

# Consolidated Financial Statements.

2024 Annual Report.

Vancity



Consolidated Financial Statements  
(Expressed in thousands of dollars)

**VANCOUVER CITY SAVINGS  
CREDIT UNION**

And Independent Auditor's Report thereon  
Year ended December 31, 2024

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These consolidated financial statements were prepared by the management of Vancouver City Savings Credit Union ("Vancity") who are responsible for their integrity, objectivity and reliability. They have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and include amounts that are based on estimates and judgments of management with appropriate consideration to materiality.

In meeting its responsibility for the reliability of financial data, management relies on comprehensive internal accounting, operating and system controls. Systems of internal control and reporting procedures are designed and maintained to provide reasonable assurance that the financial records are complete and accurate and that the assets of Vancity are safeguarded against loss from unauthorized use or disposition. The procedures include establishment and communication of standards of business conduct throughout all levels of the organization to provide assurance that all transactions are authorized and proper records are maintained. Internal Audit provides management with the ability to assess the adequacy of these controls.

The Board of Directors has approved the consolidated financial statements. The Audit Committee of the Board, comprising directors who are not officers or employees of Vancity, has reviewed the consolidated financial statements and received regular reports on internal control findings. KPMG LLP, the external auditors appointed by the membership, have examined the consolidated financial statements of Vancity and their report follows. They have had full and free access to the records of Vancity, the internal audit staff, other management staff, and the Audit Committee of the Board.



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Wellington Holbrook  
**President and Chief Executive Officer**



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Frances Yip  
**Chief Financial Officer**

March 5, 2025



**KPMG LLP**

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## **INDEPENDENT AUDITOR'S REPORT**

To the members of Vancouver City Savings Credit Union

### ***Opinion***

We have audited the consolidated financial statements of Vancouver City Savings Credit Union ("Vancity"), which comprise:

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statement of income (loss) for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in members' equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Vancity as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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 Vancity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Other Information***

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditor's report thereon, included in the Annual Report document.

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



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

### ***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 as issued 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 Vancity'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 Vancity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Vancity'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.

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 Vancity'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 Vancity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Vancity 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants

Vancouver, Canada  
March 5, 2025

# VANCOUVER CITY SAVINGS CREDIT UNION

Consolidated Statement of Financial Position  
(Expressed in thousands of dollars)

December 31, 2024, with comparative information for 2023

	Notes	2024	2023
<b>Assets</b>			
Cash and cash equivalents		\$ 136,034	\$ 203,527
Interest bearing deposits with financial institutions	28(c)	64,918	43,025
Financial investments	6	3,338,800	3,687,947
Derivative assets	7	6,989	17,258
Loans and advances to members	8, 29(a)	24,566,393	24,612,106
Current tax assets		-	17,060
Premises, equipment and right-of-use assets	10(a), 10(c)	111,986	122,127
Intangible assets	10(b)	42,941	51,206
Deferred tax assets	11(c)	31,504	28,781
Other assets	13, 28(c)	60,542	51,997
<b>Total assets</b>		<b>\$ 28,360,107</b>	<b>\$ 28,835,034</b>
<b>Liabilities and Equity</b>			
Deposits from members	14, 29(a)	\$ 24,869,375	\$ 25,145,870
Derivative liabilities	7	37,081	30,514
Wholesale borrowings	16(b)	529,532	695,571
Secured borrowings	16(a), 16(b)	1,001,032	980,562
Accounts payable and accrued liabilities	17	205,648	274,908
Current tax liabilities		2,130	-
Lease liabilities	10(d)	45,617	45,709
Retirement benefit obligation	12(a)	48,535	51,392
Other liabilities		2,724	2,711
<b>Total liabilities</b>		<b>26,741,674</b>	<b>27,227,237</b>
Members' equity:			
Capital and reserves attributable to members:			
Contributed surplus		29,275	29,275
Retained earnings		1,588,196	1,582,430
Accumulated other comprehensive income (loss)		962	(3,908)
<b>Total members' equity</b>		<b>1,618,433</b>	<b>1,607,797</b>
<b>Total liabilities and equity</b>		<b>\$ 28,360,107</b>	<b>\$ 28,835,034</b>

Commitments and contingencies (note 28)  
Subsequent events (note 30)

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

Approved on behalf of the Board on March 5, 2025:




# VANCOUVER CITY SAVINGS CREDIT UNION

Consolidated Statement of Income (Loss)  
(Expressed in thousands of dollars)

Year ended December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Interest income		\$ 1,278,069	\$ 1,179,506
Interest expense		896,201	812,459
Net interest income	18	381,868	367,047
Impairment expense on financial instruments	9(b)	16,579	4,493
Fee and commission income		158,830	141,531
Fee and commission expense		30,716	28,246
Net fee and commission income	19	128,114	113,285
Net gains on financial instruments	20	4,849	2,987
Other income		10,102	10,873
Total operating income		508,354	489,699
Operating expenses:			
Salary and employee benefits	21, 29(b)	323,920	305,411
Occupancy and equipment		50,889	53,691
General and administrative	22	119,419	133,942
		494,228	493,044
Income (loss) before distribution and tax		14,126	(3,345)
Distribution to community and members	23	4,359	3,691
Income (loss) before income taxes		9,767	(7,036)
Income tax expense (recovery)	11(a)	4,001	(5,735)
Net income (loss) attributable to members		\$ 5,766	\$ (1,301)

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

# VANCOUVER CITY SAVINGS CREDIT UNION

Consolidated Statement of Comprehensive Income  
(Expressed in thousands of dollars)

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Net income (loss) attributable to members	\$ 5,766	\$ (1,301)
Other comprehensive income (loss) for the year that was or may be reclassified to the consolidated statement of income, net of tax:		
Net gains on financial assets measured at FVOCI:		
Unrealized gains arising during the year, net of tax of \$1,461 (2023 - \$6,935)	19,090	20,761
Reclassification of realized gains to the consolidated statement of income, net of tax of \$80 (2023 - \$103)	(19)	(307)
	19,071	20,454
Cash flow hedges:		
Effective portion of changes in fair value, net of tax recovery of \$2,823 (2023 - \$3,222)	(19,422)	(9,663)
Items that will never be reclassified to the consolidated statement of income:		
Actuarial gain (loss) on pension and other retirement benefits, net of tax of \$1,159 (2023 - tax recovery of \$914)	5,221	(4,517)
Other comprehensive income for the year	4,870	6,274
<b>Comprehensive income attributable to members</b>	<b>\$ 10,636</b>	<b>\$ 4,973</b>

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

# VANCOUVER CITY SAVINGS CREDIT UNION

Consolidated Statement of Changes in Members' Equity  
(Expressed in thousands of dollars)

