investments, net of income tax	–	–	(2,033)	(2,033)
Realized losses on cash flow hedges, net of income tax	–	–	(681)	(681)
Unrealized losses on cash flow hedges, net of income tax			(3,065)	(3,065)
Balance December 31, 2021	**195**	**226,737**	**(5,756)**	**221,176**

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2021 ($ in thousands)	2021	2020
Cash provided by (used for) the following activities		
Operating activities		
Interest received from member and other loans	**67,423**	73,582
Interest received on investments and derivatives	**5,157**	5,183
Cash received on other income	**20,725**	16,740
Cash paid to suppliers and employees	**(69,242)**	(49,384)
Interest paid on member deposits	**(17,601)**	(21,101)
Interest paid on borrowings	**(2,469)**	(3,946)
Patronage distributions paid to members	**(3,050)**	(2,684)
Income taxes paid	**(540)**	(5,586)
	403	12,804
Financing activities		
Change in borrowings	**(92,824)**	(47,903)
Increase in member deposits	**193,293**	236,575
Reclassification (reduction) of equity shares	**82**	(146)
Advances (to) from joint venture	**(154)**	8
Dividends on equity and non-equity shares	**(91)**	(100)
Repayment of lease liabilities	**(1,986)**	(1,590)
	98,320	186,844
Investing activities		
Increase in member and other loans	**(104,842)**	(41,135)
Purchase of property, plant, equipment and intangibles	**(2,809)**	(8,338)
Net change in investments	**11,763**	(134,602)
	(95,888)	(184,075)
Increase in cash resources	**2,835**	15,573
Cash resources, beginning of year	**71,204**	55,631
Cash resources, end of year	**74,039**	71,204

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

Notes to the Consolidated Financial Statements

1. NATURE OF OPERATIONS

REPORTING ENTITY

Interior Savings Credit Union (the "Credit Union") is incorporated under the Credit Union Incorporation Act of British Columbia and is a member of Central 1 Credit Union Limited ("Central 1"). The Credit Union's operations are subject to the Financial Institutions Act of British Columbia. The Credit Union is approved to operate throughout the Province of British Columbia and primarily serves members in the Thompson Okanagan region of the province. The Credit Union is an integrated financial institution that provides a wide range of financial products and services that comprise one business operating segment. The Credit Union's head office is located at 678 Bernard Avenue, Kelowna, British Columbia.

BASIS OF PRESENTATION

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

The consolidated financial statements include, in addition to the accounts of the Credit Union, the accounts of its wholly owned subsidiaries, Interior Savings Estate Planning Inc., and Interior Savings Investment Management Inc. All intercompany balances and transactions have been eliminated.

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with all IFRSs issued by the IASB, and in effect, as at December 31, 2021.

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on March 19, 2022.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

BASIS OF MEASUREMENT

These consolidated financial statements are prepared under the historical cost convention except for the revaluation of certain financial instruments.

FUNCTIONAL AND PRESENTATION CURRENCY

The Credit Union's functional and presentation currency is the Canadian dollar. The consolidated financial statements are presented in thousands of Canadian dollars.

2. CHANGE IN ACCOUNTING POLICIES

STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT PERIOD

The Credit Union adopted amendments to the following standards, effective January 1, 2021. Adoption of these amendments had no material effect on the Credit Union's consolidated financial statements.

- IFRS 2 Share Based Payments
- IFRS 3 Business combinations
- IFRS 10 Consolidated Financial Statements
- IFRS 13 Fair Value Measurement
- IAS 16 Property, plant and equipment
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

As the precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements for a period necessarily involves the use of estimates and approximations which have been made using careful judgment. These estimates are based on management's best knowledge of current events and actions that the Credit Union may undertake in the future.

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

ALLOWANCE FOR EXPECTED CREDIT LOSSES

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

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

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

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

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

- Interest rates
- Unemployment rates
- Gross domestic product
- Loan to value ratios
- Vacancy rates
- Bankruptcy rates
- Inflation

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

Impact of the COVID-19 pandemic:
As a result of COVID-19, there is a higher degree of uncertainty in determining reasonable and supportable forward-looking information used in assessing significant increase in credit risk and measuring expected credit losses. The impact of the pandemic on the long-term outlook remains fluid and uncertain, and forward looking information has been updated to the best of the Credit Union's knowledge based on external economic data.

The current environment is subject to rapid change and to the extent that certain effects of COVID-19 are not fully incorporated into the model calculations, increased temporary quantitative and qualitative adjustments have been considered and applied where necessary. This includes borrower credit scores, industry and geography specific COVID-19 impacts, payment support initiatives introduced by the Credit Union, the governments, and the persistence of the economic shutdown, the effects of which are not yet fully reflected in the quantitative models. The Credit Union has performed certain additional qualitative portfolio and loan level assessment if significant changes in credit risk were identified.

FINANCIAL INSTRUMENTS NOT TRADED IN ACTIVE MARKETS

For financial instruments not traded in active markets, fair values are determined using valuation techniques such as the discounted cash flow model that rely on assumptions that are based on observable active markets or rates. Certain assumptions take into consideration liquidity risk, credit risk and volatility.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

INCOME TAX

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

CLASSIFICATION OF FINANCIAL ASSETS

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

HEDGE ACCOUNTING

In applying hedge accounting, the Credit Union uses the following key judgments:

1. **An economic relationship exists between the hedged item and the hedging instrument based on a hedge ratio**

The Credit Union uses the same hedge ratio for the hedging relationship as the one that results from the actual quantity of the portfolio of loans (hedged item) and the interest rate swap (hedging instrument). Interest rate swaps (hedging instruments) are specifically transacted to economically hedge the portfolio of loans (hedged items). The fair values of the hedging instruments and the hedged items move in the opposite direction because of the interest rate risk. Therefore, there is an economic relationship between the portfolios of loans (or a portion thereof) and the swaps.

2. **Critical terms of the hedged item and hedging instrument**

The Credit Union assesses at inception and in subsequent periods whether the following critical terms of the hedged item and the hedging instrument have changed:

- Notional amount
- Maturity
- Correlation between 3 month Canadian Dealer Offered Rate ("CDOR") and Prime rate
- Weighted average interest rate

3. **Effect of credit risk**

The Credit Union enters into interest rate swaps as hedging instruments with a highly rated counterparty. Therefore, Credit Valuation Adjustment on the hedging instrument is expected to not be material or volatile in a manner to dominate the value changes resulting from the economic relationship.

Further, the Credit Union considers its own credit risk as low (at December 31, 2021 the Credit Union was above policy and target for all capital measures) and as a consequence, Debt Valuation Adjustment on the hedged item is not expected to dominate the hedge effectiveness assessment.

As interest rate swaps are specifically transacted to economically hedge existing loans, application of hedge accounting will align with the risk management strategy of the Credit Union and therefore, the Credit Union's hedging relationship and risk management objective contributes to executing the overall risk management strategy.

For more information refer to Note 22.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Credit Union and its subsidiaries.

Subsidiaries are entities controlled by the Credit Union. Control is achieved where the Credit Union is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Credit Union the current ability to direct the relevant activities and that the Credit Union has the practical ability to exercise, is considered.

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

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with those used by other members of the group.

Any balances, unrealized gains and losses or income and expenses arising from intra-Company transactions, are eliminated upon consolidation. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Credit Union's interest in the investee. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that there is no evidence of impairment.

CASH

Cash includes cash on hand, operating deposits with financial institutions, and for the purpose of the consolidated statement of cash flows, bank overdrafts that are repayable on demand.

INVESTMENTS

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

MEMBER AND OTHER LOANS

All member and other loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Member and other loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred. Member and other loans are subsequently measured at amortized cost, using the effective interest rate method, less any allowance for estimated credit losses.

JOINT VENTURES

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to net assets of the arrangement.

The Credit Union reports its interests in joint ventures over which it has joint control using the equity method. Under the equity method, investments in the joint ventures are initially accounted for at cost, and thereafter adjusted for post- acquisition changes in the Credit Union's share of the net assets of the joint venture, less any impairment in the value of an individual investment. Where losses of a joint venture exceed the Credit Union's interest in that joint venture, the excess is recognized only to the extent that the Credit Union has incurred legal or constructive obligations on behalf of the joint venture.

The Credit Union's earnings includes its share of the joint venture's earnings. Distributions received from a joint venture reduce the carrying amount of the investment. All other net asset changes are recognized in equity. The financial statements of the joint venture are prepared for the same reporting period as the Credit Union.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized in earnings and is provided on a straight-line basis over the estimated useful life of the assets as follows:

	Rate
Buildings	20 or 40 years
Computer equipment	3 – 10 years
Leasehold improvements	Lease term to a maximum of 10 years
Furniture and fixtures	5 or 10 years
Branch improvements	10 years
Right-of-use buildings	Lease term

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

INTANGIBLE ASSETS

Intangible assets consist of computer software that is not integral to the computer hardware owned by the Credit Union. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment losses. Software is amortized on a straight-line basis over an estimated useful life of 3-10 years. Assets not yet in use are not amortized.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less cost to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs, for which there are separately identifiable cash flows.

