

Libro Credit Union Limited

Financial statements

December 31, 2024

Management's Responsibility for Financial Reporting

The accompanying financial statements of Libro Credit Union Limited and all the information in this annual report are the responsibility of Management and have been approved by the Board of Directors (the "Board").

The financial statements have been prepared by Management in accordance with IFRS Accounting Standards and the Credit Union and Caisses Populaires Act, 2020 (Ontario). When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. Financial statements include estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial information presented in the financial statements.

Libro maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the credit union's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit and Finance Committee. The Audit and Finance Committee is appointed by the Board. The Audit and Finance Committee meets periodically with Management, and the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Audit and Finance Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the owners.

The Financial Services Regulatory Authority of Ontario conducts periodic examinations of the financial conditions and affairs of Libro. The examination includes review of Libro's compliance with the provisions of the Act.

The financial statements have been audited by KPMG LLP, the external auditor, in accordance with Canadian generally accepted auditing standards on behalf of the owners. KPMG LLP has full and free access to the Audit and Finance Committee.



Shawn L. Good
President and
Chief Executive Officer



Janet Johnson
Chief Financial Officer

March 4, 2025



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INDEPENDENT AUDITOR'S REPORT

To the Owners of Libro Credit Union Limited

Opinion

We have audited the accompanying financial statements of Libro Credit Union Limited (the "Credit Union"), which comprise:

- the balance sheet as at December 31, 2024
- the statement of income for the year then ended
- the statement of comprehensive income for the year then ended
- the statement of owners' equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policies

(Hereinafter referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



Other Matter – Comparative Information

The financial statements as at and for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 5, 2024.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



Page 3

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Ontario

March 4, 2025

Balance Sheets

As at December 31

[thousands of dollars]	Note	2024	2023
Assets			
Cash and cash equivalents		50,512	36,613
Accrued interest receivable		14,221	11,791
Income taxes recoverable		-	3,345
Investments	4	579,556	602,482
Other assets	9	46,158	18,439
Loans to owners	5, 6	5,470,210	5,237,150
Derivative financial instruments	15	6,563	15,204
Property and equipment	7	61,337	61,182
Intangible assets	8	140	1,360
Pension assets	13	778	-
Deferred tax assets	19	1,578	1,254
Total assets		6,231,053	5,988,820
Liabilities and owners' equity			
Owners' deposits	16	5,376,838	5,162,450
Accrued interest payable		47,282	44,860
Accrued and other liabilities	22	31,822	33,614
Income taxes payable		3,478	-
Pension and other employee obligations	13	-	4,163
Derivative financial instruments	15	493	515
Securitization liabilities	20[a]	195,697	197,908
		5,655,610	5,443,510
Liabilities qualifying as regulatory capital			
Owners' capital accounts	11	297,097	295,323
Stock dividends payable	11	16,838	16,271
		313,935	311,594
Total liabilities		5,969,545	5,755,104
Contributed surplus		60,998	60,998
Retained earnings		182,849	163,266
Accumulated other comprehensive income		17,661	9,452
		261,508	233,716
Total liabilities and owners' equity		6,231,053	5,988,820

See accompanying notes

On behalf of the Board of Directors:



Mr. G Vanderwyst, Chair of the Board



Ms. J Davison, Vice Chair of the Board

Statements of Income

Years ended December 31

[thousands of dollars]	Note	2024	2023
Interest income			
Interest on loans	17[a]	276,637	246,342
Investment income		32,183	29,240
		308,820	275,582
Interest expense			
Interest on owners' deposits	17[a]	148,884	127,263
Dividends on Class I Investment shares	11	11,710	12,768
Interest on borrowings	10, 20[a]	8,552	8,036
		169,146	148,067
Net interest income			
Non-interest income	17[b]	21,492	21,397
Total revenue			
Provision for credit losses	6	2,361	12,329
Non-interest expenses			
Salaries and employee benefits		83,580	75,162
Administration		21,494	21,125
Systems and technology		12,324	9,570
Occupancy		9,107	9,361
Marketing and business development		3,745	3,763
		130,250	118,981
Income before the undernoted			
Dividends and profit sharing distributions	11	5,119	3,415
Income before income taxes			
		23,436	14,187
Provision for (recovery of) income taxes			
Current	19	5,200	1,424
Deferred	19	(1,347)	1,171
		3,853	2,595
Net income for the year			
		19,583	11,592

See accompanying notes

Statements of Comprehensive Income

Years ended December 31

[thousands of dollars]	Note	2024	2023
Net income for the year		19,583	11,592
Other comprehensive income (loss)			
Items that will not be reclassified to income:			
Actuarial gain (loss) in employee defined benefit plans	13	5,622	(5,947)
Related income taxes	19	(1,023)	1,082
		4,599	(4,865)
Items that may be subsequently reclassified to income:			
Unrealized gain on investments		4,413	5,470
Related income taxes	19	(803)	(995)
		3,610	4,475
Other comprehensive income (loss) for the year, net of income taxes		8,209	(390)
Total comprehensive income for the year, net of income taxes		27,792	11,202

See accompanying notes

Statements of Owners' Equity

Years ended December 31

[thousands of dollars]	2024	2023
Contributed surplus	60,998	60,998
Retained earnings		
Balance as at beginning of year	163,266	151,674
Net income for the year	19,583	11,592
Balance as at end of year	182,849	163,266
Accumulated other comprehensive income (loss), net of income taxes		
Balance as at beginning of year	9,452	9,842
Other comprehensive income (loss) for the year	8,209	(390)
Balance as at end of year	17,661	9,452
Total owners' equity as at end of year	261,508	233,716

See accompanying notes

Statements of Cash Flows

Years ended December 31

[thousands of dollars]	Note	2024	2023
Cash provided by (used in)			
Operating activities			
Net income for the year		19,583	11,592
Add (deduct) non-cash items:			
Depreciation and amortization		8,071	8,249
Provision for credit losses	6	2,361	12,329
Income tax expense	19	3,853	2,595
Unrealized loss on derivative financial instruments		8,619	4,266
Net change in accrued employee retirement obligations		681	(304)
Net interest income		(139,674)	(127,515)
Changes in operating assets and liabilities:			
Increase in other assets		(27,719)	(5,398)
Increase in loans to owners		(235,421)	(164,788)
Increase in owners' deposits		214,388	262,233
(Decrease) increase in accrued and other liabilities		(381)	12,735
Interest received		306,390	274,599
Interest paid		(166,157)	(123,636)
Income tax paid (refunded)		820	(9,567)
Cash (used in) provided by operating activities		(4,586)	157,390
Financing activities			
Increase in owners' capital accounts		1,774	5,527
(Decrease) in loans payable		-	(71,474)
Principal payments on leases	22	(1,411)	(1,324)
Increase in securitized loans sold	20	39,940	97,175
Repayments of securitization liabilities		(42,151)	(28,462)
Cash (used in) provided by financing activities		(1,848)	1,442
Investing activities			
Decrease (increase) in investments		27,339	(134,390)
Net purchases of property and equipment		(6,190)	(6,835)
Purchase of intangible assets	8	(816)	(2,456)
Cash provided by (used in) investing activities		20,333	(143,681)
Net increase in Cash and cash equivalents during the year		13,899	15,151
Cash and cash equivalents as at beginning of year		36,613	21,462
Cash and cash equivalents as at end of year		50,512	36,613

See accompanying notes

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 6

[in thousands of dollars, except as noted or per share]

1) REPORTING ENTITY

Libro Credit Union Limited (“Libro” or the “credit union”) is incorporated under the *Credit Unions and Caisses Populaires Act* (Ontario) (the “Act”) in Canada, is a member of Central 1 Credit Union (“Central 1”) and the activities of the credit union are regulated by the Financial Services Regulatory Authority of Ontario (“FSRA”). The corporate office is located at 217 York Street in London, Ontario.

The credit union is primarily involved in providing a full range of retail, commercial and agricultural financial services to its Member/Owners in southwestern Ontario.

2) BASIS OF PREPARATION

[a] Statement of compliance

Libro follows accounting policies appropriate to its activities and governing legislation, which conform, in all material respects, to IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements were authorized for issue by the Board of Directors on March 4, 2025. The Board of Directors has the power to amend the financial statements after issuance only in the case of discovery of an error.

[b] Basis of measurement

The financial statements have been prepared on a going concern and historical cost basis, except for the following:

- (i) Derivative financial instruments, fair value through profit or loss (“FVTPL”) financial assets and fair value through other comprehensive income (“FVOCI”) financial assets are measured at fair value; and
- (ii) The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets.

[c] Currency

The financial statements are presented in Canadian dollars, which is the credit union’s functional currency. All values are rounded to the nearest thousand dollars, except where otherwise indicated.

3) SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted by the credit union are summarized below.

[a] Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the reporting years. Actual results may differ from those estimates. Estimates and judgments are continually evaluated and are made based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances.

The most significant uses of estimates and judgments include the following:

(i) Fair value of financial instruments

Where the fair value of financial assets and liabilities cannot be derived from active markets, Libro uses valuation techniques that include inputs derived from either observable market data or management’s judgment. Note 18 provides detailed information about the determination of the fair value of financial instruments.

(ii) Impairment losses on financial assets

The measurement of impairment losses under IFRS 9, Financial Instruments ("IFRS 9") requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The credit union's ECL allowance calculations are outputs of a complex model with a number of underlying assumptions. Note 3[e] and note 6 further describe elements of the ECL model that require judgments and estimates.

(iii) Retirement benefit obligations

Libro estimates the present value of employee retirement benefit obligations that depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The actuarial valuation involves assumptions including discount rates, future salary increases, mortality rates, and other cost increases. Note 13 provides detailed information about the employee retirement benefit obligations.

(iv) Classification of financial assets

Determining the appropriate business model for financial assets and assessing whether cash flows generated by an asset constitute solely payments of principal and interest ("SPPI") can be complex and may require significant judgment.

(v) Hedging and securitizations

Libro enters into hedging and securitization transactions which require management's best estimates of key assumptions that market participants would use in determining fair value. For more information relating to these estimates, refer to Note 20 for securitizations and Note 3 [e] and Note 15 for hedging.