Year ended December 31, 2024, with comparative information for 2023

	Contributed surplus	AOCI			Retained earnings	Total equity
		Hedging reserve	Fair value reserve	Employee benefits		
Balance as at January 1, 2023	\$ 29,275	\$ 8,087	\$ (41,192)	\$ 22,923	\$ 1,583,731	\$ 1,602,824
Net loss for the year	-	-	-	-	(1,301)	(1,301)
Other comprehensive income (loss) for the year, net of tax:						
Net gains on financial assets measured at FVOCI	-	-	20,454	-	-	20,454
Cash flow hedges	-	(9,663)	-	-	-	(9,663)
Actuarial loss on defined benefit pension plan	-	-	-	(4,517)	-	(4,517)
Other comprehensive income (loss) for the year	-	(9,663)	20,454	(4,517)	-	6,274
Total comprehensive income (loss) for the year	-	(9,663)	20,454	(4,517)	(1,301)	4,973
Balance as at December 31, 2023	29,275	(1,576)	(20,738)	18,406	1,582,430	1,607,797
Net income for the year	-	-	-	-	5,766	5,766
Other comprehensive income (loss) for the year, net of tax:						
Net gains on financial assets measured at FVOCI	-	-	19,071	-	-	19,071
Cash flow hedges	-	(19,422)	-	-	-	(19,422)
Actuarial gain on defined benefit pension plan	-	-	-	5,221	-	5,221
Other comprehensive income (loss) for the year	-	(19,422)	19,071	5,221	-	4,870
Total comprehensive income (loss) for the year	-	(19,422)	19,071	5,221	5,766	10,636
Balance as at December 31, 2024	\$ 29,275	\$ (20,998)	\$ (1,667)	\$ 23,627	\$ 1,588,196	\$ 1,618,433

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

# VANCOUVER CITY SAVINGS CREDIT UNION

Consolidated Statement of Cash Flows  
(Expressed in thousands of dollars)

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Cash flows from operating activities:		
Net income (loss)	\$ 5,766	\$ (1,301)
Items not involving cash:		
Net interest income	(381,868)	(367,047)
Impairment expense on financial instruments	16,579	4,493
Amortization, depreciation and impairment	34,853	36,365
Loss (gain) on sale of premises and equipment	(4,643)	59
Gain on sale of investment property	(4,565)	(6,143)
Net loss (gain) on financial instruments	(4,849)	2,987
Income tax (recovery) expense	4,001	(5,735)
	(334,726)	(336,322)
Changes in non-cash operating working capital:		
Derivative instruments	(1,735)	15,198
Interest bearing deposits with financial institutions	(22,500)	(1,536)
Loans and advances to members	29,640	(554,318)
Other assets	(11,283)	(6,337)
Deposits from members	(332,013)	496,530
Accounts payable and accrued liabilities	(69,260)	47,868
Retirement benefit obligation	3,523	2,592
Other liabilities	13	(737)
	(738,341)	(337,062)
Interest received	1,271,937	1,163,853
Interest paid	(878,318)	(673,661)
Income tax refund received (taxes paid)	12,749	(9,481)
Net cash provided by (used in) operating activities	(331,973)	143,649
Cash flows from investing activities:		
Acquisition of financial investments	(4,260,339)	(5,498,155)
Proceeds from sale and redemption of financial investments	4,675,652	5,461,713
Purchase of premises and equipment	(5,434)	(14,611)
Proceeds from the sale of premises and equipment	6,830	(165)
Purchase of intangibles	(1,538)	(3,255)
Proceeds from the sale of investment property	7,303	6,344
Net cash provided by (used in) investing activities	422,474	(48,129)
Cash flows from financing activities:		
Issuance of investment shares	2,629	3,358
Redemption of investment shares	(5,519)	(5,941)
Proceeds from issue of secured borrowings	871,608	41,017
Repayment of secured borrowings	(851,474)	(233,764)
Proceeds from wholesale borrowings	4,184,915	3,998,761
Repayment of wholesale borrowings	(4,348,399)	(3,904,157)
Change in lease liabilities	(11,754)	(12,059)
Net cash used in financing activities	(157,994)	(112,785)
Decrease in cash and cash equivalents	(67,493)	(17,265)
Cash and cash equivalents, beginning of the year	203,527	220,792
Cash and cash equivalents, end of the year	\$ 136,034	\$ 203,527
Cash and cash equivalents are comprised of:		
Cash	\$ 130,388	\$ 194,577
Cash equivalents	5,646	8,950
	\$ 136,034	\$ 203,527

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

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

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# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

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## 1. General information

Vancouver City Savings Credit Union (“VCS”) is incorporated under the *Credit Union Incorporation Act* of British Columbia and its operations are subject to the *Financial Institutions Act of British Columbia* (“FIA”). VCS is a member-owned, community-based, full-service financial institution with branches in Metro Vancouver, the Fraser Valley, Greater Victoria, Squamish and Alert Bay. VCS’s primary lines of business include retail and business banking (deposit-taking and lending), commercial lending, and investment and advisory services. Vancity Community Investment Bank (the “Bank”), a wholly-owned subsidiary of VCS, is federally incorporated and its operations are regulated by the Office of the Superintendent of Financial Institutions (“OSFI”). The Bank serves customers across Canada with its main operations in British Columbia and Ontario. The Bank’s primary lines of business include business banking (deposit-taking and lending), Visa credit card and prepaid card services.

These consolidated financial statements as at and for the year ended December 31, 2024 comprise VCS and its subsidiaries (hereinafter together referred to as “Vancity”). Operating on the territories of the Coast Salish and Kwakwaka’wakw people and headquartered on the lands belonging to the Musqueam, Squamish and Tsleil-Waututh Nations in Vancouver, British Columbia (“B.C.”), Vancity is domiciled in Canada and its registered office is 183 Terminal Avenue, Vancouver, B.C.

These consolidated financial statements were approved for issue by the Board of Directors (the “Board”) on March 5 2025.

## 2. Basis of presentation

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and as required by the FIA. Vancity has consistently applied the accounting policies set out in note 3 below to all periods presented in these consolidated financial statements, except if mentioned otherwise.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following:

- financial investments at fair value through profit or loss (“FVTPL”) and derivative financial instruments, which are measured at fair value;
- financial investments at fair value through other comprehensive income (“FVOCI”) and derivative financial instruments measured at fair value; and
- the retirement benefit obligation, which is measured at the net of the fair value of the plan assets and the present value of the defined benefit obligation, plus or minus unrecognized actuarial gains or losses, less unrecognized past service costs and unrecognized actuarial losses.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

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## 2. Basis of presentation (continued)

### (c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is Vancity's functional currency.

### (d) Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information on significant areas of uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in note 5.

## 3. Material accounting policy information

### (a) Basis of consolidation

These consolidated financial statements include the assets, liabilities and the results of operations and cash flows of Vancity. The active subsidiaries are Vancity Community Investment Bank, Citizens Trust Company, CoPower Inc., CoPower Finance Inc., Vancity Capital Corporation, Vancity Life Insurance Services Ltd., SCU Insurance Services Ltd., and Vancity Investment Management Ltd. ("VCIM"). All inter-entity transactions and balances have been eliminated in preparing these consolidated financial statements.

Subsidiaries are entities controlled by VCS. The following circumstances may indicate a relationship in which, in substance, VCS controls the entity:

- VCS has power over the entity whereby VCS has the ability to direct the relevant activities (*i.e.*, the activities that affect the entity's returns);
- VCS is exposed, or has rights, to variable returns from its involvement with the entity; and
- VCS has the ability to use its power over the entity to affect the amount of the entity's returns.