Impairment charges are included in earnings, except to the extent they reverse gains previously recognized in other comprehensive income.

PAYABLES AND OTHER LIABILITIES

Payables and other liabilities are initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

MEMBER DEPOSITS

All member deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument and are subsequently measured at amortized cost, using the effective interest rate method.

SECURITIZATION

For securitization transactions, loans are derecognized only when the contractual rights to receive the cash flows from these assets have ceased to exist or substantially all the risks and rewards of the loans have been transferred. If the criteria for derecognition have not been met, the securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized costs, using the effective interest rate method.

The Credit Union's securitization activity primarily involves sales of National Housing Act Mortgage-Backed Securities (NHA MBS) through the Canada Housing Trust (CHT).

Mortgages transferred to CHT continue to be recognized in the Credit Union's consolidated statement of financial position as, in the opinion of the Credit Union's management, these transactions do not result in the transfer of substantially all the risks and rewards of ownership of the underlying assets. Consideration received from CHT as a result of these transactions is recognized in the Credit Union's consolidated statement of financial position as borrowings.

PENSION PLAN

The Credit Union has both defined contribution and defined benefit pension plans, including participation in a multi-employer defined benefit plan.

In defined contribution plans, the Credit Union pays contributions to separate legal entities, and the risk of a change in value rests with the employee. Thus, the Credit Union has no further obligations once the contributions are paid. Premiums for defined contribution plans are expensed when an employee has rendered his/her services.

In the defined benefit plan, a liability is recognized as the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, adjusted for any actuarial gains or losses and past service costs. Actuarial gains and losses have been recognized in other comprehensive income in the period in which they occur. Past service costs are recognized immediately in profit or loss. Contributions are recognized as employee benefit expense when they are due. Excess/shortfall of contribution payments over the contribution due for service, is recorded as an asset/liability.

The multi-employer defined benefit pension plan is accounted for using defined contribution accounting as sufficient information is not available to apply defined benefit accounting.

MEMBER SHARES

Member shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability. Shares that contain redemption features are accounted for using the partial treatment requirements of *IFRIC 2 Member Shares in Co-operative Entities and Similar Instruments*.

LEASES

The Credit Union assesses at inception of a contract, whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the customer has the following through the period of use:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

Where the Credit Union is a lessee in a contract that contains a lease component, the Credit Union allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The Credit Union has elected to not separate non-lease components from lease components for leases of land and buildings, and instead accounts for each lease component and any associated non-lease components as a single lease component.

Where the Credit Union is a lessor in a contract that contains a lease component and one or more additional lease or non- lease components, the Credit Union allocates the consideration in the contract in accordance with IFRS 15, whereby the consideration is allocated to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

At the lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is comprised of the initial amount of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred by the Credit Union, and an estimate of the costs to be incurred by the Credit Union in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Credit Union measures right-of-use assets related to buildings by applying the cost model, whereby the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful life of the right-of-use assets are determined on the same basis as those of property, plant and equipment. The determination of the depreciation period is dependent on whether the Credit Union expects that the ownership of the underlying asset will transfer to the Credit Union by the end of the lease term or if the cost of the right-of-use asset reflects that the Credit Union will exercise a purchase option.

The lease liability is initially measured at the present value of the lease payments not paid at the lease commencement date, discounted using the interest rate implicit in the lease or the Credit Union's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined. The lease payments included in the measurement of the lease liability comprise of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable by the Credit Union under a residual value guarantee, the exercise price of a purchase option that the Credit Union is reasonably certain to exercise, and payment of penalties for terminating the lease if the lease term reflects the Credit Union exercising an option to terminate the lease. After the commencement date, the Credit Union measures the lease liability at amortized cost using the effective interest method.

The Credit Union remeasures the lease liability when there is a change in the lease term, a change in the Credit Union's assessment of an option to purchase the underlying asset, a change in the Credit Union's estimate of amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. On remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Credit Union has elected to not recognize right-of-use assets and lease liabilities for short-term leases of computer equipment or furniture and fixtures and low value leases of computer equipment or furniture and fixtures. Short-term leases are leases with a term of twelve months or less. Low value leases are leases where the underlying asset has a new value of $5,000 USD or less. The Credit Union recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

The Credit Union assesses at lease inception whether a lease should be classified as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset; otherwise it is classified as an operating lease.

When the Credit Union is an intermediate lessor, the Credit Union classifies the sub-lease by reference to the right-of-use asset arising from the head lease unless the head lease is a short-term lease that the entity, as a lessee, has applied the recognition exemption to, in which case the sublease is classified as an operating lease.

Lease payments from operating leases are recognized as income on either a straight-line basis or another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

DISTRIBUTIONS TO MEMBERS

Patronage distributions, dividends to members and other distributions approved by the Board are recognized in earnings in the year that they are declared.

INCOME TAXES

Income tax expense is comprised of current and deferred taxes which are recognized in earnings except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

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

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

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

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

FOREIGN CURRENCY TRANSLATION

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in earnings.

FAIR VALUE MEASUREMENTS

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

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

CDOR is the Canadian Dollar Overnight Rate, used for Level 2 discount rate purposes.

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

FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

Recognition and initial measurement

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

The best evidence of fair value at initial recognition is normally the transaction price. If a difference exists between fair value at initial recognition and the transaction price, and fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (i.e., a level 1 input) nor based on a valuation technique that uses only data from observable markets, then the measurement at initial recognition is adjusted to defer the difference between fair value and the transaction price.

Classification and subsequent measurement

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

Financial assets classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of Central 1 other deposits, other financial institution deposits, member and other loans, accrued interest and other receivables.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Financial assets measured at fair value through other comprehensive income are comprised of derivative financial instruments in a hedging relationship and mandatory liquidity investments.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash and derivative financial instruments.
- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets designated to be measured at fair value through profit or loss are comprised of portfolio investments.

The Credit Union measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. Equity investments measured at fair value through profit or loss are comprised of shares of Central 1, and other equity investments.

Refer to Note 21 and 22 for more information about financial instruments held by the Credit Union, their measurement basis, and their carrying amount.

Business model assessment

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

Contractual cash flow assessment

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

Reclassifications

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

Impairment

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

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

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

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

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include loan delinquency of 90 days or more, breaches of borrowing contracts such as default events or breaches of borrowing covenants, and available borrower specific information indicating financial difficulty of the borrower that is expected to have a detrimental effect on future cash flow. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

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

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial asset;
- For loan commitments and financial guarantee contracts, as a provision;
- For facilities with both a drawn and undrawn component where the Credit Union cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision; and
- For debt instruments measured at fair value through other comprehensive income, in other comprehensive income. The loss allowance does not reduce the fair value carrying amount of the financial asset in the consolidated statement of financial position.

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

Refer to Note 22 for additional information about the Credit Union's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets

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

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

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

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

The Credit Union engages in securitization transactions resulting in transfers not qualifying for derecognition, where substantially all risks and rewards of ownership have been retained. For these transactions, the transferred asset continues to be recognized in its entirety and a financial liability is recognized for the consideration received. Income on the transferred asset and expenses incurred on the financial liability are recognized in subsequent periods.

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

Modification of financial assets

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

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

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

FINANCIAL LIABILITIES

Recognition and initial measurement

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

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

Classification and subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at amortized cost or fair value through profit or loss.

All other financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities measured at amortized cost include member deposits, payables and other liabilities, borrowings, and member shares.

The classification of a financial instrument or component as a financial liability or equity instrument determines where gains or losses are recognized. Interest, dividends, gains and losses relating to financial liabilities are recognized in profit or loss while distributions to holders of instruments classified as equity are recognized in equity.

Financial liabilities are not reclassified subsequent to initial recognition.

Derecognition of financial liabilities

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

Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date the Credit Union becomes party to the provisions of the contract, and are subsequently remeasured at fair value at the end of each reporting period. Changes in the fair value of derivatives not designated as a hedging instrument are recognized in profit or loss.

The Credit Union designates certain derivative financial instruments as the hedging instrument in qualifying hedging relationships in order to better reflect the effect of its risk management activities in the consolidated financial statements.

Qualifying hedging relationships are those where there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the value changes that result from that economic relationship, and the hedge ratio of the hedging relationship is the same as that resulting from the actual quantities of the hedging instrument and the hedged item that the Credit Union uses for hedging purposes.

At inception of the hedging relationship, the Credit Union documents the economic relationship between the hedging instrument(s) and the hedged item(s), along with its risk management objective and strategy.

Fair value hedges

The Credit Union, in accordance with its risk management strategies, manages interest rate risk through interest rate swaps.