[b] Revenue recognition

Dividend income is recognized when the right to receive payment is established. Dividends are included in investment income on the Statements of Income. Other fees and commission income include account service fees and investment management fees with owners and is measured based on the consideration specified in a contract with an owner. Unless included in the effective interest calculation, fees are recognized on an accrual basis as the service is provided and reported on the Statements of Income as non-interest income. The Credit Union recognizes revenue when it delivers a service to an owner and there are no remaining performance obligations.

[c] Interest income and expense

Interest income and expense is recognized in the Statements of Income for all interest-bearing financial instruments using the effective interest rate ("EIR") method.

The EIR method is a method of calculating the amortized cost of a financial asset or liability and allocating the interest income or expense over the relevant period. The EIR is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument. The application of this method has the effect of recognizing income and expense on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest, the credit union estimates cash flows (using projections based on its experience of owners' behaviour) considering all contractual terms of the financial instruments but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the EIR. Where it is not possible or practical to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated using the payments or receipts specified in the contract, and the full contractual term.

[d] Financial assets and financial liabilities

(i) Classification

Financial assets

All financial instruments are initially recorded at fair value and subsequently classified as measured at amortized cost, FVOCI or FVTPL. A financial asset is measured at amortized cost if it meets the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments carried at FVOCI are recorded at fair value at initial recognition. Subsequent remeasurement in fair value is recorded in other comprehensive income ("OCI"), except for interest recognized using the effective interest rate method or the remeasurement of ECL, both of which are recognized in profit and loss. A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments are measured at FVTPL unless an irrevocable election is made to designate them at FVOCI upon purchase. All other financial assets are classified as measured at FVTPL.

The details of the business model assessment and contractual term conditions referenced above are outlined below:

Business model assessment

The credit union assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the business model and the way those risks are managed;
- How managers of the business are compensated; and
- The expected frequency, value and timing of sales.

Contractual cash flow characteristics

The credit union assesses the contractual terms of financial assets to identify whether the contractual cash flows are solely principal and interest. Management assesses whether the terms indicate a basic lending arrangement, where the most significant elements of interest are typically the consideration for the time value of money and credit risk. If contractual terms introduce an exposure to risks or volatility in the

contractual cash flows that are unrelated to a basic lending arrangement, the financial asset is measured at FVTPL.

Financial liabilities

The credit union classifies its financial liabilities as measured at amortized cost or at FVTPL. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR.

Financial assets and liabilities at FVTPL

Financial assets and financial liabilities measured at FVTPL are those that are designated by management upon initial recognition, assets part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest. Financial assets and financial liabilities at FVTPL are recorded in the Balance Sheets at fair value. Changes in fair value are recorded in profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

(ii) Derecognition of financial assets

Derecognition due to substantial modification of terms and conditions

The credit union derecognizes a financial asset, such as a loan to an owner, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes. If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the credit union records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

A financial asset is derecognized when the rights to receive cash flows from the financial asset have expired. The credit union also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition. The credit union has transferred the financial asset if the credit union has transferred its contractual rights to receive cash flows from the financial asset or it retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement.

When the credit union has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the credit union’s continuing involvement, in which case, the credit union also recognizes an associated liability.

(iii) Impairment on financial assets

The credit union recognizes an ECL allowance on all financial instruments not recorded at FVTPL, which includes loans to owners, investments and certain loan commitments. Equity instruments are not subject to impairment under IFRS 9. The credit union measures ECL at an amount equal to lifetime ECL or 12-month ECL. The portion of ECL that results from the default events on a financial instrument that are possible within the 12 months after the reporting date are referred to as the 12-month ECL.

The impairment model measures ECL using a three-stage approach as described below:

- Stage 1: When a financial asset has not shown a significant increase in credit risk since origination, the credit union records a 12-month ECL.

- Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the credit union records a lifetime ECL.
- Stage 3: When a financial asset is credit-impaired, the credit union records a lifetime ECL or the asset is written off.

The interest income is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the gross carrying amount net of impairment allowance for financial assets in Stage 3.

Significant increase in credit risk

The assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The credit union has established thresholds for significant increases in credit risk based on both a risk rating and change in probability of default relative to its initial recognition. In addition, instruments that are 30 days past due are also considered to have experienced a significant increase in credit risk.

The measurement of ECL

The credit union measures ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The ECL is based primarily on the product of the following variables:

- The Probability of Default (“PD”) is an estimate of the likelihood of default over a given time horizon. The PD for each instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.
- The Loss Given Default (“LGD”) is an estimate of the amount that may not be recovered in the event of default. LGD takes into consideration the amount and quality of any collateral held as well as reasonable and supportable information about future economic conditions.
- The Exposure at Default (“EAD”) is an estimate of the outstanding amount of credit at a future default date.

Expected life

When measuring ECL, the credit union considers the maximum contractual period over which it is exposed to credit risk. For facilities without a maximum contractual period, the credit union uses the period that the entity is expected to be exposed to credit risk and the expected losses are not mitigated by credit risk management actions.

Definition of default

The credit union considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) in all cases when the borrower becomes 90 days past due on its contractual payments. The credit union also considers a variety of qualitative characteristics that may indicate an unlikelihood to pay, in which case the credit union may determine a loan defaulted before contractually past due.

Forward-looking information

The credit union relies on a broad range of forward-looking information as economic inputs, such as unemployment rates, Central Bank base rates, and house price indices. The estimation and application of forward-looking information requires significant judgment.

Purchased or originated credit impaired financial assets ("POCI")

POCI financial assets are initially recognized at fair value with no initial ECL allowance. Changes in lifetime ECL since initial recognition are recorded in the allowance for credit losses.

Write-offs

Financial assets are written off either partially or in their entirety only when the credit union has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to loan provision expense.

[e] Derivatives and hedge accounting

Derivative financial instruments are contracts that require or provide the opportunity to exchange cash flows or payments determined by applying certain rates, indices or changes therein to notional contract amounts. Libro uses derivative financial instruments, primarily interest rate swaps, in order to manage interest rate risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; and
- Cash flow hedges when hedging the exposure to variability of cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, Libro formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how Libro will assess whether the hedging relationship meets the hedge effectiveness requirements.

Hedges that meet all of the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The changes in fair value of a hedging instrument are recognized in the Statements of Income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the Statements of Income.

For fair value hedges relating to items carried at amortized cost, any adjustments to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedge is re-recognized, the unamortized fair value is recognized immediately in profit or loss.

Cash flow hedges

Applying cash flow hedge accounting enables the credit union to reduce the cash flow fluctuations arising from interest rate risk on loans. The effective portion of the gain or loss on the hedging instrument is recognized in OCI, while any ineffective portion is recognized immediately in the Statements of Income as an offset to investment income. The amounts and timing of future cash flows are projected for each portfolio of financial assets and liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows across all portfolios over time form the basis for identifying the effective portion of gains and losses on the derivatives designated as cash flow hedges.

If a cash flow hedge is discontinued, the amount that has been accumulated in OCI must remain in accumulated other comprehensive income ("AOCI") if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in AOCI must be accounted for depending on the nature of the underlying transaction as described above.

Certain derivatives embedded in other financial instruments, such as the embedded option in an index-linked term deposit, are treated as separate derivatives when they can be separated from the host contract. These embedded derivatives are separately accounted for at fair value as derivative assets and liabilities with changes in fair market value recognized in the Statements of Income.

[f] Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Assets are generally depreciated on the following basis:

Buildings	40 to 50 years straight-line
Building components	15 to 30 years straight-line
Leasehold improvements	5 to 20 years straight-line
Furniture and equipment	2 to 10 years straight-line

Depreciation in the first year is prorated based on the number of months the asset is in service. Depreciation methods, useful lives and residual value are reviewed annually and adjusted if necessary.

Impairment of non-financial assets

Non-financial assets are subject to an impairment test 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 costs to sell, the asset is written down accordingly.

Impairment charges are included in the Statements of Income, except to the extent they reverse gains previously recognized in OCI.

[g] Intangible assets

Intangible assets are carried at cost less accumulated amortization. Amortization in the first year is prorated based on the number of months the asset is in service. Intangible assets are amortized over their expected lives on the following basis:

Computer software	1 to 3 years straight-line
Core deposit intangibles	7 years straight-line

The core deposit intangibles were acquired through business combinations. They represent the fair market value of the cost savings inherent in acquiring a portfolio of demand deposits with a lower cost of funding versus attracting funds in the open market. Intangible assets are subject to impairment review as described under note 3[f].

[h] Income taxes

The credit union follows the asset and liability method of tax allocation used in accounting for income taxes. Under this method, deferred tax benefits and obligations are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Tax expense recognized in the Statements of Income comprises the sum of deferred tax and current tax not recognized in OCI or directly in equity.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income, based on the credit union's forecast of future operating results. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the credit union has a right and intention to set off current tax assets and liabilities for the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in the Statements of Income, except where they relate to items that are recognized in OCI or directly in equity, in which case the related deferred tax is also recognized in OCI or equity, respectively.

[i] Employee benefit plans

Libro maintains three pension plans for current employees and retirees, and one sick leave benefit plan. The pension plans consist of a Defined Benefit Plan ("DB"), a Supplementary Employee Retirement Plan ("SERP"), and a Defined Contribution Plan ("DC").

Full actuarial valuations of the DB, SERP, and sick leave benefit plans are conducted no less frequently than every three years. The most recent valuation of these plans was prepared as at December 31, 2022.

(i) Defined benefit plans

For the DB pension plan, the SERP and the sick leave plan, plan assets are valued at fair market values. Benefit costs and accrued benefits are determined based upon actuarial valuations using the projected benefit method prorated on service and management's best estimates. The expected return on plan assets is based on the fair value of plan assets. Actuarial gains and losses are recognized immediately through OCI.

Service cost is the change in the present value of the defined benefit obligation resulting from employee service in either the current year or prior years and from any gain or loss on settlement. Net interest is the change in the net defined benefit liability or asset that arises from the passage of time. Both service cost and net interest are recognized immediately in salaries and employee benefits.

Remeasurements of the net defined benefit liability include actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets excluding amounts included in net interest and changes in the effect of any asset ceilings. Remeasurements are recognized immediately in OCI.

Net defined benefit assets recognized by the credit union are subject to a ceiling which limits the asset recognized on the Balance Sheets to the amount that is recoverable through refunds of contribution holidays. In addition, where a regulatory funding deficit exists related to a defined benefit plan, the credit union is required to record a liability equal to the present value of all future cash payments required to eliminate that deficit.