An entity is consolidated if VCS concludes that it controls the entity. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases. These consolidated financial statements have been prepared using uniform accounting policies across all subsidiaries for like transactions and other events in similar circumstances.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

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### 3. Material accounting policy information (continued)

#### (b) Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars, which is Vancity's functional currency, at the spot exchange rate on the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies on the reporting date are re-translated into Canadian dollars at the spot exchange rate on that date.

Foreign currency differences arising on translation are recognized in the consolidated statement of income, except for differences arising on the translation of equity instruments measured at fair value through other comprehensive income, qualifying cash flow hedges, or equity instruments measured at FVOCI, which are recognized in other comprehensive income ("OCI"). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of the transaction.

#### (c) Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the original date of acquisition, including cash on hand, cheques and other items in transit. Cash is carried at amortized cost in the consolidated statement of financial position.

#### (d) Financial instruments

##### (i) Recognition, classification and measurement

All financial assets are initially recorded on the trade date 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 both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets 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.

Financial assets measured at amortized cost consist of loans and advances to members, securities issued or guaranteed by the federal and provincial government, other securities, and other financial assets such as accounts receivable.

A financial asset 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.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

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## 3. Material accounting policy information (continued)

### (d) Financial instruments (continued)

#### (i) Recognition, classification and measurement (continued)

On initial recognition of an equity instrument that is not held for trading, Vancity may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Financial assets designated at FVOCI consist of Central 1 shares and other equity, and corporate bonds, as well as securities issued or guaranteed by the federal and provincial government.

All financial assets not measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition VCS may irrevocably elect to measure financial assets that otherwise meet the requirements to be measured at amortized cost or at FVOC as at FVTPL when doing so results in more relevant information.

Financial assets classified as measured at FVTPL consist of investments in private equity funds and derivative assets.

All financial liabilities are initially recorded on the trade date at fair value and subsequently classified as measured at amortized cost or FVTPL. On initial recognition, Vancity may irrevocably designate a financial liability at FVTPL when doing so results in more relevant information, because either:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed with its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

Financial liabilities measured at amortized cost consist of deposits, borrowings, lease liabilities and other financial liabilities such as accounts payable. Financial liabilities classified as measured at FVTPL consist of derivative liabilities.

For financial assets classified as measured at FVTPL or designated at FVTPL, changes in fair value are recognized in the consolidated statement of income. For financial assets classified as measured at FVOCI or an irrevocable election has been made, changes in fair value are recognized in the consolidated statement of comprehensive income. For debt securities measured at FVOCI, gains and losses on disposal and impairment losses (recoveries) are recorded in the consolidated statement of income. For equity securities designated at FVOCI, gains or losses on these instruments will never be recognized in profit or loss.

For financial assets and other financial liabilities measured at amortized cost, interest income and interest expense are calculated using the effective interest method and is recognized in the consolidated statement of income.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

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## 3. Material accounting policy information (continued)

### (d) Financial instruments (continued)

#### (i) Recognition, classification and measurement (continued)

##### *Business model assessment*

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

- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated;
- whether the assets are held for trading purposes;
- the risks that affect the performance of the financial assets held within the business model and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sale activity.

##### *Contractual cash flow characteristics assessment*

In assessing whether the contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition and 'interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

Vancity considers the contractual terms of the financial asset and whether the asset contains contractual terms that could change the timing or amount of cash flows such that it would not meet the condition of principal and interest. Contractual terms considered in this assessment include contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms, terms that limit the claim to cash flows from specified assets, and features that modify the consideration from time value of money.

#### (ii) Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period after Vancity changes its business model for managing those assets.

#### (iii) Impairment

The expected credit loss ("ECL") model applies to amortized cost financial assets, debt investments at FVOCI, off-balance sheet loan commitments, and financial guarantee contracts.

Loss allowances are measured on either of the following bases:

- 12-month ECL (Stage 1): these are expected losses that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECL (Stage 2 and 3): these are expected losses that result from all possible default events over the expected life of a financial instrument.

# VANCOUVER CITY SAVINGS CREDIT UNION

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### 3. Material accounting policy information (continued)

#### (d) Financial instruments (continued)

##### (iii) Impairment (continued)

Stage 2 comprise assets which have shown a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. Stage 3 comprise credit-impaired assets that have shown objective evidence of impairment at the reporting date.

ECL is measured as 12-month ECL unless the credit risk on a financial instrument has increased significantly since initial recognition, the financial instrument is credit-impaired at initial recognition, or constitutes trade and lease receivables, for which Vancity has elected to take the simplified approach by using lifetime ECL to measure the loss allowance.

##### *Assessment of significant increase in credit risk*

The assessment of significant increase in credit risk ("SICR") considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. Factors considered in the assessment include macroeconomic outlook, management judgment, delinquency, risk ratings and monitoring. The importance and relevance of each specific macroeconomic factor depends on the portfolio, characteristics of the financial instruments, and the borrower's credit profile. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap.

In determining the amount of loss allowance for ECLs to recognize, Vancity assesses at each reporting date whether there has been a SICR for a financial asset. In assessing whether a SICR has occurred, Vancity considers quantitative factors, qualitative factors and a rebuttable presumption.

A SICR is considered to have occurred when any of three conditions are met. The conditions include a change in the probability of default in excess of predetermined thresholds which would move the loan to Stage 2, the backstop criterion for the portfolio has been met which would move the loan to Stage 2 or 3, or other portfolio specific considerations which would move the loan to Stage 2 or 3.

The predetermined thresholds are specific to each portfolio and the initial credit quality of the account. Generally, accounts with higher credit quality would require relatively larger changes in the probability of default to trigger a SICR, while lower credit quality accounts would require relatively smaller changes to trigger a SICR.

For all loans and advances to members, the Stage 2 backstop criterion is met when an account is 30 or more days in arrears and will be transferred to Stage 2.

For all loans and advances, the Stage 3 backstop criterion is met when an account is 90 or more days in arrears.

# VANCOUVER CITY SAVINGS CREDIT UNION

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### 3. Material accounting policy information (continued)

(d) Financial instruments (continued)

(iii) Impairment (continued)

#### *Assessment of significant increase in credit risk (continued)*

Loans and advances to members are assessed and measured on a collective basis in groups of financial assets that share credit risk characteristics. For this purpose, Vancity has grouped its financial assets into product types on the basis of shared credit risk characteristics for each component of the ECL calculation.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default and the borrower has the ability to fulfill their contractual obligations both in the short- and long-term, including periods of adverse changes in the economic or business environment.

#### *Measurement of ECL*

ECL is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, which is the difference between the cash flows due in accordance with the contract and the cash flows expected to be received. The measurement of ECL is based primarily on the product of the following variables: probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD").

The PD is an estimate of the likelihood that a loan will not be repaid and will go into default in either a 12-month or lifetime horizon. The LGD is an estimate of the amount that may not be recovered in the event of default. The EAD is an estimate of the outstanding amount of credit exposure at the time a default may occur. These estimates are modelled based on historic data, current market conditions, and reasonable and supportable information about future economic conditions, where appropriate.

#### *Probability of default*

To calculate the 12-month (Stage 1) PDs (except for the Visa portfolio), the number of performing loans is counted at the beginning of the year and monitored throughout the year. At the end of the reporting period, the number of defaults during the year is divided by the total number of loans within the set. Any loan that originated during the course of the year will be considered in the subsequent year's calculation of 12-month PDs. Lastly, the calculated PDs are refined to consider the cure rate, which is the rate at which members that default correct themselves. Any loan that defaulted during the year but is no longer delinquent at the end of the year is considered cured.