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Credit Union's risk management objective and strategy for undertaking the hedge;
- The effectiveness of the hedge can be reliably measured; and
- The hedge is expected to be highly effective at inception and remains highly effective on each date it is tested. The Credit Union tests the effectiveness of its hedges on an annual basis.

Changes in the fair value of the hedging instrument are recognized immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the risks being hedged. Where the hedged item is an equity investment for which the Credit Union has elected to present changes in fair value in other comprehensive income, the changes in the fair value of the hedged item and the hedging instrument are recognized in other comprehensive income.

Where the Credit Union has designated a group of assets and/or liabilities in a fair value hedge, gains and losses are presented in the consolidated statement of financial position as an adjustment to the carrying amount of the respective individual items comprising the group.

For hedges of groups of items that have offsetting risk positions, hedging gains or losses are presented in the consolidated statement of income in other interest revenue/expense.

When the hedged item is a financial instrument measured at amortized cost, adjustments to the hedged item are amortized to profit or loss. Amortization may begin as soon as a hedging adjustment exists but no later than when the hedged item ceases to be adjusted for hedging gains and losses. Amortization is based on a recalculated effective interest rate calculated at the date that amortization begins.

Cash flow hedges

The Credit Union uses cash flow hedges to hedge its exposure to the variability of cash flows related to variable interest bearing instruments or the forecasted assurance of fixed rate liabilities. The Credit Union's cash flow hedges include hedges of floating rate loans, embedded derivatives and other derivatives related to index-linked deposits.

The Credit Union accumulates changes in fair value related to the effective portion of the hedging instrument in the cash flow hedge reserve within equity. The effective portion of the hedge is equal to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item from inception of the hedge. The ineffective portion of changes in the fair value of the hedging instrument is recognized immediately in profit or loss.

When the hedged item is a forecast transaction that subsequently results in recognition of a non-financial asset or liability, the amounts accumulated in the cash flow hedge reserve are removed from equity and included directly in the initial cost or other carrying amount of the asset or liability. This adjustment does not affect other comprehensive income, unless that amount is a loss and the Credit Union expects that all or a portion of the loss will not be recovered in future periods. In this case, the Credit Union immediately reclassifies the amount not expected to be recovered to profit or loss as a reclassification adjustment.

Otherwise, amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period(s) during which the hedged expected future cash flows affect profit or loss. The amounts reclassified to profit or loss are presented in the same line item as the underlying hedged transaction.

When hedge accounting is discontinued for a cash flow hedge and the hedged future cash flows are still expected to occur, accumulated hedging gains or losses remain in the cash flow hedge reserve until such time as the future cash flows occur and are then accounted for as described above. If the hedged future cash flows are no longer expected to occur, accumulated hedging gains and losses are immediately reclassified to profit or loss.

Rebalancing and discontinuation of hedging relationships

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedging relationship continues to qualify for hedge accounting, the hedging ratio is rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item to realign the hedge ratio with the ratio used for risk management purposes. Hedge ineffectiveness is recognized in profit or loss at the time of rebalancing.

Hedge accounting is discontinued prospectively when the hedging relationship ceases to meet the qualifying criteria, including instances where the hedging instrument expires or is sold, terminated or exercised.

REVENUE RECOGNITION

The following describes the Credit Union's principal activities from which it generates revenue.

Interest

Interest income and expense are recognized in earnings using the effective interest method.

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

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

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

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

Other revenue

The Credit Union generates revenue from other revenue streams including services charges, loan fees and penalties, and commissions. Revenue is recognized as services are rendered.

The member obtains the benefit of having the Credit Union perform a revenue generating service. This occurs immediately when the service is performed; therefore, revenue is recognized at that point in time.

Consideration is typically due when the policy has been rendered to the member. The amount of revenue recognized on these transactions is based on the price specified in the contract.

Management has not made any judgments in determining the amount of costs incurred to obtain or fulfill a contract with a member as it does not expect these costs to be recovered. Such costs are expensed in the period in which they are incurred.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Credit Union has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2021 but are not yet effective. Unless otherwise stated, the Credit Union does not plan to early adopt any of these new or amended standards and interpretations.

ANNUAL IMPROVEMENTS TO IFRSS 2018–2020 CYCLE

The Annual Improvements to IFRSs 2018 – 2020 Cycle, issued in May 2020, include a series of amendments to IFRSs in response to issues addressed during the 2018-2020 cycle as follows:

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendments simplify the application of IFRS 1 by a subsidiary, that becomes a first-time adopter of IFRS standards later than its parent by allowing the subsidiary to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRSs.

IFRS 9 Financial Instruments

The amendments clarify which fees an entity includes when performing the 10 percent test used to determine whether to derecognize a financial liability. An entity shall include only the fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or lender on the other's behalf.

IFRS 16 Leases

The amendments resolve the potential for confusion regarding the treatment of lease incentives by amending Illustrative Example 13 to remove the reimbursement of leasehold improvements by the lessor.

These amendments are effective for annual periods beginning on or after January 1, 2022. The Credit Union is currently assessing the impact of these amendments on its consolidated financial statements.

IFRS 3 BUSINESS COMBINATIONS

Amendments to IFRS 3, issued in May 2020, update all old references in IFRS 3 to the old *Conceptual Framework* to the revised *Conceptual Framework for Financial Reporting*. The amendments also add an exception to the IFRS 3 recognition requirements, whereby for liabilities and contingent liabilities within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 Levies if incurred separately, an acquirer would apply IAS 37 or IFRIC 21 to identify the obligations assumed in a business combination, instead of the *Conceptual Framework*. Finally, the amendments make requirements for contingent assets more explicit by adding a statement in IFRS 3 that an acquirer should not recognize contingent assets acquired in a business combination.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022. The Credit Union is currently assessing the impact of these amendments on its consolidated financial statements.

IFRS 16 LEASES

Amendments to IFRS 16, issued in March 2021, extend the availability of the exemption for COVID-19 related rent concessions by one year to June 30, 2022. The exemption applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided that the other conditions for applying the practical expedient are met.

The amendments are effective for transactions for annual reporting periods beginning on or after April 1, 2021. The Credit Union is currently assessing the impact of these amendments on its consolidated financial statements.

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS AND IFRS PRACTICE STATEMENT 2 MAKING MATERIALITY JUDGEMENTS

Amendments to IAS 1 and IFRS Practice Statement 2, issued in February 2021, help entities provide accounting policy disclosures that are more useful to primary users of financial statements by replacing the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies and providing guidance to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments are effective for annual periods beginning on or after January 1, 2023 and are required to be applied prospectively. The Credit Union is currently assessing the impact of these amendments on its consolidated financial statements.

IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

Amendments to IAS 8, issued in February 2021, introduce a new definition of "accounting estimates" to replace the definition of "change in accounting estimates" and also include clarification intended to help entities distinguish changes in accounting policies from changes in accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Credit Union is currently assessing the impact of these amendments on its consolidated financial statements.

IAS 16 PROPERTY, PLANT, AND EQUIPMENT

Amendments to IAS 16, issued in May 2020, prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be available for use. Instead, the proceeds from selling such items, and the costs of producing those items, would be recognized in profit or loss.

The amendments are effective for annual periods beginning on or after January 1, 2022. The Credit Union is currently assessing the impact of these amendments on its consolidated financial statements.

IAS 37 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Amendments to IAS 37, issued in May 2020, specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract.

The amendments are effective for annual periods beginning on or after January 1, 2022. The Credit Union is currently assessing the impact of these amendments on its consolidated financial statements.

5. INVESTMENTS

The following table provides information on the investments by financial instrument classification, type, and issuer. The maximum exposure to credit risk would be the carrying value in Note 22.

	2021	2020
Other investments		
Measured at amortized cost		
Central 1 liquidity deposits – Canadian	–	197,467
Central 1 other deposits – Canadian	**70,000**	70,000
Central 1 other deposits – US	**11,724**	16,368
Other financial institution deposits	**55,000**	75,000
Accrued interest receivable	**761**	1,818
	137,485	360,653
Measured at fair value through other comprehensive income		
Mandatory liquidity investments	**217,023**	–
Measured at fair value through profit or loss		
Portfolio investments	**30,043**	29,865
	384,551	390,518
Equity investments		
Measured at fair value through profit or loss		
Central 1 shares	**867**	9,895
Other investments	**4,096**	4,224
	4,963	14,119
Total	**389,514**	404,637

The Credit Union must maintain mandatory liquidity investments as required by governing legislation. The investments can be withdrawn only if there is a sufficient reduction in the Credit Union's member deposits.

Other financial institution deposits represent interest bearing deposit notes held at other financial institutions.

Portfolio investments include multi-strategy investment funds consisting of both equity and fixed income instruments.