(ii) Defined contribution pension plan

For the DC pension plan, annual pension expense is equal to the credit union's contribution to the plan. The assets of the plan are held in independently administered funds. This plan was closed to new members effective July 1, 2014.

[j] Leases

Libro identifies whether a contract is a lease by whether it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Libro applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Libro recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

Libro recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are recorded in Property and equipment on the Balance Sheets and are depreciated over the earlier of the useful life of the underlying asset or the lease term. The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 3[f].

(ii) Lease liabilities

At the commencement date of the lease, Libro recognizes lease liabilities in Accrued and other liabilities on the Balance Sheets and are measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under any residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by Libro and payments of penalties for terminating the lease, if the lease term reflects Libro exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The lease term is determined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Libro has lease contracts that include extension and termination options. Judgment is applied in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease based on an assessment of all relevant factors. After the commencement date, the lease term is reassessed if there is a significant event or change in circumstances that is within Libro's control and affects Libro's ability to exercise or not to exercise the option to renew or to terminate.

For real estate leases, Libro cannot readily determine the interest rate implicit in the lease and, therefore, uses the incremental borrowing rate ("IBR") to measure lease liabilities. For vehicle leases, Libro uses the rate implicit in the lease. The IBR is the rate of interest that Libro would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Libro estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

Libro applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

[k] Transfer of financial assets

(i) Securitization

When Libro transfers loans in a securitization transaction, loans are derecognized only when the contractual rights to receive the cash flows from the assets have ceased to exist or substantially all the risks and rewards of the loan 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 cost, using the EIR method.

Securitized residential mortgages generally do not meet the derecognition requirements of IFRS 9 and as a result, all loans are measured at amortized cost in the Balance Sheets. The securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized cost, using the EIR method. The credit union retains mortgage servicing responsibilities but does not receive an explicit servicing fee.

[l] Owners' capital accounts

All owners' capital accounts have been designated as financial liabilities. Incremental costs directly attributable to the issue of new shares are deducted from the proceeds.

Although owners' shares are regarded as capital for regulatory purposes, they impose a contractual obligation on Libro to pay cash in certain defined future circumstances and have, therefore, been classified as liabilities for the purposes of these financial statements. Correspondingly, dividends paid on those shares have been included in the Statements of Income as a charge to income.

[m] Other receivables

The credit union acquired a portfolio of credit card receivables from a third party originator and assessed that the substantial risks and rewards in relation to the underlying credit card accounts were not transferred to Libro. As a result, Libro recognized an investment in the underlying aggregate credit card portfolio for the Credit Union's rights to receive contractual cashflows from the originator of credit cards based on the individual credit card accounts. The balances are measured based on the individual credit card accounts exposures that comprise the aggregated interest in the portfolio and are included in Other assets on the Balance Sheets.

The credit risk exposure for the interest in receivables from a legal and regulatory perspective is determined to be a retail credit exposure arising on account of underlying credit card accounts. Libro also assessed credit risk on the counterparty based on the terms of the agreement. See Note 21 for discussion on Libro's risks arising from financial instruments.

[n] New Standards and Interpretations not yet effective

The following new and amended standards, effective for annual periods beginning on or after January 1, 2025, are not expected to have a significant impact on Libro:

(i) Classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7)

In May 2024, the International Accounting Standards Board (IASB) issued *Amendments to the Classification and Measurement of Financial Instruments* which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted, and are related to:

- settling financial liabilities using electronic payments systems; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Credit Union is in the process of assessing the impact of the new amendments.

(ii) IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace *IAS 1 Presentation of Financial Statements* and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements:

- entities are required to classify all income and expenses into five categories in the statements of income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements.
- enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Credit Union is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Credit Union's statements of income, statement of cash flows and the additional disclosure required for MPMs. The Credit Union is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 17

[in thousands of dollars, except as noted or per share]

4) INVESTMENTS

Investments consist of the following:

		December 31, 2024		December 31, 2023	
			Effective		Effective
		\$	Rate	\$	Rate
Short-term investments (due within 1 year):					
Deposits with financial institutions	i	5,497	4.99%	5,449	2.00%
Marketable securities	iii	105,873	3.42%	94,897	3.06%
Central 1 deposits	i	210,289	3.53%	245,549	5.08%
		321,659	3.52%	345,895	4.48%
Long-term investments (due beyond 1 year):					
Deposits with financial institutions	i	5,000	3.25%	5,000	3.25%
Marketable securities	iii	227,267	3.66%	240,839	3.92%
Central 1 deposits	i	14,389	4.36%	-	-
Finance lease receivable	i	33	5.00%	62	5.00%
Central 1 Class A shares	ii	1,577	-	1,559	-
Central 1 Class E shares	ii	6,487	-	6,487	-
Other investments	ii	3,144	-	2,640	-
		257,897	3.28%	256,587	3.68%
		579,556	3.41%	602,482	4.14%

Financial instrument classifications:

- i Amortized cost
- ii FVTPL
- iii FVOCI

Marketable securities

The credit union maintains a liquidity reserve portfolio consisting of a number of marketable securities with varying terms and maturities. All securities must meet the definition of High Quality Liquid Assets. The investments are classified as financial assets valued at FVOCI. The terms and conditions of these instruments are consistent with a lending contract whereby cash flows are invested with a commitment to repay the credit union at a specified rate of interest according to pre-set maturity dates.

Central 1 deposits

The credit union holds excess liquidity in Central 1 interest deposits with various maturity dates.

Shares in Central 1

The Central 1 shares include Classes A and E, and are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors of Central 1.

Central 1 Class A shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares; however, fair value is determined to be equivalent to the par value due to the fact that transactions occur at par value on a regular and recurring basis.

Central 1 Class E shares are carried at cost, which is considered to be the best representation of fair value given the wide range of possible fair value measurements. These shares are not subject to annual rebalancing. There is no active market for these shares, as they are issued only as a condition of membership in Central 1, and the fair value cannot be reliably

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 18

[in thousands of dollars, except as noted or per share]

measured until such time as a transaction occurs. The fair value of Class E shares cannot be measured reliably as the timing of redemption of these shares cannot be determined; therefore, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

The credit union is not intending to voluntarily 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. Dividends on these shares are at the discretion of the Board of Directors of Central 1.

5) LOANS TO OWNERS

Loans to owners consist of the following:

	December 31, 2024			
	Principal Balance	Impaired Loans	Allowance for Credit Losses	Net Loans
Residential mortgage loans	2,221,557	1,279	2,043	2,219,514
Personal loans	302,692	79	1,214	301,478
Agricultural loans	1,226,552	22	162	1,226,390
Commercial loans	1,734,161	11,214	11,333	1,722,828
	5,484,962	12,594	14,752	5,470,210

	December 31, 2023			
	Principal Balance	Impaired Loans	Allowance for Credit Losses	Net Loans
Residential mortgage loans	2,125,135	703	2,285	2,122,850
Personal loans	254,763	34	943	253,820
Agricultural loans	1,129,949	1,354	173	1,129,776
Commercial loans	1,740,545	13,614	9,841	1,730,704
	5,250,392	15,705	13,242	5,237,150

Loans to owners can have either a variable or fixed rate of interest and mature within 10 years. Variable rate loans are based on a "prime rate plus/minus" formula with the rate above or below prime being determined by the size of the loan, the type of collateral offered, the purpose of the loan and the owner's creditworthiness. Interest rates offered on fixed rate loans vary depending on the size of the loan, the type of collateral offered, the purpose of the loan, the owner's creditworthiness, and the loan term. All loans to owners are recorded at amortized cost. Of the residential mortgages above, \$228,209 [\$234,581 in 2023] are securitized as of December 31st. See note 20 for more information on securitization activity.

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 19

[in thousands of dollars, except as noted or per share]

As at December 31, the balances of loans in arrears within the portfolio were as follows:

	December 31, 2024				
	Residential	Personal	Agricultural	Commercial	Total
	Mortgage Loans	Loans	Loans	Loans	
Current	2,206,673	301,676	1,219,672	1,690,723	5,418,744
Less than 30 days arrears	12,545	664	6,819	17,030	37,058
30–89 days arrears	1,060	277	61	17,165	18,563
90–179 days arrears	350	14	-	2,411	2,775
180–365 days arrears	929	61	-	3,427	4,417
More than 365 days arrears	-	-	-	3,405	3,405
	2,221,557	302,692	1,226,552	1,734,161	5,484,962

	December 31, 2023				
	Residential	Personal	Agricultural	Commercial	Total
	Mortgage Loans	Loans	Loans	Loans	
Current	2,106,364	253,884	1,124,304	1,690,487	5,175,039
Less than 30 days arrears	17,031	575	4,641	16,195	38,442
30–89 days arrears	1,568	252	1,004	21,415	24,239
90–179 days arrears	-	48	-	7,691	7,739
180–365 days arrears	172	4	-	4,440	4,616
More than 365 days arrears	-	-	-	317	317
	2,125,135	254,763	1,129,949	1,740,545	5,250,392

As at December 31, the term to maturity and effective interest rates of the loan portfolio were as follows:

Maturity (in years)	December 31, 2024								Total
	Variable	Less than 1	1 to 2	2 to 3	3 to 4	4 to 5	5 to 7	7 to 10	
Total loans	1,418,840	1,241,469	1,131,994	966,899	342,791	303,415	56,900	22,654	5,484,962
Effective interest rate	6.38%	4.83%	3.66%	4.50%	5.37%	5.19%	3.47%	4.30%	4.97%

Maturity (in years)	December 31, 2023								Total
	Variable	Less than 1	1 to 2	2 to 3	3 to 4	4 to 5	5 to 7	7 to 10	
Total loans	1,095,413	922,911	837,617	1,018,414	840,187	349,815	86,662	99,373	5,250,392
Effective interest rate	8.42%	4.54%	3.99%	3.25%	4.05%	5.33%	4.13%	3.49%	4.96%

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 20

[in thousands of dollars, except as noted or per share]

6) ALLOWANCE FOR CREDIT LOSSES

The carrying amount of loans and the balance of their respective allowance as at December 31, according to the stage in which they are classified are listed below:

	December 31, 2024							
	Stage 1		Stage 2		Stage 3		Total	
	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses
Residential mortgage loans	2,129,781	935	90,497	991	1,279	117	2,221,557	2,043
Personal loans	294,682	719	7,931	477	79	18	302,692	1,214
Agricultural loans	1,143,834	133	82,696	29	22	-	1,226,552	162
Commercial loans	1,487,906	2,269	235,041	7,950	11,214	1,114	1,734,161	11,333
Total	5,056,203	4,056	416,165	9,447	12,594	1,249	5,484,962	14,752

	December 31, 2023							
	Stage 1		Stage 2		Stage 3		Total	
	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses
Residential mortgage loans	2,043,830	1,229	80,602	1,043	703	13	2,125,135	2,285
Personal loans	248,982	601	5,747	325	34	17	254,763	943
Agricultural loans	1,051,459	145	77,136	14	1,354	14	1,129,949	173
Commercial loans	1,546,935	3,054	179,996	4,927	13,614	1,860	1,740,545	9,841
Total	4,891,206	5,029	343,481	6,309	15,705	1,904	5,250,392	13,242

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 21

[in thousands of dollars, except as noted or per share]

The following table shows the continuity of the allowance for credit losses:

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	5,029	6,309	1,904	13,242
Transfer to Stage 1 ECL	1,254	(757)	(497)	-
Transfer to Stage 2 ECL	(270)	272	(2)	-
Transfer to Stage 3 ECL	(7)	(159)	166	-
Net remeasurement of loss allowance	(1,776)	4,634	584	3,442
New financial assets originated or purchased	1,120	557	170	1,847
Financial assets derecognized	(1,294)	(1,409)	(1,076)	(3,779)
As at December 31, 2024	4,056	9,447	1,249	14,752

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	4,408	5,239	766	10,413
Transfer to Stage 1 ECL	1,304	(1,304)	-	-
Transfer to Stage 2 ECL	(356)	359	(3)	-
Transfer to Stage 3 ECL	(17)	(68)	85	-
Net remeasurement of loss allowance	(1,065)	2,793	1,578	3,306
New financial assets originated or purchased	1,381	896	6	2,283
Financial assets derecognized	(626)	(1,606)	(528)	(2,760)
As at December 31, 2023	5,029	6,309	1,904	13,242

The following table further details the continuity of the ECL by loan category:

	December 31, 2024				
	Residential Mortgage Loans	Personal Loans	Agricultural Loans	Commercial Loans	Total Allowance
Balance, January 1, 2024	2,285	943	173	9,841	13,242
Collection of accounts previously written off	-	56	1	6	63
Accounts written off	-	(651)	-	(263)	(914)
Provision for credit losses	(242)	866	(12)	1,749	2,361
Balance, December 31, 2024	2,043	1,214	162	11,333	14,752

	December 31, 2023				
	Residential Mortgage Loans	Personal Loans	Agricultural Loans	Commercial Loans	Total Allowance
Balance, January 1, 2023	1,086	987	168	8,172	10,413
Collection of accounts previously written off	-	106	-	886	992
Accounts written off	-	(494)	-	(9,998)	(10,492)
Provision for credit losses	1,199	344	5	10,781	12,329
Balance, December 31, 2023	2,285	943	173	9,841	13,242

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 22

[in thousands of dollars, except as noted or per share]

The following table shows the ECL by credit quality and stage:

	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
Residential Mortgage Loans				
Above standard	441	16	16	473
Standard	445	277	9	731
Below standard	49	698	92	839
Personal Loans				
Above standard	542	37	1	580
Standard	132	173	14	319
Below standard	45	267	3	315
Agricultural Loans				
Above standard	57	13	-	70
Standard	75	4	-	79
Below standard	1	12	-	13
Commercial Loans				
Above standard	151	1	-	152
Standard	2,118	616	281	3,015
Below standard	-	7,333	833	8,166
	4,056	9,447	1,249	14,752

	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
Residential Mortgage Loans				
Above standard	659	38	-	697
Standard	494	412	-	906
Below standard	76	593	13	682
Personal Loans				
Above standard	423	18	13	454
Standard	133	145	1	279
Below standard	45	162	3	210
Agricultural Loans				
Above standard	71	9	14	94
Standard	73	2	-	75
Below standard	1	3	-	4
Commercial Loans				
Above standard	175	-	366	541
Standard	2,505	675	494	3,674
Below standard	374	4,252	1,000	5,626
	5,029	6,309	1,904	13,242

Standard is defined as loans with a credit score between 600 and 649 or C commercial paper.

Collateral

There are documented policies and procedures in place for the valuation of financial and non-financial collateral. The fair value of non-financial collateral is updated if there has been a significant change in the terms and conditions of the loan

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 23

[in thousands of dollars, except as noted or per share]

or the loan is considered impaired. For impaired loans, an assessment of the collateral is taken into consideration when estimating the expected future cash flows and net realizable amount of the loan.

The amount and type of collateral and other credit enhancements required depend upon Libro's assessment of counterparty credit quality and repayment capacity. Libro's policy is to follow industry standards for collateral valuation, frequency of recalculation of the collateral requirements, documentation, registration and monitoring. Non-financial assets accepted as collateral include vehicles, residential real estate, real estate under development, commercial real estate and certain business assets (accounts receivable, inventory, and fixed assets). Financial collateral includes cash and negotiable securities issued by governments and investment grade issuers. Guarantees are also accepted to reduce credit risk.

The fair value of collateral held with respect to assets that are either past due greater than 30 days and/or impaired is \$140,707 [\$113,586 in 2023].

Loans by security type are as follows:

	December 31, 2024			
	Secured by Real Estate	Secured by Non-Real Estate	Unsecured	Total Loans
Residential mortgage loans ¹	2,221,557	-	-	2,221,557
Personal loans	211,757	88,521	2,414	302,692
Agricultural loans	1,132,528	92,431	1,593	1,226,552
Commercial loans	1,580,011	150,944	3,206	1,734,161
	5,145,853	331,896	7,213	5,484,962

	December 31, 2023			
	Secured by Real Estate	Secured by Non-Real Estate	Unsecured	Total Loans
Residential mortgage loans ¹	2,125,135	-	-	2,125,135
Personal loans	197,017	55,613	2,133	254,763
Agricultural loans	1,043,539	84,301	2,109	1,129,949
Commercial loans	1,596,509	142,554	1,482	1,740,545
	4,962,200	282,468	5,724	5,250,392

¹Residential mortgage loans include \$312,242 of loans insured by Canada Mortgage and Housing Corporation or Sagen [\$318,520 in 2023].

In accordance with the Act, personal loans secured by collateral first mortgages on owners' residential property have been designated as residential mortgage loans for the purposes of risk-weighted capital requirements [note 12].

Economic scenarios

Libro determines ECL using multiple probability-weighted forward-looking scenarios. Libro considers both internal and external sources of information in order to achieve an unbiased, probability-weighted measure of the scenarios used. Libro relies on macroeconomic factors such as housing price index, unemployment, and 3-month banker's acceptance. The "base case" represents the most likely outcome and is given a probability weighting of 80%. The other scenarios represent more optimistic or more pessimistic outcomes and are each given a weighting of 10%.

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 24

[in thousands of dollars, except as noted or per share]

7) PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2024					
	Buildings and Components	Land	Leasehold Improvements	Furniture and Equipment	Right- of-use Assets	Total
Cost:						
Opening balance	57,928	5,554	12,543	29,770	14,684	120,479
Additions	3,834	-	64	2,154	372	6,424
Disposals	(621)	(45)	-	(92)	(84)	(842)
As at December 31, 2024	61,141	5,509	12,607	31,832	14,972	126,061
Accumulated depreciation:						
Opening balance	(25,237)	-	(4,069)	(25,256)	(4,735)	(59,297)
Depreciation	(2,357)	-	(782)	(1,705)	(1,191)	(6,035)
Disposals	432	-	-	92	84	608
As at December 31, 2024	(27,162)	-	(4,851)	(26,869)	(5,842)	(64,724)
Net book value	33,979	5,509	7,756	4,963	9,130	61,337
	December 31, 2023					
	Buildings and Components	Land	Leasehold Improvements	Furniture and Equipment	Right- of-use Assets	Total
Cost:						
Opening balance	53,503	5,554	14,624	29,209	14,816	117,706
Additions	4,425	-	701	1,735	363	7,224
Disposals	-	-	(2,782)	(1,174)	(495)	(4,451)
As at December 31, 2023	57,928	5,554	12,543	29,770	14,684	120,479
Accumulated depreciation:						
Opening balance	(23,048)	-	(5,710)	(24,504)	(4,296)	(57,558)
Depreciation	(2,189)	-	(831)	(1,885)	(896)	(5,801)
Disposals	-	-	2,472	1,133	457	4,062
As at December 31, 2023	(25,237)	-	(4,069)	(25,256)	(4,735)	(59,297)
Net book value	32,691	5,554	8,474	4,514	9,949	61,182

Right-of-use assets consist of 14 real estate leases [15 in 2023]. There are no leases with residual value guarantees and no leases not yet commenced to which Libro is committed.

Libro owns properties in which space not used by the credit union is rented to tenants for the purpose of earning rental income. The cost of the land and buildings with respect to floor space rented to tenants by Libro is \$11,948 [\$11,802 in 2023]. The land and buildings have a net book value of \$5,935 [\$6,286 in 2023].

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 25

[in thousands of dollars, except as noted or per share]

The total gross revenue on credit union owned rental properties in the current year was \$1,499 [\$1,552 in 2023], which resulted in net income of \$97 [\$173 in 2023]. The net rental income has been included in non-interest income.