The Visa portfolio uses a roll rate methodology that estimates the percentage of credit card users who are in different stages of delinquency on their accounts. The difference of the roll rate methodology from the 12-month PD calculation is the use of dollar amounts rather than counts.

The Stage 2 PD is a lifetime PD based on the average life of the asset.

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### 3. Material accounting policy information (continued)

#### (d) Financial instruments (continued)

##### (iii) Impairment (continued)

###### *Loss given default*

The LGD reflects Vancity's estimate of cash shortfalls in the event of default. The LGD input to the ECL calculation for Stage 1 and Stage 2 financial assets is estimated to be equal. The LGD input, expressed as a percentage of EAD, is primarily estimated based on the shortfall in the current collateral values of the financial assets compared to the current book value of the financial asset discounted for the time to obtain and collect on the collateral upon default and the estimated costs to obtain and collect on the collateral.

###### *Forward looking information and macroeconomic factors*

The forward-looking information ("FLI") component of the ECL calculation represents management's estimate of the impacts of FLI and forecasts of macroeconomic conditions to Vancity's ECL. In determining the FLI input to the ECL calculation, Vancity identifies macroeconomic factors that are deemed to be applicable to various loan portfolios. Vancity runs a regression analysis against each product type to determine which macroeconomic factors will be applied in determining FLI. Vancity uses forecasts for multiple external sources and management applies a probability-weighted factor for each of the macroeconomic scenarios.

###### *Exposure at default*

The EAD is an estimate of a loan exposure amount at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and payments of interest, prepayments, expected drawdowns on committed facilities or any other terms that may alter the cash flow characteristics of the loan or lease receivable.

###### *Exposure at default*

The starting point for determining EAD is the amortization schedule (principal and interest payments) of each loan within the portfolio as set out in the contractual terms of the financial asset. The EAD is adjusted by the expected prepayments (partial or full) prior to maturity on a portfolio basis. For lines of credit, the EAD is determined based on Vancity's expectations of renewals, drawdowns and repayments on the outstanding loan commitments on a portfolio basis.

###### *Credit-impaired and restructured financial assets*

At each reporting date, Vancity assesses whether financial assets measured at amortized cost or FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When identifying loans and advances to members that are credit-impaired for which the loss allowance for ECLs is calculated individually, as the difference between the gross carrying amount of the financial assets and the present value of estimated future cash flows, Vancity determines whether indicators of a borrower's unlikeliness to pay exist.

# VANCOUVER CITY SAVINGS CREDIT UNION

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### 3. Material accounting policy information (continued)

#### (d) Financial instruments (continued)

##### (iii) Impairment (continued)

###### *Credit-impaired and restructured financial assets (continued)*

In addition to qualitative considerations, Vancity applies quantitative thresholds for identifying loans and advances to members that are credit-impaired. The quantitative threshold for all loans and advances to members is 90 days past due to be considered credit-impaired. Accounts that have exceeded the quantitative threshold will be transferred to Stage 3.

If the terms of a financial asset are renegotiated or modified, or a financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and how ECL is measured. If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset. If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow of the existing asset at the time of its derecognition.

###### *Cash and cash equivalents and investments*

Vancity is required to recognize a loss allowance for ECLs on cash and cash equivalents and interest-bearing deposits with financial institutions measured at amortized cost and financial investments measured at FVOCI at each reporting date. The 12-month ECLs for Stage 1 financial assets and lifetime ECLs for Stage 2 financial assets are primarily based on the instrument's credit rating and historical data of recoveries on similar instruments that have defaulted in the past.

###### *Presentation of impairment*

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For financial assets measured at FVOCI, the loss allowance is recognized in OCI instead of reducing the carrying amount of the asset. For assets that include both a drawn and an undrawn component, and Vancity cannot identify the ECL on the undrawn component separately from the drawn component, the combined loss allowance for both components is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

###### *Definition of default and write-off policy*

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

# VANCOUVER CITY SAVINGS CREDIT UNION

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### 3. Material accounting policy information (continued)

#### (d) Financial instruments (continued)

##### (iii) Impairment (continued)

###### *Definition of default and write-off policy (continued)*

This includes events such as material breaches of covenants, significant financial difficulty of the borrower, or the deterioration of the instrument's security. Vancity considers that default has occurred and classifies the instrument as impaired when it is more than 90-days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate.

Vancity writes off an impaired financial asset and the related impairment allowance, either partially or in full, when there is no realistic prospect of recovery.

##### (iv) Derecognition of financial instruments

Vancity derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which Vancity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Vancity derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired. Vancity also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

When Vancity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repurchase obligation), the consideration received is accounted for in borrowings, and the underlying asset continues to be recognized in the financial statements.

Vancity periodically enters into asset transfer agreements with third parties including securitization of residential mortgages into special purpose entities, such as programs sponsored by Canada Mortgage and Housing Corporation that issue bonds to third party investors.

Vancity also securitizes insured residential mortgages by participating in the National Housing Act mortgage-backed securities ("MBS") program. Through the program, Vancity issues securities backed by residential mortgages that are insured against the borrower's default. Once the mortgages are securitized, Vancity may periodically transfer these MBS to Canada Housing Trust under the Canada Mortgage Bonds ("CMB") Program or other MBS third party investor programs.

# VANCOUVER CITY SAVINGS CREDIT UNION

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## 3. Material accounting policy information (continued)

### (d) Financial instruments (continued)

#### (iv) Derecognition of financial instruments (continued)

Vancity reviews transfer agreements in order to determine whether the transfers of financial assets should result in all or a portion of the transferred mortgages being derecognized from its consolidated statement of financial position. The derecognition requirements include an assessment of whether Vancity's rights to contractual cash flows have expired or transferred or whether an obligation has been undertaken by Vancity to pay the cash flows collected on the underlying transferred assets over to a third party. An assessment is also made to determine whether substantially all the risks and rewards of ownership have been transferred.

In instances where Vancity's securitizations and other transfers of receivables do not result in a transfer of contractual cash flows of the receivables or an assumption of an obligation to pay the cash flows of the receivable to a transferee, Vancity has not derecognized the transferred receivables and has instead recorded a secured borrowing with respect to any consideration received.

#### (v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts with the same counterparty and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

### (e) Derivative instruments and hedge accounting

Derivative instruments are financial contracts whose value changes in response to a change in a specified interest rate, exchange rate or other variable, provided in the case of a non-financial variable, the variable is not specific to a party to the contract. Derivative contracts usually have no initial net investment or a net investment which would be smaller than a non-derivative contract and are settled at a future date. Derivatives are initially recognized at fair value on the date which a derivative contract is entered into. They are subsequently re-measured at their fair value and reported as assets where they have a positive fair value or as liabilities where they have a negative fair value.

Derivatives may also be embedded in other financial instruments and are treated as separate derivatives when (i) their economic characteristics and risks are not closely related to those of the host contract; (ii) a separate instrument with the same terms would meet the definition of a derivative instrument; and (iii) the host contract is not designated as FVTPL or classified as FVTPL. Changes in fair value on derivative instruments not qualifying for hedge accounting are recognized in interest income or expense as appropriate in the consolidated statement of income.