Central 1 is the central financial association for the British Columbia and Ontario Credit Union systems. Investment in shares of Central 1 is required by governing legislation and is a condition of membership in Central 1. These shares are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. The Credit Union is not intending to dispose of any Central 1 shares as the services supplied by Central 1 are relevant to the day-to-day activities of the Credit Union.

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Credit Union enters into derivative financial instruments for risk management purposes. Derivative financial instruments used by the Credit Union include:

- Interest rate swaps, which are used to hedge the Credit Union's exposure to interest rate risk.
- Foreign exchange forward contracts, which are used to hedge the Credit Union's exposure to foreign exchange risk.
- Index-linked call options, which are used to directly hedge member index-linked deposits.

The notional amounts of these derivative financial instruments are not recorded in the consolidated financial statements. Derivatives are recorded at fair value on the consolidated statement of financial position. The fair value of the derivative financial instrument assets and liabilities at December 31, 2021 were $7,243 and $10,579, respectively (2020 - $3,747 and $3,794).

Derivative financial information:

				Notional amounts		Fair values	
	Within 1 year	1–5 years	> 5 years	2021	2020	2021	2020
Interest rate swaps	–	**146,000**	–	**146,000**	25,000	**(2,143)**	(36)
Forward start interest rate swaps	–	**400,000**	–	**400,000**	2,500	**(1,193)**	(11)
Index-linked call options	**11,526**	**27,299**	–	**38,825**	47,359	**7,243**	3,747
Embedded derivatives in index-linked deposits		–	–	–	–	**(7,243)**	(3,747)
	11,526	**573,299**	–	**584,825**	74,859	**(3,336)**	(47)

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Computer equipment	Leasehold improvements	Furniture and fixtures	Branch improvements	Right-of-use buildings	Total
Cost								
Balance at December 31, 2019	2,124	14,573	7,607	11,322	14,828	7,811	15,021	78,286
Additions	–	–	441	1,211	480	42	3,145	5,319
Disposals	–	–	–	–	–	–	(319)	(319)
Balance at December 31, 2020	2,124	14,573	8,048	12,533	15,308	7,853	17,847	78,286
Disposals	–	–	388	1,490	162	–	2,938	4,978
Additions	–	–	–	–	–	–	(275)	(275)
Balance at December 31, 2021	2,124	14,573	8,436	14,023	15,470	7,853	20,510	82,989
Depreciation								
Balance at December 31, 2019	–	10,191	7,027	8,117	13,574	4,199	1,665	44,773
Depreciation expense	–	474	385	608	417	771	1,737	4,392
Disposals	–	–	–	–	–	–	(319)	(319)
Balance at December 31, 2020	–	10,665	7,412	8,725	13,991	4,970	3,083	48,846
Depreciation expense	–	468	406	678	439	700	1,688	4,379
Disposals	–	–	–	–			(275)	(275)
Balance at December 31, 2021	–	11,133	7,818	9,403	14,430	5,670	4,496	52,950
Net book value								
At December 31, 2020	2,124	3,908	636	3,808	1,317	2,883	14,764	29,440
At December 31, 2021	2,124	3,440	618	4,620	1,040	2,183	16,014	30,039

8. INTANGIBLE ASSETS

	Computer software
Cost	
Balance at December 31, 2019	**4,223**
Additions	**6,164**
Disposals	**(1,385)**
Balance at December 31, 2020	**9,002**
Additions	**769**
Balance at December 31, 2021	**9,771**
Amortization	
Balance at December 31, 2019	**2,318**
Amortization expense	**522**
Disposals	**(1,289)**
Balance at December 31, 2020	**1,551**
Amortization expense	**817**
Balance at December 31, 2020	**2,368**
Carrying amounts	
At December 31, 2020	7,451
At December 31, 2021	**7,403**

9. OTHER ASSETS

	2021	2020
Accounts receivable	**426**	447
Loan origination/acquisition fees	**3,259**	2,352
Prepaid expenses and deposits	**2,585**	2,121
	6,270	4,920

10. ADVANCES TO JOINT VENTURE

Advances to joint venture are unsecured, non-interest bearing and have no fixed terms of repayment.

	2021	2020
1200089 B.C. Ltd., a company held through joint arrangement	**253**	251
Interior Savings Insurance Services Inc., a wholly owned subsidiary of 1200089 B.C. Ltd.	**6**	163
	259	414

11. INCOME TAXES

The significant components of the tax effect of the amounts recognized in other comprehensive income are comprised of:

	2021	2020
Current tax recovery based on:		
Actuarial (gain) loss on defined benefit planning	**(29)**	11
Unrealized losses on mandatory liquidity investments	**291**	–
Unrealized losses on cash flow hedges	**540**	–
	802	11

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 27% (2020–27%) are as follows:

	2021	2020
Current income tax expense		
Income before income taxes	**12,090**	10,584
Income tax expense on the statutory rate	**3,264**	2,857
Preferred rate deduction for credit unions	**(1,639)**	(1,137)
Items not deductible or taxable for tax purposes	**271**	161
Other	**–**	155
Paid (received) on reassessed returns	**(1,229)**	367
Tax effect of amounts recorded in other comprehensive income (as shown above)	**802**	11
	1,469	2,414
Deferred taxes	**474**	(406)
	1,943	2,008

The movement in 2021 deferred tax assets and liabilities are:

	Jan 1, 2021	Recognized in net income	Dec 31, 2021
Deferred tax assets:			
Property, plant and equipment	**755**	**(755)**	–
Allowance for impaired loans	**1,715**	**201**	**1,916**
Other liabilities	**2,884**	**1,254**	**4,138**
Other	**29**	**(2)**	**27**
Lease liabilities	**96**	**103**	**199**
	5,479	**801**	**6,280**
Deferred tax liabilities:			
Property, plant and equipment	–	**(1,169)**	**(1,169)**
Equity pickup on investment in joint venture	**(185)**	**(105)**	**(290)**
	(185)	**(1,274)**	**(1,459)**
	5,294	**(473)**	**4,821**

The movement in 2020 deferred tax assets and liabilities are:

	Jan 1, 2020	Recognized in net income	Dec 31, 2020
Deferred tax assets:			
Property, plant and equipment	225	530	755
Allowance for impaired loans	1,584	131	1,715
Other liabilities	2,885	(1)	2,884
Other	249	(220)	29
Lease liabilities	49	47	96
Deferred tax liabilities:	4,992	487	5,479
Equity pickup on investment in joint venture	(104)	(81)	(185)
	4,888	406	5,294

	2021	2020
Deferred tax assets		
Deferred tax assets to be settled within 12 months	**1,916**	1,715
Deferred tax assets to be settled after more than 12 months	**4,364**	3,764
	6,280	5,479
Deferred tax liabilities to be recovered after more than 12 months	**(1,459)**	(185)
Net deferred tax asset	**4,821**	5,294

12. INVESTMENT IN JOINT VENTURE

The Credit Union holds a 50% interest in 1200089 B.C. Ltd. with another credit union. 1200089 B.C. Ltd. has the following wholly owned subsidiaries:

- Interior Savings Insurance Services Inc.
- Coastal Community Insurance Services (2007) Ltd.

The following table illustrates summarized financial information representing the Credit Union's interest in 1200089 B.C. Ltd.:

	2021	2020
Share of 1200089 B.C. Ltd.'s statement of financial position		
Cash	**8,166**	6,409
Other current assets	**1,634**	2,179
Non-current assets	**16,878**	17,155
Current liabilities	**(2,163)**	(1,871)
Non-current liabilities	**(2,741)**	(2,906)
Equity	**21,774**	20,966

	2021	2020
Share of 1200089 B.C. Ltd.'s revenue and profit		
Revenue	**12,375**	12,022
Investment in joint venture		
Opening balance	**30,186**	30,040
Change in value	**517**	146
Ending balance	**30,703**	30,186

13. BORROWINGS AND BANK INDEBTEDNESS

The Credit Union maintains operating lines of credit and short term borrowing facilities with Central 1 and other major financial institutions which are secured by general security agreements and a demand debenture creating floating charges over the assets of the Credit Union. The approved facilities total $134,637 (2020 - $159,637) and any undrawn amount may be subject to standby fees. This facility was not drawn down as at December 31, 2021 (2020 - draw down $Nil).

The Credit Union is an approved issuer of mortgage backed securities pools ("MBS"), some of which may be included in the Canada Mortgage Bond ("CMB") program administered by the Canada Housing Trust. The MBS and CMB amounts below represent the repayment obligation amounts of MBS pools and 5-year CMBs maturing in 2022 and are secured by specific pools of member and other loans. In order to ensure sufficient assets are available to meet its repayment obligations, the Credit Union maintains reinvestment accounts as required under the terms of the CMB program. The outstanding balance of the CMB at December 31, 2021 was $25,051 (2020 - $117,875).