8) INTANGIBLE ASSETS

Intangible assets consist of the following:

	December 31, 2024			Total
	Computer Software	Banking System Software	Core Deposit Intangibles	
Cost:				
Opening balance	13,293	4,086	14,998	32,377
Additions	748	68	-	816
Disposals and fully amortized assets written off	(2)	-	-	(2)
As at December 31, 2024	14,039	4,154	14,998	33,191
Accumulated amortization:				
Opening balance	(11,933)	(4,086)	(14,998)	(31,017)
Amortization	(2,034)	(2)	-	(2,036)
Disposals and fully amortized assets written off	2	-	-	2
As at December 31, 2024	(13,965)	(4,088)	(14,998)	(33,051)
Net book value	74	66	-	140

	December 31, 2023			Total
	Computer Software	Banking System Software	Core Deposit Intangibles	
Cost:				
Opening balance	10,837	4,086	14,998	29,921
Additions	2,456	-	-	2,456
As at December 31, 2023	13,293	4,086	14,998	32,377
Accumulated amortization:				
Opening balance	(9,485)	(4,086)	(14,998)	(28,569)
Amortization	(2,448)	-	-	(2,448)
As at December 31, 2023	(11,933)	(4,086)	(14,998)	(31,017)
Net book value	1,360	-	-	1,360

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 26

[in thousands of dollars, except as noted or per share]

9) OTHER ASSETS

Other assets consist of the following:

	December 31, 2024	December 31, 2023
Prepaid items	4,192	2,796
Other receivables	36,779	7,337
Deferred securitization fees	5,187	8,306
	46,158	18,439

Other receivables includes \$29,957 investment in third party originated credit card receivables [\$nil in 2023]. \$202 of income earned on the receivables was recorded in Non-interest income [\$nil in 2023]. The contract has a revolving limit up to \$50,000. Refer to note 3[m] for accounting policy.

10) LOANS PAYABLE

Libro has access to credit facilities at Central 1:

	2024			2023		
	Limit	Borrowing Drawn	Borrowing Cost	Limit	Borrowing Drawn	Borrowing Cost
Central 1 Credit Facilities						
Revolving operating credit facilities, bearing a weighted average interest rate of 4.30% [6.03% in 2023]	93,000	-	317	93,000	-	701
Term credit facility, bearing an interest rate of 4.00% [5.80% in 2023]	65,000	-	-	65,000	-	764
	158,000	-	317	158,000	-	1,465

The revolving operating credit facilities contain a \$3,000 USD limit and \$90,000 CDN limit, all are due on demand and subject to renewal on August 31 2025. The other term credit facilities bear a fixed rate depending on the term ranging from seven days to one year. Libro has given a promissory note and pledged an assignment of its assets as collateral.

11) OWNERS' CAPITAL ACCOUNTS

Membership shares

An unlimited number of membership shares have been authorized with a stated value of \$1 per share. Owners are required to have a minimum of 5 shares effective January 1, 2024. Owners who joined prior to 2024 hold 50 shares. These shares are redeemable at their stated value only when the owner withdraws from ownership in Libro. As at December 31, 2024, Libro had 119,416 owners [117,128 in 2023] who held a total of 5,356,655 membership shares [5,571,380 in 2023]. Each owner who is age 16 and over is entitled to one vote.

Class P shares

An unlimited number of Class P non-cumulative, non-voting, non-participating special shares have been authorized having an issue price of \$1. As at December 31, 2024, there were 58,019,041 Class P shares outstanding [58,070,064 in 2023].

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 27

[in thousands of dollars, except as noted or per share]

Class I shares

An unlimited number of Class I non-cumulative, non-voting, non-participating special shares have been authorized to be issued in series at a price of \$1. As at December 31, 2024, there were a total of 233,782,833 Class I shares outstanding [231,767,970 in 2023].

As at December 31, 2024, the number of Class I shares outstanding by series were as follows:

[number of shares in thousands]	December 31, 2024	December 31, 2023
Series 1	3,698	3,858
Series 2	3,181	3,612
Series 3	9,098	9,591
Series 4	23,707	24,272
Series 5	90,597	91,821
Series 6	103,502	98,614
Total	233,783	231,768

Class P and Class I shares are redeemable by the holder only under certain restricted conditions. The aggregate maximum amount that can be redeemed in any year cannot exceed 10% of the outstanding balance of each series, including any dividends declared but not yet paid, of either the Class P or each series of the Class I shares, provided regulatory capital requirements are met. As at December 31, 2024, the aggregate maximum amount that could be redeemed is \$5,802 in Class P shares and \$13,028 in Class I shares.

The continuity of outstanding shares is as follows:

	Membership Shares	Class P Shares	Class I Shares	Total
Outstanding, January 1, 2024	5,571	58,070	231,768	295,409
New shares issued	158	1,978	-	2,136
Shares redeemed	(372)	(3,548)	(10,729)	(14,649)
Shares issued as dividends	-	1,519	12,744	14,263
Outstanding, December 31, 2024	5,357	58,019	233,783	297,159
Less share issuance costs	-	-	(62)	(62)
Total carrying value of shares	5,357	58,019	233,721	297,097
Outstanding, January 1, 2023	5,392	51,863	232,651	289,906
New shares issued	412	9,822	-	10,234
Shares redeemed	(233)	(4,073)	(10,116)	(14,422)
Shares issued as dividends	-	458	9,233	9,691
Outstanding, December 31, 2023	5,571	58,070	231,768	295,409
Less share issuance costs	-	-	(86)	(86)
Total carrying value of shares	5,571	58,070	231,682	295,323

All owners' capital accounts have been designated as financial liabilities. Incremental costs directly attributable to the issue of new shares are deducted from the proceeds.

The credit union harmonized its dividend policy for all six series of Class I Investment Shares to pay a dividend rate equal to or greater than the rate that exceeds by 1.25% the simple average of the yield on the monthly series of the Government of Canada five-year bonds. In 2024, Libro declared a dividend of 5.00% [5.50% in 2023].

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 28

[in thousands of dollars, except as noted or per share]

Prior to the fiscal year-end, the Board of Directors approved its intent to distribute a portion of the current year's income in the form of stock dividends to be paid in the subsequent year, as follows:

	December 31, 2024	December 31, 2023
Class I share dividends		
Series 1	185	212
Series 2	159	199
Series 3	455	528
Series 4	1,185	1,335
Series 5	4,530	5,050
Series 6	5,175	5,423
Stock dividends payable at year-end	11,689	12,747
Accrued dividends from prior years and issuing costs	21	21
Dividend expense	11,710	12,768
	December 31, 2024	December 31, 2023
Class P Profit share distribution - calculated as \$0.36 for every \$1,000 of average deposit and loan balances [\$0.20 in 2023]	3,725	1,992
Class P Profit share dividend - calculated as 2.50% on owner Class P Profit share holdings as at year-end [2.70% in 2023]	1,424	1,532
Profit shares payable at year-end	5,149	3,524
Accrued dividends from prior years	(30)	(109)
Dividend and profit sharing distributions	5,119	3,415

Although owners' shares are regarded as capital for regulatory purposes, they impose a contractual obligation on Libro to pay cash in certain defined future circumstances and have, therefore, been classified as liabilities for the purposes of these financial statements. Correspondingly, dividends paid on those shares have been included in the Statements of Income as a charge to income.

12) REGULATORY INFORMATION

[a] Regulatory capital

Libro's capital management plan is designed to establish a strong base for future growth, the payment of dividends and profit sharing, as well as provide a cushion in the event of market volatility. Libro's capital plan is designed to comply with the Act, which requires Libro to maintain regulatory capital of not less than 3% of a net assets measure and 8% of a risk-weighted equivalent value. The risk-weighted equivalent value is calculated by applying risk-weighted percentages as prescribed by the FSRA Capital Adequacy Requirements Rule (the "Capital Rule") to various assets, operational and interest rate risk criteria. As at December 31, 2024, the total risk-weighted equivalent value for Libro was \$4,118,044 [\$3,929,647 in 2023] and net assets was \$6,592,020 [\$6,336,261 in 2023].

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 29

[in thousands of dollars, except as noted or per share]

The composition of Tier 1 and Tier 2 capital is as follows:

	December 31, 2024	December 31, 2023
Tier 1 capital		
Membership shares	5,357	5,571
Investment and patronage shares	291,740	289,752
Stock dividends payable	16,838	16,271
Redeemable portion of shares	(18,830)	(19,122)
Retained earnings	182,849	163,266
Contributed surplus	60,998	60,998
Accumulated other comprehensive income	17,661	9,452
Pension assets	(778)	-
Total Tier 1 capital	555,835	526,188
Tier 2 capital		
Redeemable portion of shares	18,830	19,122
Stage 1 and Stage 2 allowance for credit losses	13,503	11,338
Total Tier 2 capital	32,333	30,460
Total regulatory capital	588,168	556,648

Libro is in compliance with the Act and regulations and the Capital Rule regarding regulatory capital as follows:

	Minimum Required	December 31, 2024
Capital required per the Act		
Leverage ratio	3.00%	8.92%
Total capital ratio	8.00%	14.28%
Additional capital required per the Capital Rule		
Retained earnings ratio	3.00%	5.92%
Tier 1 capital ratio	6.50%	13.50%
Capital conservation buffer ratio	2.50%	6.28%
Total supervisory capital ratio	10.50%	14.28%

[b] Restricted party transactions

As at December 31, 2024, the aggregate value of loans, lines of credit, overdrafts and letters of credit outstanding to directors, officers, their spouses and related corporations amounted to \$6,787 [\$6,177 in 2023]. There was no impairment for credit losses required in respect of these credit facilities. Interest rates and other terms and conditions relating to loans to directors are the same as those offered to all owners of Libro. Interest income on the loans with restricted parties was \$310 [\$232 in 2023]. Terms and rates of loans offered to officers are the same as all terms and rates offered to all Libro staff. Loans committed to restricted parties were \$nil [\$nil in 2023]. Deposits held by restricted parties totaled \$6,673 [\$5,855 in 2023] and interest paid on those deposits was \$87 [\$102 in 2023].

The total remuneration paid to officers of the company, board directors, and elected representatives was \$2,639 [\$3,579 in 2023]. In addition to this remuneration, total reimbursement to directors and committee members for travel and out-of-pocket expenses for attendance at meetings was \$328 [\$302 in 2023].

[in thousands of dollars, except as noted or per share]

[c] Executive compensation

The Act requires disclosure of the five highest paid officers and employees where the remuneration paid during the year exceeded \$175. The names, positions and remuneration paid during the year of these officers and employees are as follows:

December 31, 2024				
Name	Title	Salary	Variable Compensation	Monetary Value of Benefits
Shawn Good	President & CEO	522	162	47
Janet Johnson	Chief Financial Officer	290	98	38
Michael Smit	Chief Experience & Transformation Officer	203	42	45
Brian Aalbers	Chief People & Governance Officer	203	42	30
Silvia Brudar	Chief Risk Officer	175	-	23

December 31, 2023				
Name	Title	Salary	Variable Compensation	Monetary Value of Benefits
Stephen Bolton	President & CEO (former)	270	353	29
Carol Normandeau	EVP Advice & Service Delivery	285	159	37
Shawn Good	President & CEO	295	71	34
Janet Johnson	EVP Finance & CFO	271	79	35
Scott Ferguson	EVP Information Systems	228	78	31

On an annual basis, the Board of Directors reviews executive compensation and considers market expectations for similar roles in comparable organizations nationally. Variable compensation is based on corporate performance against strategic targets in the previous year. The monetary value of benefits includes a pension plan, dental plan, health plan, automobile benefits (President & CEO), and life and disability insurance.