Vancity has classified certain index-linked deposit contracts that have embedded derivatives as FVTPL.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

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### 3. Material accounting policy information (continued)

#### (e) Derivative instruments and hedge accounting (continued)

Vancity designates derivatives as either hedges of highly probable future cash flows attributable to a recognized asset or liability, or a forecast transaction (cash flow hedge), or FVTPL derivatives in instances where the derivative does not qualify or has not been designated as a hedge in a hedge accounting relationship. Vancity periodically uses derivatives for economic hedging purposes to mitigate an identified financial instrument risk.

When applicable, Vancity discloses a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur.

IFRS 9 *Financial Instruments* includes an accounting policy choice to retain IAS 39, *Financial Instruments: Recognition and Measurement* for hedge accounting requirements until an amended standard is effective. Vancity has elected to continue applying hedge accounting under IAS 39.

Vancity mitigates the credit risk of derivatives by entering into master netting agreements and holding collateral in the form of cash and marketable securities. Derivative transactions are transacted on exchanges, with central clearing counterparties or entered into under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under these agreements, in certain circumstances - e.g., when a credit event such as a default occurs - all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions with the counterparty.

The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of Vancity or the counterparties or following other predetermined events. In addition, Vancity and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

#### (f) Cash flow hedges

Vancity uses hedge accounting for derivatives designated as cash flow hedges provided certain criteria are met. Vancity documents, at the inception of the relationship, the relationship between hedged items and hedging instruments, as well as identifying the risk being hedged and its risk management objective and strategy for undertaking various hedge transactions. Vancity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of the cash flows of the hedged items that are attributable to the risk being hedged.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

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### 3. Material accounting policy information (continued)

(f) Cash flow hedges (continued)

The effective portion of changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge is recognized in the consolidated statement of comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in other income in the Consolidated Statement of Income. Amounts accumulated in members' equity are reclassified to the Consolidated Statement of Income in the periods when the hedged item affects net income. When a hedging instrument is sold, or when a hedge no longer meets the criteria for hedge accounting, hedge accounting ceases and any cumulative gain or loss existing in members' equity at that time remains in members' equity and is recognized when the hedged forecast transaction is ultimately recognized in the Consolidated Statement of Income.

(g) Interest income and expense

Interest income and expense for all interest-bearing financial instruments is recognized within interest income and interest expense in the consolidated statement of income using the effective interest method. The effective interest method is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the gross carrying amount of the financial asset or the amortized cost of the financial liability. When calculating the effective interest rate, Vancity estimates future cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation of the effective interest method includes all transaction costs and fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Mortgage prepayment fees are recognized in interest income over the expected remaining term of the original mortgage using the effective interest method. Commitment fees are considered to be adjustments to loan yield and are deferred and amortized to interest income over the expected term of the loans. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income and expenses presented in the consolidated statement of income include:

- (i) interest on financial assets and financial liabilities measured at amortized cost, calculated on an effective interest basis;
- (ii) investment securities measured at FVOCI calculated on an effective interest basis;
- (iii) the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period that the hedged cash flows affect interest income / expense;
- (iv) the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows when the forecast cash flows of the hedged item are no longer probable (as a release from accumulated other comprehensive income ("AOCI"));

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

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### 3. Material accounting policy information (continued)

(g) Interest income and expense (continued)

(v) fair value changes in qualifying derivatives, including hedge ineffectiveness, and related hedged items in fair value hedges of interest rate risk;

(vi) gains or losses on economic interest income on lease; and

(vii) interest on investment securities measured at FVTPL.

(h) Fee and commission income and expense

The accounting treatment for loan fees varies depending on the transaction. Loan fees that are considered to be an integral part of the effective interest method are capitalized within loans and advances to members and amortized into interest income over the expected life of the loan, as described in note 3(g).

Loan fees that are not an integral part of the effective interest method are recorded in fee and commission income. These fees include loan discharge fees, administration fees and loan syndication fees. Loan discharge and administration fees are recognized when the loan transaction is complete. Loan syndication fees are recognized when the syndication is completed and Vancity has retained no part of the package for itself or, if part has been retained, it bears the same effective interest as other participants.

Credit card and prepaid card fees primarily consist of load fees, interchange fees, maintenance fees and annual membership fees. Vancity recognizes revenues over time for providing access over a contractual period and recognizes revenues at a point in time for transactional services performed.

Account service fees, which may be fixed or variable, relate to fees charged to personal and business members for processing transactions on the member's bank account. Vancity recognizes these revenues at a point in time when the related services are performed.

Trust and investment fees consist primarily of investment management fees, which are variable fees charged to personal and business members for providing wealth management services. Vancity recognizes revenues over time as the performance obligation is satisfied as time passes.

Other fee and commission income, including foreign exchange and insurance broker commissions and fees, is recognized as the related services are performed.

Fee and commission expense primarily relate to transaction and service fees, which are expensed as the service is received.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

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## 3. Material accounting policy information (continued)

### (i) Premises and equipment

#### (i) Recognition and measurement

All premises and equipment used by Vancity are measured at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

#### (ii) Subsequent costs

Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Vancity and the cost of the item can be measured reliably.

All other repair and maintenance costs are charged to general and administrative expenses during the financial period in which they are incurred.

#### (iii) Depreciation

Land is carried at cost and is not depreciated. Asset classes are further categorized for depreciation where significant differences in the estimated useful life of the various components of individually significant assets are identified. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset	Rate
Buildings	20 to 40 years
Leasehold improvements	5 to 10 years
Computer equipment	3 to 7 years
Furniture and fixtures	5 to 10 years

The residual values and useful lives of premises and equipment are reviewed, and adjusted if appropriate, at each financial reporting date.

#### (iv) Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in other income in the consolidated statement of income.

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### 3. Material accounting policy information (continued)

(j) Intangibles

(i) Computer software

Computer software costs are capitalized when the future economic benefit is expected to exceed a period of one year. Otherwise, software costs are expensed when incurred. Capitalized software costs are initially recognized at cost and amortized using the straight-line method over the expected useful life. The expected useful life ranges from 3 to 15 years. Amortization expense is recognized in the consolidated statement of income as part of occupancy and equipment expense. Computer software is assessed for impairment when impairment indicators are identified.

(ii) ICBC licence

The ICBC licence was acquired to issue insurance coverage to members. The licence allows the brokers to sell insurance as well as optional coverage indefinitely; hence the licence has an indefinite life. The license is measured at cost less impairment if any. A review for impairment is conducted on an annual basis by comparing the cost with the market value.

(k) Leases

At inception of a contract, Vancity assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract allows the right to control the use of an identified asset in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, Vancity allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Vancity recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Vancity's incremental borrowing rate. Generally, Vancity uses its incremental borrowing rate as the discount rate.

# VANCOUVER CITY SAVINGS CREDIT UNION

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### 3. Material accounting policy information (continued)

#### (k) Leases (continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that Vancity is reasonably certain to exercise, lease payments in an optional renewal period if Vancity is reasonably certain to exercise an extension option, and penalties for early termination unless Vancity is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Vancity's estimate of the amount expected to be payable under a residual value guarantee or if Vancity changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil. Vancity presents right-of-use assets in 'premises and equipment' and lease liabilities in 'other liabilities' in the Consolidated Statement of Financial Position.