14. MEMBER DEPOSITS

	2021	2020
Demand deposits	**1,543,840**	1,281,698
Registered plans	**552,332**	583,726
Term deposits	**517,362**	554,813
Accrued interest payable	**2,866**	8,897
Non-equity shares	**112**	118
	2,616,512	2,429,252

Included in registered plans are retirement savings plans, retirement income funds, registered educations savings plans, registered disability savings plans and tax free savings accounts.

15. LEASE LIABILITIES

LEASES AS LESSEE

The Credit Union leases buildings for some of its branches. These leases generally span a period of 5 years and include an option to renew the lease for an additional 5 years after the end of the initial contract term.

RIGHT-OF-USE ASSETS

Right-of-use assets of the Credit Union have been presented within property, plant and equipment in the consolidated statement of financial position. Refer to Note 7 for information pertaining to right-of-use assets arising from lease arrangements in which the entity is a lessee.

LEASE LIABILITIES

The following table sets out a maturity analysis of lease liabilities:

	2021	2020
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**1,886**	1,770
One to five years	**6,174**	5,218
More than five years	**10,961**	10,570
Total undiscounted lease liabilities	**19,021**	17,558
Discounted lease liabilities included in the consolidated statement of financial position	**16,748**	15,119
Current	**1,498**	1,436
Non-current	**15,250**	13,683

AMOUNTS RECOGNIZED IN EARNINGS

The Credit Union has recognized the following amounts in the consolidated statement of income:

	2021	2020
Interest expense on lease liabilities	**(480)**	(348)
Expenses relating to short-term leases	**(1)**	(1)
Income from sub-leasing right-of-use assets	**497**	566

16. MEMBER SHARES

		2021		2020	
	Authorized	Equity	Liability	Equity	Liability
Investment equity shares	**Unlimited**	**195**	**2,871**	113	2,977
Member equity shares	**Unlimited**	**–**	**800**	–	918
		195	**3,671**	113	3,895

Member shares are recognized as a liability or equity based on the terms and in accordance with *IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments*. If they are classified as equity, they are recognized at cost. If they are recognized as a liability, they are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

Both classes of shares have a par value and redemption value of one dollar per share. Monies invested in membership equity and investment equity shares are not guaranteed by the Credit Union Deposit Insurance Corporation of British Columbia.

INVESTMENT EQUITY SHARES

Investment equity shares are non-voting, can be issued only to members of the Credit Union, and are redeemable under certain conditions at the discretion of the Board of Directors. The present value of investment equity shares that are available for redemption are classified as a liability. Any difference between the total membership shares and the liability amount is classified as equity.

MEMBERSHIP EQUITY SHARES

As a condition of membership, each member is required to own at least $5 of membership equity shares. These membership shares are redeemable at par only upon withdrawal of membership.

Distributions to members

	2021	2020
Patronage distributions	**2,704**	2,335
Dividends on members' shares	**89**	100
Bursary program	**600**	550
	3,393	2,985

Patronage distributions are calculated based on the level of business a member conducts with the Credit Union. Dividends and other approved distributions may be paid at the discretion of the Board of Directors in the form of cash or additional shares.

17. PENSION PLAN

The Credit Union provides four types of retirement plan options for its employees. These include participation in a multi- employer defined benefit pension plan (the "Plan"), administered by Central 1; participation in a defined benefit Supplemental Employee Retirement Plan (the "SERP"), administered by the Credit Union; participation in a group registered retirement savings plan, administered by the Credit Union; and participation in a money purchase plan offered and administered by Central 1. The annual cost of the pension benefits for the Plan and the SERP have been determined by an independent actuary based on the accrued benefit actuarial cost method.

The Plan is a contributory, multiemployer, multidivisional registered pension plan governed by a Board of Trustees which is responsible for overseeing the management of the Plan, including the investment of the assets and administration of the benefits. The Credit Union is one of several employers participating in the 1.75% Defined Benefit Division of the Plan. As of September 30, 2021, this Division covered about 3,500 active employees and approximately 1,400 retired plan members, with reported assets of approximately $1,036,000. At least once every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of the funding levels. The most recent actuarial valuation of the 1.75% Division of the Plan as at December 31, 2018 indicated a going concern surplus of $31,600 and a solvency deficiency of $99,500, based on market value assets of approximately $735,000. Employer contributions to the Plan are established by the Trustees upon advice from the Plan's actuaries, including amounts to finance any solvency deficiencies over time. The next formally scheduled actuarial valuation is for the reporting date of December 31, 2021 although the Trustees have the discretion of conducting a valuation for an earlier reporting date. The Credit Union paid $3,770 (2020 - $3,662) in employer contributions to the plan in fiscal year 2021.

The SERP is a non-registered, unfunded defined benefit plan covering certain employees of the Credit Union. Every year, an actuarial valuation is performed to determine the accrued benefit obligation and the annual pension cost. The most recent actuarial valuations were as of December 31, 2021 for the SERP. The Credit Union contributed $174 during the year (2020 - $196).

The Credit Union also provides additional pension benefits to certain eligible employees who are members of the registered retirement savings plan. Under this plan, the Credit Union contributes to an employee's registered plan an amount based on a percentage of the employee's earnings, and expenses the contributions to the plan in the year in which payments are made. Additionally, the employee can contribute to this plan. The Credit Union contributed $29 during the year (2020 - $47).

The money purchase plan is also a multi-employer pension plan with several active contributors from various Credit Unions. The Credit Union contributes to an employee's pension plan account an amount based on a percentage of the employee's earnings and expenses the contributions to the plan in the year in which payments are made. The Credit Union contributed $24 during the year (2020 - $23).

Funding of the Plan complies with applicable regulations that require actuarial valuations of the pension funds at least once every three years in Canada, depending on the funding status.

18. OTHER INCOME

	2021	2020
Member and other loan fees	**8,269**	4,365
Commissions	**6,360**	5,435
Member account service fees	**4,456**	4,892
Credit card commissions	**845**	682
Other accounts	**627**	560
Equity from investment in associate	**517**	616
Foreign exchange	**512**	186
Rental income	**497**	566
Management fees	**479**	460
Gain on Central 1 liquidity deposits	**–**	3,680
	22,562	21,442

19. GENERAL OPERATING AND ADMINISTRATIVE

	2021	2020
Professional fees	**2,333**	1,911
Deposit insurance	**1,825**	659
Advertising	**1,656**	1,683
Member services and lending	**1,436**	1,083
Bank charges and interest	**1,254**	1,275
Telephone	**717**	300
Other	**717**	1,121
Courier and postage	**475**	518
Sponsorship and donations	**462**	373
Stationery and supplies	**412**	599
Training, meetings and travel	**398**	396
Director honorarium	**320**	259
Central 1 dues	**180**	186
	12,185	10,363

20. RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL ("KMP")

The Credit Union entered into the following transactions with key management personnel and directors, which are defined by *IAS 24, Related Party Disclosures*, as those persons that have authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management personnel, along with their close family members.

Compensation for related parties

	2021	2020
Salaries, and other short-term employee benefits	**2,502**	2,440
Total pension and other post-employment benefits	**440**	467
Total remuneration	**2,942**	2,907

Included in the above is Board of Directors' remuneration of $323 (2020 - $249).

Transactions with joint ventures of the Credit Union

	2021	2020
Management fees	**478**	460
Rental income	**497**	566
Member account service fees	**12**	11
Interest on member deposits	**(13)**	(12)
	974	1,025

Loans to related parties

The Credit Union's policy for lending to directors and KMP is that the loans are approved and accepted on the same terms and conditions which apply to members for each class of loan. KMP may receive concessional rates of interest on their loans and facilities. There are no additional benefits or concessional terms and conditions applicable to related parties. There are no loans that are impaired in relation to loan balances with directors, KMP, and their close family members.

	2021	2020
Balance of loans and lines of credits outstanding at year end	**1,476**	1,827
Unused lines of credit outstanding at year end	**1,501**	1,939
	2,977	3,766

Loans and lines of credit advanced during the year, excluding repayments amount to $485 (2020 – $223).

Interest income and expense	2021	2020
Interest collected on loans and revolving credit facilities	**34**	43
Interest paid on deposits	**11**	16

Deposits	2021	2020
Balance of term and savings deposits outstanding at year end	**1,849**	3.074

The Credit Union's policy for receiving deposits from directors and KMP is that all transactions are approved and deposits accepted on the same terms and conditions which apply to members for each type of deposit. There are no benefits or concessional terms and conditions applicable to related parties.