[d] Deposit insurance

The premium paid to FSRA for 2024 deposit insurance and prudential regulation assessment was \$4,430 [\$4,283 in 2023].

[e] Central 1 fees

The total fees paid to Central 1 amounted to \$1,457 in the current year [\$1,364 in 2023]. These fees were primarily in respect of banking and clearing services.

13) EMPLOYEE FUTURE BENEFITS

Libro sponsors a defined benefit pension plan, a defined contribution pension plan, a supplementary employee retirement plan, and a sick leave benefit plan providing pension and sick leave benefits to eligible employees. The defined contribution pension plan is for staff who were formerly employed by United Communities Credit Union, who were given the option to either remain in the plan or join the defined benefit pension plan. The defined contribution pension plan was closed to new entrants in 2014. The credit union employees' defined benefit pension plan is administered by CUMIS Life Insurance Company, while the defined contribution pension plan is administered by Canada Life.

The defined benefit pension plan is operated under the *Pension Benefits Act* (Ontario) (the "Pension Benefits Act"). The Pension Benefits Act is administered by the Superintendent of Financial Services appointed by FSRA. Plan valuations must be filed with both FSRA and with the Canada Revenue Agency.

[in thousands of dollars, except as noted or per share]

The Pension Benefits Act prescribes the minimum contributions that the credit union must make to the plan. The *Income Tax Act* (Canada) places a maximum limit on the amount of employer contributions. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies with the credit union.

During 2009, the credit union amended its sick leave benefit plan whereby after December 31, 2008, staff members can no longer accrue a benefit to be paid out on termination or retirement. Existing members had their accumulated sick leave days capped at the level achieved as at December 31, 2008.

[a] Defined benefit plans

Actuarial valuations of the plans are made based on market-rated discount rates. The following table presents information related to Libro's benefit plans as at December 31, 2024 including the amounts recorded on the Balance Sheets, and the components of net benefit expense:

	December 31, 2024		December 31, 2023	
	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
Accrued benefit obligation				
Balance as at beginning of year	71,821	1,303	58,495	1,543
Current service cost	5,119	-	3,414	-
Interest cost	3,491	53	3,113	68
Benefits paid	(2,383)	(291)	(1,971)	(438)
Employee contributions	146	-	137	-
Annuity discharge	(17,045)	-	-	-
Actuarial (gain) loss	(531)	(16)	8,633	130
Balance as at end of year	60,618	1,049	71,821	1,303
Plan assets				
Fair value at beginning of year	68,961	-	60,436	-
Expected return on plan assets	3,222	-	3,147	-
Employer contributions	4,469	291	4,396	438
Employee contributions	146	-	137	-
Benefits paid	(2,383)	(291)	(1,971)	(438)
Annuity discharge	(17,045)	-	-	-
Actuarial gain on assets	5,075	-	2,816	-
Fair value as at end of year	62,445	-	68,961	-
Funded status - plan surplus (deficit)	1,827	(1,049)	(2,860)	(1,303)

The supplementary employee retirement plan is included in the defined benefit pension plan. The weighted average duration of liabilities is 22.8 years [20.8 in 2023] for the defined benefit plan, 8.9 years [9.2 in 2023] for the supplementary employee retirement plan, and 7.4 years [6.7 in 2023] for the sick leave plan.

Assets held within the pension plan consist of balances in the units of the Co-operators Sustainable Balanced Fund (24%), Co-operators Mawer Balanced Fund (51%) and Co-operators Northwest Ethical Investments Select Balanced RS Portfolio (25%).

Contributions for the upcoming year are anticipated to be approximately \$4,649 for the defined benefit plans, and \$190 for the sick leave plan.

In 2024, Libro purchased an annuity contract to discharge \$17,045 of pension liabilities from the defined benefit plan to reduce the interest rate exposure of the pension plan. The transaction removed the liability and previous

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 32

[in thousands of dollars, except as noted or per share]

annuity asset from the net pension liability. There was no impact to the Income Statement as a result of the transaction.

Libro's net defined benefit plan expenses recognized in the Statements of Income were as follows:

	December 31, 2024		December 31, 2023	
	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
Current service cost	5,119	-	3,414	-
Net interest cost	268	53	(34)	68
Total included in salaries and employee benefits expense	5,387	53	3,380	68

Libro's net defined benefit plan expenses recognized in OCI were as follows:

	December 31, 2024		December 31, 2023	
	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
Actuarial gain on assets	5,075	-	2,816	-
Actuarial gain (loss) on liabilities	531	16	(8,633)	(130)
Total gain (loss) recognized in OCI	5,606	16	(5,817)	(130)

Included in the above total actuarial gain (loss) on liabilities are the following:

	December 31, 2024		December 31, 2023	
	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
Change in discount rate	2,779	16	(7,699)	(62)
Other	(2,248)	-	(934)	(68)
Total actuarial gain (loss) on liabilities	531	16	(8,633)	(130)

The assumptions used in the measurement of the benefit obligations are shown in the following table:

	December 31, 2024		December 31, 2023	
	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
Discount rate	4.80%	4.80%	4.60%	4.60%
Expected long-term rate of return on plan assets	4.80%	-	4.60%	-
Rate of compensation increase	2.75%	2.75%	2.75%	2.75%

A one percentage point change in assumed discount rates and salary costs would have the following impact on the defined benefit plans:

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 33

[in thousands of dollars, except as noted or per share]

	December 31, 2024		December 31, 2023	
	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
Change in Benefit Obligations				
1% increase in discount rate	(12,160)	(74)	(13,277)	(84)
1% decrease in discount rate	15,239	81	16,309	90
1% increase in rate of compensation increase	4,774	94	3,903	89
1% decrease in rate of compensation increase	(6,366)	(85)	(5,802)	(83)

Through its defined benefit pension plans and post-employment plans, the credit union is exposed to a number of risks, the most significant of which are detailed below:

(i) Equity risk

The plans hold balanced funds, which include equity investments, and are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. However, due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the long-term strategy to manage the plans efficiently.

(ii) Changes in bond yields

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's fixed income investments.

(iii) Inflation risk

The majority of the plan's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The plan's assets may or may not correlate with inflation, meaning that an increase in inflation may also increase the deficit.

(iv) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the employee, so increases in life expectancy will result in an increase in the plan's liabilities.

[b] Defined contribution plans

The pension expense for the defined contribution plan in the current year was \$11 [\$12 in 2023]. The contributions for the upcoming fiscal year are anticipated to be approximately \$11 [\$12 in 2023].

14) COMMITMENTS

[a] Loan commitments

As at December 31, 2024, Libro had commitments to advance loans totalling \$241,319 [\$317,034 in 2023]. The mix of loans committed is consistent with existing funded portfolio balances. In addition, the Credit Union has entered into a number of additional commitments with third party service providers for terms of varying lengths.

[b] Undrawn lines of credit

As at December 31, 2024, Libro had undrawn lines of credit outstanding on behalf of owners amounting to \$1,264,778 [\$1,142,656 in 2023].

[c] Letters of credit

As at December 31, 2024, Libro had letters of credit outstanding on behalf of owners amounting to \$60,526 [\$56,941 in 2023].

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 34

[in thousands of dollars, except as noted or per share]

[d] ECL on commitments

Included in the ECL in note 6 is \$936 [\$2,178 in 2023] related to undrawn lines of credit, refinancing commitments, and unused letters of credit.

15) DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarizes the derivative financial instruments held by Libro. The credit union only enters into derivative contracts with a counterparty it has determined to be creditworthy.

	December 31, 2024		December 31, 2023	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap agreements	6,084	14	14,689	-
Index-linked term deposit hedge agreements	479	479	515	515
	6,563	493	15,204	515

Interest rate swap agreements

Libro enters into interest rate swap agreements in order to hedge against exposure to interest rate fluctuations. As at December 31, 2024, Libro was party to five such agreements [seven in 2023] with Central 1. The agreements, in aggregate, represent a notional principal amount of \$250,000 [\$350,000 in 2023]. The notional principal amounts are used as the basis for determining payments under the contracts and are not actually exchanged between Libro and its counterparties. Outstanding interest rate swaps have a weighted average maturity of 1.1 years [1.33 years in 2023].

Interest rate swap agreements are valued by netting the discounted variable and fixed cash flows. Variable cash flows are calculated using implied interest rates as determined by current the Canadian Overnight Repo Rate Average (CORRA) and swap interest rates, and term relationships. Fixed cash flows are calculated based on the rates stated in the agreements. These notional cash flows are discounted using the relevant points on the zero-interest curve as derived from the month-end CORRA or swap rates.

Foreign exchange forward contracts

Libro uses foreign exchange forward contracts to manage liquidity, interest income, and to hedge the exchange risk in products denominated in US dollars. As at December 31, 2024, Libro was not party to any such agreements [none in 2023] with Central 1.

From time to time, Libro enters into foreign exchange forward contracts with some of its Owners. Owners enter into these contracts primarily to manage foreign exchange risk and hedge against US dollar exchange rates in their own operations. The notional value of these agreements in US dollars was \$1,595 [\$1,575 in 2023] at year-end. Libro enters into offsetting agreements with Central 1 to hedge the exchange risk with its Owners. The notional amount of these offsetting agreements in US dollars was \$1,500 [\$1,500 in 2023] at year-end. These agreements represent a fair market value on a combined basis of \$nil [\$nil in 2023] at year-end.

Index-linked term deposit agreements

Libro has outstanding \$2,037 [\$3,669 in 2023] in index-linked term deposits to its owners. The index-linked term deposits are three and five-year deposits that pay interest at the end of the term, based on performance of a variety of indices. The embedded derivative associated with these deposits is presented in liabilities and has a fair value of \$479 [\$515 in 2023].