#### (l) Income taxes

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognized in the consolidated statement of income except to the extent that it relates to items recognized directly in members' equity or in OCI.

##### (i) Current tax

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

##### (ii) Deferred tax

Deferred tax is recognized with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

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## 3. Material accounting policy information (continued)

### (l) Income taxes (continued)

#### (ii) Deferred tax (continued)

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### (m) Employee benefits

Vancity operates various post-retirement benefit plans. The plans are generally funded through contributions to trustee-administered funds determined by periodic actuarial calculations. Vancity has both defined benefit and defined contribution plans.

#### (i) Defined benefit plans

A defined benefit plan is a post-retirement benefit plan that defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. Vancity has one defined benefit pension plan that is registered with OSFI and regulated under the *Federal Pension Benefit Standards Act, 1985* and one defined benefit plan that is registered with the Canada Revenue Agency and the British Columbia Financial Services Authority and regulated under the *British Columbia Pension Benefits Standards Act*. Vancity's other defined benefit plans are unregistered arrangements.

The retirement benefit obligation recognized in Vancity's consolidated statement of financial position in respect of its defined benefit plans is the present value of the defined benefit obligation at the financial reporting date less the fair value of plan assets and the effect of the asset ceiling (if any).

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plans assets and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. Net interest expense and other expenses related to defined benefit plans are recognized in the Consolidated Statement of Income.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

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### 3. Material accounting policy information (continued)

#### (m) Employee benefits (continued)

##### (ii) Defined contribution plans

For defined contribution plans, Vancity pays a specified flat rate for employer contributions. Vancity has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12-months after the end of the period in which the employees render the service are discounted to their present value.

##### (iii) Participation in multi-employer plans (the "Plan")

Vancity provides retirement benefits to certain employees through a multi-employer plan administered by Credit Union Pension & Benefits Trust. Each member credit union is exposed to the actuarial risks of the other employers. Vancity's participation in the Plan is accounted for as a defined contribution plan with contributions recorded on an accrual basis.

#### (n) Provisions

A provision is recognized if, as a result of a past event, Vancity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### (o) Distribution to members

Dividends are expensed when declared and classified as distribution to community and members in the Consolidated Statement of Income.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

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## 4. Changes in material accounting policy information

### (a) Future changes in accounting policy

As at December 31, 2024, the following standards and amendments to standards had been issued by IASB but were not yet effective for these consolidated financial statements.

#### (i) Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements* (IFRS 18), which replaces the guidance in IAS 1, *Presentation of Financial Statements* and sets out requirements for presentation and disclosure of information, focusing on providing relevant information to users of the financial statements. IFRS 18 introduces changes to the structure of the consolidated statement of operations, aggregation and disaggregation of financial information, and management-defined performance measures to be disclosed in the notes to the financial statements. The standard will be effective for Vancity on January 1, 2027. Vancity is currently assessing the impact of adopting this standard.

#### (ii) Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued *Amendments to the Classification and Measurement of Financial Instruments*, which amended IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*. The amendments address matters related to the classification of financial assets and accounting for settlement by electronic payments. The amendments clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social, and governance linked features and other similar contingent features. The amendments also clarify the treatment of non-recourse assets and contractually linked instruments. Furthermore, the amendments clarify that a financial liability is derecognized on the settlement date and provide an accounting policy choice to derecognize a financial liability settled using an electronic payment system before the settlement date if certain conditions are met. Finally, the amendments introduce additional disclosure requirements for financial instruments with contingent features and equity instruments classified at FVOCI. The amendments will be effective for Vancity on January 1, 2026. Vancity is currently assessing the impact of adopting the amendments.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

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Year ended December 31, 2024

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## 5. Use of estimates and judgments

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying Vancity's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

While there is a higher level of uncertainty due to the changing macroeconomic and interest rate environments, estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets and liabilities, and most critical judgments in applying accounting policies.

(a) The principal areas where critical estimates and assumptions have been applied, are described below:

(i) Expected credit loss allowance

The ECL model requires the recognition of credit losses based on 12-months of expected losses for performing loans (Stage 1) and recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2). Credit impaired assets requires lifetime losses (Stage 3). The determination of a significant increase in credit risk takes into account many different factors and varies by product and risk segment, which requires experienced credit judgment.

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

The calculation of ECL includes explicit incorporation of forecasted economic conditions. Vancity has developed models incorporating specific macroeconomic variables that are relevant to each specific portfolio. Experienced credit judgment is required to incorporate multiple probability-weighted forward-looking scenarios in the determination of the ECL allowance. The allowance is sensitive to changes in economic forecasts and the probability-weight assigned to each forward-looking scenario. Management overlays to loss allowance for ECL are adjustments which are used in circumstances where management determines that existing inputs, assumptions and model techniques do not capture all relevant risk factors. Examples of such circumstances are the emergence of new macroeconomic factors, along with expected changes to data that are not incorporated in current inputs or forward-looking information. Details of Vancity's ECL is provided in note 9.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

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Year ended December 31, 2024

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## 5. Use of estimates and judgments (continued)

(a) The principal areas where critical estimates and assumptions have been applied, are described below (continued)

(ii) Pension and other retirement benefits

The determination of expense and obligations associated with pension and other retirement benefit plans require the use of assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, the expected mortality, the expected rate of future compensation and the expected healthcare cost trend rate. Because the determination of the cost and obligations associated with pension and other retirement benefit plans require the use of various assumptions, there is measurement uncertainty inherent in the actuarial valuation process. Actual results will differ from results which are estimated based on assumptions.

Vancity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, Vancity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension and other retirement benefit obligations are based in part on current market conditions. Details of Vancity's pension and other retirement benefits are provided in note 12.

(iii) Fair value of financial instruments

The fair value of financial instruments, where no active market exists or where quoted prices are not otherwise available, is determined by using specific valuation techniques with observable data of similar financial instruments. Where market observable data is not available, in areas such as credit risk and correlations, Vancity uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of Vancity's financial investments are provided in notes 6 and 27.

(iv) Securitizations

In applying its policies on securitized financial assets, Vancity has considered both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by Vancity over the other entity. Details of Vancity's securitization activities are provided in note 16(a).