21. FAIR VALUE MEASUREMENTS

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

				2021
	Fair Value	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
Cash	**74,039**	**74,039**	–	–
Portfolio investments	**30,043**	**30,043**	–	–
Equity investment – Central 1 and other shares	**4,963**	–	–	**4,963**
	109,045	**104,082**	–	**4,963**
Financial assets at fair value through other comprehensive income				
Derivative financial instruments	**7,243**	–	**7,243**	–
Mandatory liquidity investments	**217,023**	**217,023**	–	–
Mandatory liquidity investments	**224,266**	**217,023**	**7,243**	–
	333,311	**321,105**	**7,243**	**4,963**
Liabilities				
Financial liabilities at fair value through other comprehensive income				
Derivative financial instruments	**10,579**	–	**10,579**	–

	Fair Value	Level 1	Level 2	2020 Level 3
Assets				
Financial assets at fair value through profit or loss				
Cash	71,204	71,204	–	–
Portfolio investments	29,865	29,865	–	–
Equity investment – Central 1 and other shares	14,119	–	–	14,119
	115,188	101,069	–	14,119
Financial assets at fair value through other comprehensive income				
Derivative financial instruments	3,747	–	3,747	–
	118,935	101,069	3,747	14,119
Liabilities				
Financial liabilities at fair value through other comprehensive income				
Derivative financial instruments	3,794	–	3,794	–

Level 2 fair value measurements

Valuation techniques and inputs for recurring Level 2 fair value measurements are as follows:

Line item	Valuation techniques	Inputs
Derivative financial assets and liabilities	Fair value is determined using the net present value of cash flows attributable to the derivative financial asset/liability	Discount rates based on CDOR and swap rates.

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

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

	Carrying amount	**Fair Value**	**Level 2**	**2021** **Level 3**
Assets				
Amortized cost				
Investments – other	**137,485**	**137,659**	**137,659**	**–**
Member and other loans	**2,360,270**	**2,365,001**	**2,365,001**	**–**
Accounts receivable	**276**	**276**	**276**	**–**
Advances to joint venture	**259**	**259**	**259**	**–**
	2,498,290	**2,503,195**	**2,503,195**	**–**
Liabilities				
Amortized cost				
Member deposits	**2,616,512**	**2,616,076**	**2,616,076**	**–**
Borrowings	**25,051**	**25,149**	**25,149**	**–**
Payables and other liabilities	**17,253**	**17,253**	**17,253**	**–**
Member shares - liability	**3,671**	**3,671**	**–**	**3,671**
Lease liabilities	**16,748**	**16,748**	**16,748**	**–**
	2,679,235	**2,678,897**	**2,675,226**	**3,671**

	Carrying amount	Fair Value	Level 2	2020 Level 3
Assets				
Amortized cost				
Investments – liquidity deposits	197,467	198,398	198,398	–
Investments – other	163,186	163,186	163,186	–
Member and other loans	2,256,174	2,274,951	2,274,951	–
Accounts receivable	447	447	447	–
Advances to joint venture	414	414	414	–
	2,617,688	2,637,396	2,637,396	–
Liabilities				
Amortized cost				
Member deposits	2,429,252	2,432,681	2,432,681	–
Borrowings	117,875	118,842	118,842	–
Payables and other liabilities	28,349	28,349	28,349	–
Member shares – liability	3,895	3,895	–	3,895
Lease liabilities	15,119	15,119	15,119	–
	2,594,490	2,598,886	2,594,991	3,895

Level 2 and Level 3 fair value measurements for financial instruments not measured at fair value

Valuation techniques and inputs for Level 2 and Level 3 fair value measurements are as follows:

All Level 2 fair value measurements use a net present value valuation technique and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

As there is no observable market data for all fair values disclosed and categorized within Level 3 of the hierarchy, the Credit Union has assumed that the fair value of the amounts is comparable to the amortized cost.

22. FINANCIAL INSTRUMENTS

All significant financial assets, financial liabilities and equity instruments of the Credit Union are either recognized or disclosed in the consolidated financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

CREDIT RISK

Credit risk is the risk of financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Credit Union. The risk can relate to consolidated statement of financial position assets such as loans, as well as off consolidated statement of financial position assets such as commitments and letters of credit.

Overall monitoring and processes will change as deemed necessary in response to the ongoing economic impact of COVID-19. This has and will include changes to the current processes to ensure that the overall portfolio is secured and the Credit Union will continue to support the customers and find their optimal credit solutions. The stages of expected credit loss within the loan portfolio, if affected by COVID-19, will be adjusted as necessary as we progress through the pandemic.

Risk management process

Credit risk management is integral to the Credit Union's activities. The Investment and Lending Committee which reports to the Board of Directors ensure that management has a framework, policies, and processes in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level. The Investment and Lending Committee ("ILC") comprised of members of the Board and senior management is responsible for developing and implementing the credit risk management practices of the Credit Union by approving and reviewing lending policies on a regular basis, establishing lending limits for the Credit Union, delegating lending limits and reviewing quarterly reports prepared by management on watch list loans, impaired loans, diversification of the portfolio and other policy compliance requirements. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid. The Audit and Risk Committee reviews the adequacy of the allowance for impaired loans. The primary credit risk management policies and procedures include the following:

- Lending policy statements including approval of lending policies, eligibility for loans, exceptions to policy and policy administration.
- Delegated lending authorities, which are clearly communicated to personnel engaged in the credit granting process and a defined approval process for loans in excess of those limits.
- Loan collateral security classifications which set loan classifications, advance ratios and amortization periods.
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations.
- Early recognition of problem accounts, loan delinquency controls and procedures for loans in arrears.
- Appointment of personnel engaged in credit granting who are qualified.
- Management of growth within quality objectives.
- Audit procedures and processes in existence for all levels of Credit Union lending activities.
- Loan syndication processes.

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

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

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

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

The amounts shown on the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded. In addition, the off-balance sheet loans granted through Canada Emergency Business Account are funded and guaranteed by the Government of Canada.

As at year-end, the Credit Union had the following outstanding financial instruments subject to credit risk:

	2021	2020
Unadvanced lines of credit	**303,978**	302,754
Guarantees and standby letters of credit	**11,706**	10,948
Commitments to extend credit	**129,822**	49,844
	445,506	363,546

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

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

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

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

The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when:

- Contractual payments have exceeded 30 days past due;
- Facts or conditions are present indicating a borrower's inability to meet its debt obligations;
- The probability of default at the reporting date has increased significantly from the time of recognition.

When a financial instrument is considered to have low credit risk and does not fall within the risk management process, it is assumed that there has not been a significant increase in credit risk since initial recognition. Financial instruments considered to have low credit risk include investments and derivative financial instruments.

When the contractual terms of a financial asset have been modified or renegotiated and the financial asset has not been derecognized, the Credit Union assesses for significant increases in credit risk by consideration of its ability to collect interest and principal payments on the modified financial asset, the reason for the modifications, the borrower's payment performance compared to the modified contractual terms and whether such modifications increase the borrower's ability to meet its contractual obligations.

Where the contractual cash flows of a financial asset have been modified while the loss allowance of that asset is measured at an amount equal to lifetime expected credit losses, the Credit Union determines whether the credit risk of that financial asset has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month expected credit losses. The Credit Union makes this determination by evaluating the credit risk of the modified financial asset and comparing with documentation of the borrower's initial credit assessment at the time of the initial borrowing. The Credit Union considers the credit risk to have decreased when there is evidence that the quantitative or qualitative indicator for a significant increase in credit risk no longer exists for a particular financial asset. Subsequently, management monitors these assets to determine the extent to which expected credit losses revert to being measured at an amount equal to lifetime expected credit losses.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its customers. Credit-impaired financial assets are typically placed on the Credit Union's watch list based on its internal credit risk policies. In making this assessment, the Credit Union considers observable data about the following events:

- Significant financial difficulty of the borrower;
- A breach of contract, such as a default or past due event;
- The credit union, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the credit union would not otherwise consider; and
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

As it may not be possible to identify a single discrete event, a combined effect of several events may result in a financial asset to become credit-impaired.

Measurement of expected credit losses

The Credit Union measures expected credit losses ("ECL") for member loans that have not been assessed as credit- impaired on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type and security held. The expected credit losses for credit-impaired member loans are measured on an individual basis.

When measuring 12-month and lifetime expected credit losses, the Credit Union considers the probability of default, loss given default, forward looking information and macroeconomic factors, and exposure at default of the financial asset. Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its members and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

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

Write-offs

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

Significant increase in credit risk – COVID-19 impact

There are judgments involved in determining whether or not there is a significant increase in credit risk resulting in loans moving between stages of expected credit loss and, therefore, being subject to different expected credit loss models.

Exposure to credit risk

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

The gross carrying amount of financial assets represents the maximum exposure to credit risk for that class of financial asset.