Libro has entered into agreements with Central 1 to offset the exposure to the indices associated with each product, whereby the credit union pays a fixed rate of interest for the term of each index-linked deposit on the face value of the deposits sold. At the end of the term, the credit union receives an amount equal to the amount that will be paid to depositors based on the performance of the indices. As at December 31, 2024, Libro had entered into such contracts in the amount of \$2,037 [\$3,669 in 2023]. The agreements are secured by a general security agreement covering all assets

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 35

[in thousands of dollars, except as noted or per share]

of the credit union. The embedded derivative associated with these agreements is presented in assets and has a fair value of \$479 [\$515 in 2023].

Hedge accounting for interest rate swaps

As part of its risk management strategy for interest rate risk, the credit union uses interest rate swaps to reduce its exposure. A discussion of the credit union's approach to management of interest rate risk is in note 21[c].

As at December 31, 2024, Libro had no financial instruments designated for hedge accounting.

16) OWNERS' DEPOSITS

	December 31, 2024	December 31, 2023
Demand deposits	1,038,080	1,001,921
Chequing deposits	1,625,175	1,591,366
Term deposits	1,550,785	1,485,928
Registered savings plans	280,909	290,679
Registered income funds	263,537	248,303
Registered first home savings accounts	6,708	3,131
Registered tax free savings accounts	611,644	541,122
	5,376,838	5,162,450

Owners' deposits are either redeemable on demand or have a fixed date of maturity up to five years. Interest rates are set based upon the type, size and term to maturity of the deposit. All owners' deposits are financial liabilities and measured at amortized cost.

The term to maturity and effective interest rates of Libro owners' deposit portfolio were as follows:

December 31, 2024							
Maturity	Demand	1 year or Less	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 4 Years	Over 4 to 7 Years	Total
Total deposits	3,179,510	1,320,088	390,976	215,604	168,572	102,088	5,376,838
Effective interest rate	1.31%	4.22%	4.12%	4.21%	4.56%	4.25%	2.51%

December 31, 2023							
Maturity	Demand	1 year or Less	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 4 Years	Over 4 to 7 Years	Total
Total deposits	2,741,963	1,762,020	294,740	126,915	110,368	126,444	5,162,450
Effective interest rate	1.67%	4.26%	3.62%	3.27%	4.08%	4.68%	2.83%

17) STATEMENTS OF INCOME DISCLOSURES

[a] Interest income and expense

The amount of income earned from each loan class and interest expense for each type of deposit was as follows:

	December 31, 2024	December 31, 2023
Interest Income		
Residential mortgage loans	71,425	61,133
Personal loans	21,968	20,080
Agricultural loans	59,177	51,480
Commercial loans	124,067	113,649
	276,637	246,342
Interest Expense		
Demand deposits	20,331	22,594
Chequing deposits	17,585	17,920
Term deposits	66,004	51,562
Registered savings plans	11,440	9,830
Registered income funds	10,149	7,744
Registered first home savings accounts	201	26
Registered tax-free savings accounts	23,174	17,587
	148,884	127,263

[b] Non-interest income

Non-interest income consists of the following:

	December 31, 2024	December 31, 2023
Service fees	17,020	14,390
Commissions	8,987	9,049
Foreign exchange	2,832	2,673
Losses on derivatives	(7,492)	(4,888)
Income from property	97	173
Gain on asset sale	48	-
	21,492	21,397

18) FINANCIAL INSTRUMENTS

The following table represents the fair values of Libro's financial instruments. The fair values disclosed do not include the value of assets that are not considered financial instruments. While the fair value amounts are intended to represent estimates of the amounts at which these instruments could be exchanged in a current transaction between willing parties, some of Libro's financial instruments lack an available trading market. Consequently, the fair values presented are estimates derived using present value and other valuation techniques and may not be indicative of the net realizable values. The calculation of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 37

[in thousands of dollars, except as noted or per share]

	December 31, 2024			December 31, 2023		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
<u>Amortized Cost</u>						
Loans to owners	5,484,962	5,573,260	88,298	5,250,392	5,014,862	(235,530)
Investments	235,208	235,317	109	256,060	255,955	(105)
<u>Fair Value through Profit or Loss</u>						
Investments	11,208	11,208	-	10,686	10,686	-
Index-linked deposits	479	479	-	515	515	-
Derivative financial instruments	6,084	6,084	-	14,689	14,689	-
<u>Fair Value through OCI</u>						
Investments	333,140	333,140	-	335,736	335,736	-
Total financial assets	6,071,081	6,159,488	88,407	5,868,078	5,632,443	(235,635)
<u>Amortized Cost</u>						
Owners' deposits	5,376,838	5,739,788	(362,950)	5,162,450	5,148,207	14,243
Accrued and other liabilities	31,822	31,822	-	33,614	33,614	-
Securitization liabilities	195,697	196,637	(940)	197,908	196,810	1,098
<u>Fair Value through Profit or Loss</u>						
Index-linked deposits	479	479	-	515	515	-
Derivative financial instruments	14	14	-	-	-	-
Total financial liabilities	5,604,850	5,968,740	(363,890)	5,394,487	5,379,146	15,341

- (i) Fair values for items that are short-term in nature approximate their book value. These include cash and cash equivalents, accrued interest receivable, other assets, accrued and other liabilities and accrued interest payable. Fair values for floating rate financial instruments are equal to book values as the interest rates automatically reprice to market.
- (ii) Investments are valued using quoted market prices. Cost is used where no ready market values are available.
- (iii) Fixed-rate loans are valued by discounting the contractual future cash flows at current market rates for loans with similar credit risks.
- (iv) Fixed-rate deposits are valued by discounting the contractual future cash flows using market rates currently being offered for deposits with similar terms.

Fair values are determined based on a three-level fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels of the hierarchy are as follows:

- (i) Level 1 - Unadjusted quoted prices in active markets for identical financial assets and financial liabilities;
- (ii) Level 2 - Inputs other than quoted prices that are observable for the financial asset or financial liability either directly or indirectly; and
- (iii) Level 3 - Inputs that are not based on observable market data.

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 38

[in thousands of dollars, except as noted or per share]

The following table illustrates the classification of Libro's financial instruments within the fair value hierarchy:

	December 31, 2024			Total
	Level 1	Level 2	Level 3	
Recorded at Fair Value				
<u>Assets</u>				
Index-linked deposits	-	479	-	479
Central 1 Class E shares	-	-	6,487	6,487
Central 1 Class A shares	-	-	1,577	1,577
Marketable securities	333,140	-	-	333,140
Other investments	-	-	3,144	3,144
Derivative financial instruments	-	6,084	-	6,084
Total assets held at fair value	333,140	6,563	11,208	350,911
<u>Liabilities</u>				
Index-linked deposits	-	479	-	479
Derivative financial instruments	-	14	-	14
Total liabilities held at fair value	-	493	-	493
Fair Value Disclosed				
<u>Assets</u>				
Loans to owners	-	-	5,573,260	5,573,260
Investments	-	235,317	-	235,317
Total assets disclosed at fair value	-	235,317	5,573,260	5,808,577
<u>Liabilities</u>				
Owners' deposits	-	5,739,788	-	5,739,788
Securitization liabilities	-	196,637	-	196,637
Total liabilities disclosed at fair value	-	5,936,425	-	5,936,425

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 39

[in thousands of dollars, except as noted or per share]

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Recorded at Fair Value				
<u>Assets</u>				
Index-linked deposits	-	515	-	515
Central 1 Class E shares	-	-	6,487	6,487
Central 1 Class A shares	-	-	1,559	1,559
Marketable securities	335,736	-	-	335,736
Other investments	-	-	2,640	2,640
Derivative financial instruments	-	14,689	-	14,689
Total assets held at fair value	335,736	15,204	10,686	361,626
<u>Liabilities</u>				
Index-linked deposits	-	515	-	515
Total liabilities held at fair value	-	515	-	515
Fair Value Disclosed				
<u>Assets</u>				
Loans to owners	-	-	5,014,862	5,014,862
Investments	-	255,955	-	255,955
Total assets disclosed at fair value	-	255,955	5,014,862	5,270,817
<u>Liabilities</u>				
Owners' deposits	-	5,148,207	-	5,148,207
Securitization liabilities	-	196,810	-	196,810
Total liabilities disclosed at fair value	-	5,345,017	-	5,345,017

19) INCOME TAXES

Significant components of the deferred tax assets are as follows:

	January 1, 2024	Statements of Income	OCI	December 31, 2024
Allowance for credit losses	2,098	382	-	2,480
Employee future benefits	758	124	(1,023)	(141)
Property and equipment	(439)	256	-	(183)
Deferred revenue	537	10	-	547
Prepaid expenses	(1,700)	575	-	(1,125)
	1,254	1,347	(1,023)	1,578

	January 1, 2023	Statements of Income	OCI	December 31, 2023
Allowance for credit losses	1,770	328	-	2,098
Employee future benefits	(72)	(252)	1,082	758
Property and equipment	213	(652)	-	(439)
Deferred revenue	617	(80)	-	537
Prepaid expenses	(1,185)	(515)	-	(1,700)
	1,343	(1,171)	1,082	1,254

The reconciliation of income tax computed at the statutory rates to the provision for income taxes is as follows:

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 40

[in thousands of dollars, except as noted or per share]

	December 31, 2024		December 31, 2023	
	Amount	%	Amount	%
Expected provision for income taxes based on combined federal and provincial rate	6,245	26.6%	3,759	26.5%
Credit union deduction	(1,979)	(8.4%)	(1,177)	(8.3%)
Permanent differences	60	0.3%	88	0.6%
Other	(473)	(2.0%)	(75)	(0.5%)
Provision for income taxes	3,853	16.4%	2,595	18.3%

Tax amounts related to current year OCI are as follows:

	December 31, 2024	December 31, 2023
Tax on actuarial (loss) gain	(1,023)	1,082
Tax on unrealized loss on investments	(803)	(995)
Net tax recorded in OCI	(1,826)	87

20) TRANSFER OF FINANCIAL ASSETS

[a] Securitization activity

Libro periodically may securitize mortgages through the transfer of mortgage loans to a special purpose entity as described in note 3[l] through programs sponsored by the Canada Mortgage and Housing Corporation. The following table summarizes Libro's securitization activity in the year:

	2024	2023
Securitized residential mortgages sold	40,311	101,892
Net cash proceeds received	39,940	97,175
Outstanding balance of securitized mortgages sold	192,706	194,642

There were \$nil mortgage loans that were delinquent as at year-end [\$nil in 2023]. In addition, there were no credit losses incurred on the mortgages transferred in 2024 or 2023.