# VANCOUVER CITY SAVINGS CREDIT UNION

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## 6. Financial investments

An analysis of the fair value of financial investments is as follows:

	2024		2023	
	Effective yield	Total fair value	Effective yield	Total fair value
Financial investments classified as FVOCI:				
Securities issued or guaranteed by the Canadian federal and provincial government	2.06%	\$ 512,150	2.50%	\$ 811,089
Financial investments designated as FVOCI:				
Central 1 shares	n/a	7,669	n/a	7,844
Other equity	n/a	390	n/a	418
Other securities	4.35%	351,576	4.07%	299,973
Financial investments measured at FVTPL:				
Other securities	n/a	62,041	n/a	43,175
Financial investments measured at amortized cost:				
Securities issued or guaranteed by the Canadian federal or provincial government	3.67%	2,377,305	3.96%	2,458,136
Non-government securities	4.53%	7,658	5.33%	38,318
Accrued interest		20,011		28,994
<b>Total financial investments</b>		<b>\$ 3,338,800</b>		<b>\$ 3,687,947</b>

## 7. Derivative instruments

The following table summarizes the notional amounts and fair values of derivative assets and liabilities:

December 31, 2024	Notional amounts			Fair values	
	Within 1 year	1 to 5 years	Total	Asset	Liability
Interest rate swap contracts	\$ 2,217,000	\$ 1,555,500	\$ 3,772,500	\$ 4,570	\$ 36,480
Foreign exchange forward contracts	20,156	-	20,156	130	601
Equity index-linked option	5,305	11,279	16,584	2,289	-
Total derivative contracts	2,242,461	1,566,779	3,809,240	6,989	37,081
Amounts subject to master netting agreements				(6,860)	(6,860)
<b>Net exposure on derivatives</b>				<b>\$ 129</b>	<b>\$ 30,221</b>

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 7. Derivative instruments (continued)

December 31, 2023	Notional amounts			Fair values	
	Within 1 year	1 to 5 years	Total	Asset	Liability
Interest rate swap contracts	\$ 1,175,000	\$ 1,807,000	\$ 2,982,000	\$ 13,515	\$ 28,764
Interest rate bond forwards	50,000	-	50,000	-	710
Foreign exchange forward contracts	181,725	-	181,725	993	1,040
Equity index-linked option	10,896	14,390	25,286	2,750	-
Total derivative contracts	1,417,621	1,821,390	3,239,011	17,258	30,514
Amounts subject to master netting agreements				(16,281)	(16,281)
Net exposure on derivatives				\$ 977	\$ 14,233

Notional amounts are the contract amounts used to calculate the cash flows to be exchanged. They are a common measure of volume of outstanding transactions but do not represent credit or market risk exposure.

Vancity is subject to master netting agreements in the form of International Swaps and Derivatives Association agreements with derivative counterparties.

Vancity uses derivative financial instruments primarily to manage exposure to interest rate risk. Derivative instruments that are typically utilized include interest rate swaps, bond forwards, and equity options.

### *Hedge Accounting*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. For the year ended December 31, 2024, the ineffective portion of changes in the fair value of the derivative recognized in profit or loss was a loss of \$1.1 million (2023 – gain of \$0.3 million). The summary of the time periods in which the hedged cash flows are expected to occur is provided in note 24(c)(i).

### *Economic Hedges*

From time to time, VCS uses interest rate swaps not designated in a qualifying hedging relationship to manage its exposure to interest rate. During the year ended December 31, 2024, VCS did not recognize any unrealized gains from the reversal of previously recognized losses upon maturity of the economic swaps (2023 - \$2.7 million in losses from changes in the fair value of economic swaps). As at December 31, 2024 and 2023, Vancity had no economic swaps in the portfolio. For more information about how VCS manages its market risks, see note 24(c).

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 8. Loans and advances to members

Loan balances measured at amortized cost:

	2024	2023
<b>Retail:</b>		
Residential mortgages	\$ 15,801,815	\$ 16,011,823
Personal loans	691,617	684,512
	<u>16,493,432</u>	<u>16,696,335</u>
<b>Business:</b>		
Commercial mortgages and loans	8,113,249	7,955,620
	<u>\$ 24,606,681</u>	<u>\$ 24,651,955</u>
<b>Loans and advances to members classified as:</b>		
Stage 1	\$ 20,971,429	\$ 14,877,848
Stage 2	3,518,589	9,729,785
Stage 3	116,663	44,322
	<u>24,606,681</u>	<u>24,651,955</u>
Accrued interest receivable	50,648	50,143
Less: Allowance for expected credit losses on loans and advances to members (note 9(a))	(90,936)	(89,992)
	<u>\$ 24,566,393</u>	<u>\$ 24,612,106</u>

At December 31, 2024, Vancity had \$1,021.8 million (2023 - \$1,151.0 million) of loans which had been securitized in the CMB and MBS programs and included in the consolidated statement of financial position as the securitization transactions did not meet the requirements for derecognition.

Loans that have been securitized through the CMB program and pledged as collateral for secured borrowings are disclosed in note 16(a).

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 9. Expected credit losses on financial instruments

### (a) Reconciliation of allowance for expected credit losses

2024	Stage 1	Stage 2	Stage 3	Total
ECL on loans and advances				
to members - Retail:				
Balance at January 1, 2024	\$ 7,617	\$ 40,808	\$ 4,902	\$ 53,327
Net remeasurement	(9,116)	5,794	4,679	1,357
Originations	948	-	-	948
Derecognitions and maturities	(362)	(4,481)	(2,989)	(7,832)
Transfers to Stage 1	9,820	(9,654)	(166)	-
Transfers to Stage 2	(943)	1,283	(340)	-
Transfers to Stage 3	(31)	(799)	830	-
Balance at December 31, 2024	7,933	32,951	6,916	47,800
ECL on loans and advances				
to members - Business:				
Balance at January 1, 2024	23,602	9,831	3,232	36,665
Net remeasurement	(7,628)	14,030	3,843	10,245
Originations	4,969	-	-	4,969
Derecognitions and maturities	(3,649)	(2,543)	(2,551)	(8,743)
Transfers to Stage 1	6,751	(6,732)	(19)	-
Transfers to Stage 2	(1,196)	1,281	(85)	-
Transfers to Stage 3	(280)	(365)	645	-
Balance at December 31, 2024	22,569	15,502	5,065	43,136
Total ECL on loans and advances				
to members (note 8)				
Balance at December 31, 2024	30,502	48,453	11,981	90,936
ECL on other financial instruments:				
Balance at January 1, 2024	463	-	4	467
Net remeasurement	5	-	-	5
Originations	126	-	-	126
Derecognitions and maturities	(198)	-	-	(198)
Balance at December 31, 2024	396	-	4	400
Total ECL:				
Balance at January 1, 2024	31,682	50,639	8,138	90,459
Net remeasurement	(16,739)	19,824	8,522	11,607
Originations	6,043	-	-	6,043
Derecognitions and maturities	(4,209)	(7,024)	(5,540)	(16,773)
Transfers to Stage 1	16,571	(16,386)	(185)	-
Transfers to Stage 2	(2,139)	2,564	(425)	-
Transfers to Stage 3	(311)	(1,164)	1,475	-
Balance at December 31, 2024	\$ 30,898	\$ 48,453	\$ 11,985	\$ 91,336

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 9. Expected credit losses on financial instruments (continued)