2021	12-month ECL (stage 1)	Lifetime ECL (not credit impaired) (stage 2)	Lifetime ECL (credit impaired) (stage 3)	Total
Residential mortgages				
Low risk	1,680,752	–	–	1,680,752
Medium risk	–	167,575	–	167,575
Default	–	–	2,582	2,582
Gross carrying amount	1,680,752	167,575	2,582	1,850,909
Less: loss allowance	24	50	–	74
Carrying amount	1,680,728	167,525	2,582	1,850,835
Personal loans				
Low risk	28,106	–	–	28,106
Medium risk	–	5,263	–	5,263
Default	–	–	51	51
Gross carrying amount	28,106	5,263	51	33,420
Less: loss allowance	714	2,970	45	3,729
Carrying amount	27,392	2,293	6	29,691
Commercial loans and mortgages				
Low risk	455,010	–	–	455,010
Medium risk	–	25,264	–	25,264
Default	–	–	–	–
Gross carrying amount	455,010	25,264	–	480,274
Less: loss allowance	2,021	1,604	–	3,625
Carrying amount	452,989	23,660	–	476,649
Total members' loans receivable				
Total gross carrying amount, per above	2,163,868	198,102	2,633	2,364,603
Add: accrued interest	2,833	259	3	3,095
Less: loss allowance per above	2,759	4,624	45	7,428
Total carrying amount	2,163,942	193,737	2,591	2,360,270

2020	12-month ECL (stage 1)	Lifetime ECL (not credit impaired) (stage 2)	Lifetime ECL (credit impaired) (stage 3)	Total
Residential mortgages				
Low risk	1,542,776	–	–	1,542,776
Medium risk	–	247,726	–	247,726
Default	–	–	2,290	2,290
Gross carrying amount	1,542,776	247,726	2,290	1,792,792
Less: loss allowance	103	1,144	–	1,247
Carrying amount	1,542,673	246,582	2,290	1,791,545
Personal loans				
Low risk	30,634	–	–	30,634
Medium risk	–	5,665	–	5,665
Default	–	–	51	51
Gross carrying amount	30,634	5,665	51	36,350
Less: loss allowance	576	1,771	72	2,419
Carrying amount	30,058	3,894	–	33,931
Commercial loans and mortgages				
Low risk	424,110	–	–	424,110
Medium risk	–	6,226	–	6,226
Default	–	–	425	425
Gross carrying amount	424,110	6,226	425	430,761
Less: loss allowance	2,234	674	390	3,298
Carrying amount	421,876	5,552	35	427,463
Total members' loans receivable				
Total gross carrying amount, per above	1,997,520	259,617	2,766	2,259,903
Add: accrued interest	2,859	372	4	3,235
Less: loss allowance	2,913	3,589	462	6,964
Total carrying amount	1,997,466	256,400	2,308	2,256,174

As at December 31, 2021, the maximum exposure to credit risk with respect to financial assets without taking into account collateral held or other credit enhancements is $3,233,771 (2020 - $3,060,970). The principal collateral and other credit enhancement held by the Credit Union as security for loans include i) insurance, ii) mortgages over residential lots and properties, iii) recourse to the business assets such as real estate, equipment, inventory and accounts receivable, iv) recourse to the commercial real estate properties being financed, and v) recourse to liquid assets, guarantees and securities.

Included in the Credit Union's maximum exposure to credit risk noted above, is $30,703 (2020 - $30,186) for the maximum exposure loss in its interest in 1200089 B.C. Ltd. This is the adjusted cost base of the joint venture, which approximates the Credit Union's maximum credit risk exposure.

Amounts arising from expected credit losses

Reconciliation of the loss allowance

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

	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Members' loan receivable				
Balance at December 31, 2019	2,478	2,039	1,684	6,201
Provision for impaired loans	332	139	29	500
Write-offs, net of recoveries	103	1,411	(1,251)	263
Balance at December 31, 2020	2,913	3,589	462	6,964
Provision for impaired loans	53	90	1	144
Write-offs, net of recoveries	(207)	945	(418)	320
Balance at December 31, 2021	2,759	4,624	45	7,428

MARKET RISK

Market risk is the risk of a loss that may arise from financial market factors such as interest rates, foreign exchange rates, and equity or commodity prices. The Credit Union is exposed to market risk when making loans, taking deposits and making investments, which are all part of its asset/liability management activities. The level of market risk to which the Credit Union is exposed varies depending on market conditions and expectation of future price and yield movements. The Credit Union's material market risks are confined to interest rates and, to a limited extent, foreign exchange, as discussed below. The resulting impact from COVID-19 to the Credit Union's margin has been and will continue to be monitored consistently.

INTEREST RATE RISK

Interest rate risk arises mainly from the different re-pricing dates of cash flows associated with interest sensitive assets and liabilities. Certain products have embedded options, such as loan prepayment and deposit redemption, which also impact interest rate risk.

Risk Measurement

The Credit Union measures its interest rate risk on a monthly basis. Measures include the sensitivity of financial margin and equity value to changes in rates, duration parameters, as well as simulation modelling.

Objectives, Policies and Processes

The Asset Liability Committee ("ALCO"), made up of senior management, meets regularly to monitor the Credit Union's position as set by Board policy and ALCO operational guidelines, and decide future strategy. These policies and guidelines define the standards and limits within which the risks to net interest income and the value of equity are contained. An asset/liability risk report is prepared monthly for ALCO and reviewed on a quarterly basis by the ILC. Interest rate risk policies are reviewed annually by the Board.

The Credit Union's potential risk due to an immediate parallel shift in interest rates is provided below. All interest rate risk measures are based upon interest rate exposure at a specific time and continuously change as a result of business activities and the Credit Union's risk management initiatives.

	2021	2020
1% increase in interest rates Impact on financial margin for the next 12 months	(2,111)	873
1% decrease in interest rates Impact on financial margin for the next 12 months	47	(2,114)

Interest rate sensitivity

The main source of income for the Credit Union is its financial margin. Financial margin is the difference between interest received on assets and interest paid on liabilities. Management of financial margin is performed by the ALCO. The ALCO uses extensive cash flow analysis to monitor the Credit Union's position and to ensure risk is kept within the limits prescribed by the Board approved Investment and Lending Policy.

The following table shows the terms to maturity of the interest sensitive financial instruments as shown on the consolidated statement of financial position.

	Under 1 Year	1–5 Years	Over 5 Years	Non-Interest Sensitive	2021 Total	2020 Total
Assets						
Cash	65,868	–	–	8,171	**74,039**	71,204
Average yield %	0.23	–	–	–	**–**	–
Investments	244,785	136,495	–	8,234	**389,514**	404,637
Average yield %	1.26	1.55	–	–	**–**	–
Derivative financial instruments	–	–	–	7,243	**7,243**	3,747
Member loans	709,107	1,630,300	17,767	3,096	**2,360,270**	2,256,174
Average yield %	3.24	2.51	2.71	–		
Accounts receivable	–	–	–	276	**276**	447
Advances to joint venture	–	–	–	259	**259**	414
	1,019,760	**1,766,795**	**17,767**	**27,279**	**2,831,601**	2,738,442
Liabilities						
Member deposits	963,726	270,705	–	1,382,081	**2,616,512**	2,429,252
Average yield %	0.48	0.86	–	–	**–**	–
Borrowings	22,785	2,266	–	–	**25,051**	117,875
Average yield %	2.20	2.19	–	–	**–**	–
Lease liabilities	2,498	5,030	10,220	–	**16,748**	15,119
Average yield %	2.60	2.60	2.60	–	**–**	–
Derivative financial instruments	–	–	–	10,579	**10,579**	3,794
Member shares	–	–	–	3,671	**3,671**	3,895
Other liabilities	–	–	–	17,253	**17,253**	28,349
	988,009	**278,001**	**10,220**	**1,413,584**	**2,689,814**	2,600,103
Mismatch	**31,751**	**1,488,794**	**7,547**	**(1,386,305)**	**141,787**	138,339
Net derivative contracts	**(204,000)**	**213,000**	**(9,000)**	–	–	–
Net sensitivity	**(172,249)**	**1,701,794**	**(1,453)**	**(1,386,305)**	**141,787**	138,339

FOREIGN EXCHANGE RISK

Foreign exchange risk arises when there is a mismatch between assets and liabilities denominated in a foreign currency. In providing services to its members, the Credit Union maintains assets and liabilities denominated in U.S. dollars.

Risk Measurement

The Credit Union's foreign exchange positions are measured and monitored regularly.

Objectives, Policies and Processes

The Credit Union's foreign exchange exposure is managed by a limit on the maximum allowable difference between U.S. dollar assets and liabilities. Foreign exchange forward contracts may be used to hedge the Credit Union's exposure to foreign exchange risk. Policy with respect to foreign exchange exposure is reviewed and approved at least annually by the Board of Directors.

At December 31, 2021, the Credit Union's exposure to foreign exchange risk was not significant.

LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is the risk that the Credit Union may not be able to gather sufficient cash resources in a timely and cost effective manner to meet its financial obligations as they become due. The Credit Union has a strong liquidity base and has a well-established contingency plan to access if required through the COVID-19 situation.

Risk Measurement

The Credit Union measures and manages risk from different perspectives. The Credit Union monitors cash resources daily in order to address normal day-to-day funding requirements and ensure regulatory compliance. It also measures overall maturity of assets and liabilities, longer-term cash and funding needs and contingency planning. The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective conditions of the Credit Union, the markets and the related behaviour of members and counterparties.