Libro retains a securitization liability for mortgages transferred. The liability bears an average fixed interest rate of 3.77% [3.88% in 2023] and bears a weighted average maturity date of 2027 [2026 in 2023]. As at December 31, 2024, the liability was \$195,697 [\$197,908 in 2023]. In 2024, total cost of securitized borrowing was \$8,235 [\$6,571 in 2023].

[b] Government loan programs

As at December 31, 2024, outstanding balances were \$3,951 [\$68,971 in 2023] of loans under the CEBA program. Libro operates as an administrator for CEBA loans on behalf of the Government, but risk of default remains with the Government of Canada. Accordingly, these loans are not included in the Balance Sheets.

[c] Loans sales

Libro has a loan purchasing and servicing agreement with Farm Credit Canada to periodically sell loans. The aggregate outstanding value of loans transferred in 2024 was \$nil [\$29,086 in 2023] and the servicing fees received were \$152 [\$103 in 2023].

21) RISK MANAGEMENT

[a] Liquidity risk

Liquidity risk is defined as the risk that the credit union will be unable to pay obligations when they fall due, or become unable to repay depositors when funds are withdrawn, or become unable to meet commitments to lend money. Libro manages liquidity risk within Board of Directors' Policy limits to ensure the credit union has

sufficient liquidity to meet its obligations. This is managed by monitoring cash flows and cash forecasts, maintaining a portfolio of high-quality liquid financial assets [note 4], monitoring and managing the remaining contractual term to maturity of its loan and deposit portfolios [notes 5 and 16], and maintaining access to credit facilities through Central 1 [note 10]. Libro achieves this through a combination of active management of organic balance sheet growth, borrowing, whole loan sales, and loan securitization. Since the credit union does not issue redeemable long-term deposit products, liquidity risk will not increase as a result of unexpected prepayments or changing deposit maturity forecasts.

As at year-end, Libro’s liquidity coverage ratio was 576% [618% in 2023] and assets held for liquidity purposes totaled \$598,087 [\$628,347 in 2023], consisting of \$368,644 in high quality liquid assets [\$375,355 in 2023] and \$229,443 in other qualifying investments [\$252,992 in 2023].

[b] Credit risk

Credit risk is defined as the risk of financial loss due to a borrower or counterparty failing to meet its obligations in accordance with contractual terms and arises from the credit union’s direct lending, trading, investment and hedging activities. Granting loans to owners is one of the credit union’s primary sources of income and Libro grants credit through consideration of an owner’s credit history, character, collateral, and capacity for debt. Owners’ financial situations are monitored through the life of the loan and all current receivables are expected to be collected. Debt that appears to be in arrears is impaired to the extent that a loss is expected. Libro uses internal risk scoring measures to assess the credit quality of commercial and agricultural borrowers. These measures are derived from the underlying credit experience, collateral, management expertise, and other objective financial measures.

Credit quality

Credit quality of retail borrowers is measured in part by a standardized credit rating system, which considers payment history, current debt, age of accounts, type of credit and credit inquiries. Standard is defined as loans with a credit score between 600 and 649 or C commercial paper.

The application of these scoring measures is as follows:

	December 31, 2024				
	Residential Mortgage Loans	Personal Loans	Agricultural Loans	Commercial Loans	Total
Above standard	1,860,772	288,251	614,002	526,999	3,290,024
Standard	324,890	10,926	530,288	1,068,782	1,934,886
Below standard	35,895	3,515	82,262	138,380	260,052
	2,221,557	302,692	1,226,552	1,734,161	5,484,962

	December 31, 2023				
	Residential Mortgage Loans	Personal Loans	Agricultural Loans	Commercial Loans	Total
Above standard	1,918,478	243,427	638,201	568,472	3,368,578
Standard	176,325	9,375	412,408	1,094,246	1,692,354
Below standard	30,332	1,961	79,340	77,827	189,460
	2,125,135	254,763	1,129,949	1,740,545	5,250,392

To manage credit risk, Libro secures collateral against all types of loans. In the event that an owner is unwilling or unable to meet their obligations as a borrower, security is liquidated to repay the obligation to Libro. Collateral is taken on each loan funded with regard to the owner’s overall creditworthiness including credit

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 42

[in thousands of dollars, except as noted or per share]

history, character, capacity for debt, and type of loan granted. Note 6 provides detail on collateral held against loans.

[c] Market risk

Market risk is defined as the risk that the credit union's ability to meet business objectives will be adversely affected by volatility in market rates. Libro manages market risk using an earnings at risk approach. The primary objective of this approach is to maximize earnings on a consistent basis while minimizing reductions to net income resulting from changes in future interest rates.

Interest rate risk is the impact that changes in interest rates could have on the credit union's margins, profit or loss, and equity. Interest rate risk arises from the difference between interest paid related to the credit union's liabilities and the interest earned on its assets. As part of the credit union's risk management strategy, the Board of Directors has established limits on the interest rate exposures that are consistent with the credit union's risk appetite.

The below table summarizes Libro's interest rate gap on Balance Sheets items based on contractual repricing and maturity dates:

	December 31, 2024				Total
	Within 1 year	1 to 5 years	Over 5 years	Non Interest Sensitive	
Assets					
Loans and advances	2,660,309	2,745,098	79,554	-	5,484,962
Cash and cash equivalents	-	-	-	50,512	50,512
Investments	321,659	246,656	-	11,241	579,556
Other	-	-	-	116,023	116,023
Total assets	2,981,968	2,991,754	79,554	177,776	6,231,053
Liabilities					
Deposits	2,874,422	877,241	-	1,625,175	5,376,838
Securitization liabilities	21,235	174,462	-	-	195,697
Equity and other	-	233,783	-	424,735	658,518
Total liabilities	2,895,657	1,285,486	-	2,049,910	6,231,053
Interest rate gap - Financial position	86,311	1,706,269	79,554	(1,872,134)	-
Derivatives	(150,000)	150,000	-	-	-
Interest rate gap	236,311	1,556,269	79,554	(1,872,134)	-

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 43

[in thousands of dollars, except as noted or per share]

	December 31, 2023			Non Interest Sensitive	Total
	Within 1 year	1 to 5 years	Over 5 years		
Assets					
Loans and advances	2,018,324	3,046,033	186,035	-	5,250,392
Cash and cash equivalents	-	-	-	36,613	36,613
Investments	345,895	245,839	-	10,748	602,482
Other	-	-	-	99,333	99,333
Total assets	2,364,219	3,291,872	186,035	146,694	5,988,820
Liabilities					
Deposits	2,912,617	658,467	-	1,591,366	5,162,450
Securitization liabilities	15,018	182,890	-	-	197,908
Equity and other	-	231,768	-	396,694	628,462
Total liabilities	2,927,635	1,073,125	-	1,988,060	5,988,820
Interest rate gap - Financial position	(563,416)	2,218,747	186,035	(1,841,366)	-
Derivatives	(150,000)	150,000	-	-	-
Interest rate gap	(413,416)	2,068,747	186,035	(1,841,366)	-

The credit union's policy is to monitor positions on a monthly basis. Libro uses income simulation modeling to measure exposure to changes in interest rates over short-term periods. Earnings at risk is calculated by forecasting the net interest margin for the next 12-month period using most likely assumptions, including existing hedging activities. Most likely assumptions include management's best estimates for planned growth rates and the use of future interest rates. Planned growth rates are recorded at the start of the fiscal period as initially set out in the budget and modified to actual experience through the fiscal period. Future interest rates on new business and product renewals are determined using the future interest rates derived mathematically based on the term structure of interest rates. The impact of rate shock scenarios are measured against the most likely forecast ("MLF") as defined above. The resulting change in the forecast as a result of interest rate shocks is then compared to the MLF to determine the earnings at risk amount. Maximum change limits under these interest rate scenarios have been set out by the Board of Directors. These scenarios are based on hypothetical simulations assuming the markets are shocked with 100 or 200 basis point volatility. At the current time, Libro is in compliance with all limits set by the Board of Directors' Policy.

The policy limits and most likely projections are as follows:

Asset Liability Management Limits	Maximum Change Limit	Projected Change to Earnings	Status
Most Likely Shocked + 200 basis points	-10%	1.65%	Compliant
Most Likely Shocked + 100 basis points	-5%	1.12%	Compliant
Most Likely Forecast Scenario	0%	0.00%	Compliant
Most Likely Shocked - 100 basis points	-5%	-2.81%	Compliant
Most Likely Shocked - 200 basis points	-10%	-6.37%	Compliant

[d] Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign currency rates. Libro's net income is exposed to currency risk from US dollar investments and owner US dollar deposits. Libro mitigates currency risk of US dollar financial assets and liabilities by investing in offsetting US dollar financial instruments with similar terms. Currency risk is managed in accordance with the Board of Directors' Policy, which the Board of Directors reviews annually. For a 1% instantaneous increase or decrease in exchange rate, Libro's net income would change by \$1 [\$1 in 2023].

Libro Credit Union Limited

Notes to the Financial Statements

December 31, 2024

Page 44

[in thousands of dollars, except as noted or per share]

22) ACCRUED AND OTHER LIABILITIES

Accrued and other liabilities consist of the following:

	December 31, 2024	December 31, 2023
Owner remittances to third parties	11,192	15,045
Salaries payable to employees	10,117	7,377
Accounts payable	319	393
Lease obligations	10,194	10,799
	31,822	33,614

The lease obligations by year are as follows:

	Lease Payments
2025	1,438
2026	1,443
2027	1,468
Thereafter	7,679
Less present value discount	(1,834)
Lease obligations	10,194

Interest expense on all lease liabilities is \$365 [\$303 in 2023] and included in occupancy expense in the Statements of Income.

The continuity schedule for lease liabilities is as follows:

	2024	2023
Opening balance	10,799	10,992
Principal repayments	(1,411)	(1,324)
Lease modifications	806	1,131
Ending balance	10,194	10,799

23) COMPARATIVE FIGURES

Certain comparative figures have been reclassified to reflect the presentation adopted in the current year.