Objectives, Policies and Processes

The Credit Union's liquidity management framework is monitored by ALCO and policies are approved by the ILC and Board. This framework is in place to ensure that the Credit Union has sufficient cash resources to meet its current and future financial obligations under both normal and unusual conditions. Maintenance of a prudent liquidity base also provides flexibility to fund loan growth and react to other market opportunities. This includes ensuring adequate funding is available from Central 1 and alternate third party sources. As at December 31, 2021, the Credit Union had available funding sources totaling $134,637 (2020 - $159,637).

Legislation requires that the Credit Union maintain liquid assets in a segregated trust of at least 8% of deposit and debt liabilities. Regulatory liquidity is reported to the Board monthly and the ILC receives regular reporting of available cash resources and utilization rates. The Credit Union strives to maintain a stable volume of base deposits originating from its members, as well as diversified funding sources. The Credit Union was in compliance with the regulatory liquidity requirements throughout the year. At December 31, 2021, the Credit Union's total liquidity ratio was 17.50% (2020 - 19.97%).

The following table shows the principal obligations related to financial liabilities significant in the management of liquidity risk as at December 31, 2021:

	Demand & Notice	Under 1 year	1 to 5 years	Over 5 years	2021	2020
Member deposits	**1,811,287**	**664,829**	**140,396**	-	**2,616,512**	2,429,252
Payables and other liabilities	–	**17,253**	–	–	**17,253**	28,349
Borrowings		**1,707**	**23,344**	–	**25,051**	117,875
Lease liabilities	–	**1,498**	**5,030**	**10,220**	**16,748**	15,119
	1,811,287	**685,287**	**168,770**	**10,220**	**2,675,564**	2,590,595

23. CAPITAL MANAGEMENT

As a provincially chartered Credit Union, the Credit Union is required to measure its capital adequacy based on regulations monitored by British Columbia Financial Services Authority ("BCFSA"). Regulatory capital must have the following fundamental characteristics: i) permanency; ii) be free of fixed charges against earnings; and iii) be subordinate in its priority on liquidation to the rights of deposits and other creditors of the Credit Union. Primary or secondary capital allocations are based on whether items meet all or only some of the fundamental characteristics. Also, other items may be deducted from capital to arrive at the total capital base.

Based primarily on the credit risk of each type of asset, the book value of each asset is multiplied by a risk weight factor ranging from 0% to 150%. The regulatory ratio is then computed by dividing the total capital base by the Credit Union's risk weighted assets, including off-balance sheet commitments. Regulation currently requires that each Credit Union must maintain a minimum capital to risk-weighted assets ratio of 8%. BCFSA's supervisory target capital ratio is established above the regulatory minimum at 10%.

The Credit Union's capital adequacy ratio as of December 31, 2021 was 18.65% (2020 - 19.85%).

Capital of the Credit Union is comprised of:

	2021	2020
Primary capital		
Retained earnings – non-consolidated	**226,255**	216,126
Membership equity shares	**995**	1,031
Deferred income tax	**(4,342)**	(4,839)
	222,908	212,318
Secondary capital		
Share of system retained earnings	**27,948**	27,252
Other equity shares	**2,871**	2,977
	30,819	30,229
Deductions from capital	**(24,816)**	(19,560)
Capital base	**228,911**	222,987

The Credit Union manages capital and its composition based on statutory requirements. The ratio is reviewed monthly and is addressed in annual and three year planning cycles to review the impact of strategic decisions, growth rates and other trends. The Board of Directors maintains overall responsibility for an effective capital management process, including policy review, and regulatory adherence. It has delegated certain of its specific responsibilities to the ILC.

24. COMMITMENTS

MEMBER AND OTHER LOANS

The Credit Union's commitments to provide credit to its members are disclosed in the credit risk section of Note 22.

CONTRACTUAL OBLIGATIONS

The Credit Union is committed to payments for data processing services and system improvements of $938 per annum until September 30, 2030.

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

26. EVENTS AFTER THE REPORTING PERIOD

On January 1, 2022 the Credit Union implemented an Asset Transfer Agreement with Spruce Credit Union ("Spruce"). The Agreement was approved by the BC Financial Services Authority pursuant to section 16(3) of the Credit Union Incorporation Act on September 23, 2021, with the assets, liabilities and operations of Spruce transferring to the Credit Union effective January 1, 2022 (the "acquisition date").

On the acquisition date, the issued shares of Spruce were exchanged for shares in the Credit Union on the basis that one (1) Membership Equity Share of the Credit Union will be issued in exchange for each issued Class “A” Membership Equity Share of Spruce as at the acquisition date.

Following the share exchange and within a reasonable amount of time, the Credit Union may redeem from any member holding in excess of five (5) Membership Equity Shares, those shares that are in excess, provided however, that at no time shall any member hold in excess of 1,000 Membership Equity Shares.

As part of the Agreement, the respective operations of Spruce and the Credit Union were combined by way of the acquisition method and assumption by the Credit Union of all or substantially all of the assets and liabilities of Spruce. The assets and liabilities of Spruce constitutes a business and will be accounted for using the acquisition method of accounting. The Credit Union has been identified as the acquirer and the results of the acquired business will be included in the consolidated financial statements from the acquisition date.

Consideration is measured at the aggregate of the fair values of identifiable assets and liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The excess of consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3, is recorded as goodwill. If the total consideration is less than the net of the identifiable assets acquired and the liabilities assumed, a purchase gain is recognized in earnings.

The merger is anticipated to bring increased resources, operational synergies and economies of scale to the Credit Union to facilitate the advancement of a jointly developed vision and strategy, intended to enhance the value proposition for the benefit of the respective members of the credit unions.

The final assessment of fair value of identifiable assets acquired and liabilities assumed at the date of acquisition is in progress as of the date of the consolidated financial statements.

CREDIT UNION AND INSURANCE LOCATIONS

Ashcroft
201 Railway Avenue
250-453-2219
Insurance
250-453-9133

Barriere
4621 Barriere Town Road
250-672-9736
Insurance
250-672-9634

Chase
814 Shuswap Avenue
250-679-8831
Insurance
810 Shuswap Avenue
250-679-3248

Clearwater
401-365 Murtle Crescent
250-674-3111
Insurance
250-674-3151

Kamloops
Lansdowne
200-350 Lansdowne St
250-374-3361
Insurance
201-350 Lansdowne St
250-374-3536

Summit
370-1210 Summit Drive
250-314-1210
Columbia Insurance
370C-1210 Summit Drive
250-372-8118

Tranquille
100-430 Tranquille Road
250-376-5544

North Hills Insurance
19-700 Tranquille Road
250-376-8881

Valleyview
1-2101 Trans Canada Hwy, East
250-374-6676
Insurance
1-2101 Trans Canada Hwy, East
250-374-7552

Kelowna
Bernard
101-678 Bernard Avenue
250-869-8300

Glenmore
500-1982 Kane Road
250-762-2262
Insurance
250-980-4570

Mission
101-595 K.L.O Road
250-763-8144
Insurance
250-868-2251

Orchard Centre
2071 Harvey Avenue
250-860-7400

Rutland
185 Rutland Road South
250-469-6575
Insurance
250-765-4898

Lake Country
30-9522 Main Street
250-766-3663

Lillooet
674 Main Street
250-256-4238

Merritt
1959 Voght Street
250-378-5181
Insurance
2001B Voght Street
250-378-4234

Oliver
6287 Main Street
250-498-3457
Insurance
6283 Main Street
250-498-5610

Okanagan Falls
4929 9th Avenue
250-497-8204

Penticton
101-251 Green Ave W.
250-497-8204

Prince George
Hart
6541 John Hart Hwy
250-562-5415

Victoria Street
879 Victoria St
250-562-5415

Vernon
4301 32nd Street
250-545-1234

West Kelowna
3718 Elliott Road
250-469-6550
Insurance
250-768-2176

ADDITIONAL SERVICES

Commercial Services

Kelowna
654 Bernard Avenue
250-469-6500

Kamloops
202-350 Lansdowne Street
250-851-2814

Commercial Insurance

Kelowna
102-678 Bernard Avenue
1-855-474-7249

Kamloops
201-350 Lansdowne Street
250-374-3536

www.interiorsavings.com

Wealth Management

Kelowna
200-2071 Harvey Ave
250-869-8336

Kamloops
203-350 Lansdowne Street
250-377-4937

Mortgage Specialist

1-844-841-HOME (4663)
mortgagepro@interiorsavings.com

Member Service Centre

1-855-220-2580

Telephone Banking

1-877-861-ISCU (4728)

Insurance 24 Hr Claims Reporting

1-877-912-2271

Insurance Services Relationship Centre

1-844-654-9876

Interior Savings