### (a) Reconciliation of allowance for expected credit losses (continued)

2023	Stage 1	Stage 2	Stage 3	Total
ECL on loans and advances				
to members - Retail:				
Balance at January 1, 2023	\$ 11,057	\$ 52,843	\$ 3,760	\$ 67,660
Net remeasurement	(6,285)	(6,642)	2,409	(10,518)
Originations	1,356	-	-	1,356
Derecognitions and maturities	(609)	(3,197)	(1,365)	(5,171)
Transfers to Stage 1	6,455	(6,447)	(8)	-
Transfers to Stage 2	(4,351)	4,409	(58)	-
Transfers to Stage 3	(6)	(158)	164	-
Balance at December 31, 2023	7,617	40,808	4,902	53,327
ECL on loans and advances				
to members - Business:				
Balance at January 1, 2023	19,426	8,816	4,971	33,213
Net remeasurement	(211)	5,571	1,477	6,837
Originations	4,311	-	-	4,311
Derecognitions and maturities	(2,504)	(1,980)	(3,212)	(7,696)
Transfers to Stage 1	4,039	(4,033)	(6)	-
Transfers to Stage 2	(1,445)	1,460	(15)	-
Transfers to Stage 3	(14)	(3)	17	-
Balance at December 31, 2023	23,602	9,831	3,232	36,665
Total ECL on loans and advances				
to members (note 8)				
Balance at December 31, 2023	31,219	50,639	8,134	89,992
ECL on other financial instruments:				
Balance at January 1, 2023	474	-	4	478
Net remeasurement	(47)	-	-	(47)
Originations	235	-	-	235
Derecognitions and maturities	(199)	-	-	(199)
Balance at December 31, 2023	463	-	4	467
Total ECL:				
Balance at January 1, 2023	30,957	61,659	8,735	101,351
Net remeasurement	(6,543)	(1,071)	3,886	(3,728)
Originations	5,902	-	-	5,902
Derecognitions and maturities	(3,312)	(5,177)	(4,577)	(13,066)
Transfers to Stage 1	10,494	(10,480)	(14)	-
Transfers to Stage 2	(5,796)	5,869	(73)	-
Transfers to Stage 3	(20)	(161)	181	-
Balance at December 31, 2023	\$ 31,682	\$ 50,639	\$ 8,138	\$ 90,459

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

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Year ended December 31, 2024

## 9. Expected credit losses on financial instruments (continued)

### (b) Impairment expense on financial instruments

	2024	2023
Total change in allowance for ECL recognized in impairment expense on financial instruments	\$ 877	\$ (10,892)
Write-offs	19,065	18,366
Recoveries	(3,363)	(2,981)
<b>Total impairment expense on financial instruments</b>	<b>\$ 16,579</b>	<b>\$ 4,493</b>

## 10. Premises, equipment and intangibles

### (a) Premises and equipment

Premises and equipment comprise owned and leased assets that do not meet the definition of investment property.

	2024	2023
Premises and equipment owned	\$ 69,203	\$ 79,035
Right-of-use assets (note 10(c))	42,783	43,092
	<b>\$ 111,986</b>	<b>\$ 122,127</b>

The movement of owned premises and equipment during the years ended December 31, 2024 and 2023 is as follows:

	Land	Buildings	Leasehold improvements	Computer equipment	Furniture and fixtures	Total
<b>Cost:</b>						
Balance, January 1, 2024	\$ 7,524	\$ 60,755	\$ 48,250	\$ 26,456	\$ 17,752	\$ 160,737
Additions	-	1,219	685	3,194	303	5,401
Transfers	(33)	20	13	-	-	-
Disposals	(1,607)	(2,331)	(112)	(3,039)	(121)	(7,210)
Balance, December 31, 2024	\$ 5,884	\$ 59,663	\$ 48,836	\$ 26,611	\$ 17,934	\$ 158,928
<b>Accumulated depreciation and impairment losses:</b>						
Balance, January 1, 2024	\$ -	\$ 34,895	\$ 26,728	\$ 11,516	\$ 8,563	\$ 81,702
Depreciation	-	2,808	4,469	4,439	1,828	13,544
Impairment	-	-	-	49	-	49
Disposals	-	(2,250)	(112)	(3,087)	(121)	(5,570)
Balance, December 31, 2024	\$ -	\$ 35,453	\$ 31,085	\$ 12,917	\$ 10,270	\$ 89,725
<b>Carrying amounts:</b>						
Balance, December 31, 2024	\$ 5,884	\$ 24,210	\$ 17,751	\$ 13,694	\$ 7,664	\$ 69,203

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 10. Premises, equipment and intangibles (continued)

### (a) Premises and equipment (continued)

	Land	Buildings	Leasehold improvements	Computer equipment	Furniture and fixtures	Total
<b>Cost:</b>						
Balance, January 1, 2023	\$ 7,524	\$ 73,140	\$ 89,422	\$ 35,456	\$ 34,370	\$ 239,912
Additions	-	5,163	1,148	7,325	975	14,611
Transfers	-	(199)	199	-	-	-
Disposals	-	(17,349)	(42,519)	(16,325)	(17,593)	(93,786)
Balance, December 31, 2023	\$ 7,524	\$ 60,755	\$ 48,250	\$ 26,456	\$ 17,752	\$ 160,737
<b>Accumulated depreciation and impairment losses:</b>						
Balance, January 1, 2023	\$ -	\$ 49,712	\$ 63,819	\$ 23,976	\$ 24,000	\$ 161,507
Depreciation	-	2,638	5,099	3,865	2,152	13,754
Impairment	-	-	329	-	4	333
Disposals	-	(17,455)	(42,519)	(16,325)	(17,593)	(93,892)
Balance, December 31, 2023	\$ -	\$ 34,895	\$ 26,728	\$ 11,516	\$ 8,563	\$ 81,702
<b>Carrying amounts:</b>						
Balance, December 31, 2023	\$ 7,524	\$ 25,860	\$ 21,522	\$ 14,940	\$ 9,189	\$ 79,035

### (b) Intangibles

The movement of intangibles during the years ended December 31, 2024 and 2023 is as follows:

	Software	Other	Total
<b>Cost:</b>			
Balance, January 1, 2024	\$ 99,268	\$ 25	\$ 99,293
Additions	1,538	-	1,538
Balance, December 31, 2024	\$ 100,806	\$ 25	\$ 100,831
<b>Accumulated amortization and impairment losses:</b>			
Balance, January 1, 2024	\$ 48,087	\$ -	\$ 48,087
Amortization	9,803	-	9,803
Balance, December 31, 2024	\$ 57,890	\$ -	\$ 57,890
<b>Carrying amounts:</b>			
Balance, December 31, 2024	\$ 42,916	\$ 25	\$ 42,941

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 10. Premises, equipment and intangibles (continued)

### (b) Intangibles (continued)

	Software	Other	Total
<b>Cost:</b>			
Balance, January 1, 2023	\$ 117,885	\$ 28	\$ 117,913
Additions	3,255	-	3,255
Disposals	(21,872)	(3)	(21,875)
<b>Balance, December 31, 2023</b>	<b>\$ 99,268</b>	<b>\$ 25</b>	<b>\$ 99,293</b>
<b>Accumulated amortization and impairment losses:</b>			
Balance, January 1, 2023	\$ 60,400	\$ 3	\$ 60,403
Amortization	9,559	-	9,559
Impairment	-	-	-
Disposals	(21,872)	(3)	(21,875)
<b>Balance, December 31, 2023</b>	<b>\$ 48,087</b>	<b>\$ -</b>	<b>\$ 48,087</b>
<b>Carrying amounts:</b>			
Balance, December 31, 2023	\$ 51,181	\$ 25	\$ 51,206

### (c) Right-of-use assets

Vancity leases a number of branch and office premises. These leases typically run for a period of five years, with an option to renew the lease after that date. The movement of right-of-use assets during the year ended December 31, 2024 and 2023 is as follows:

	2024	2023
Opening balance	\$ 43,092	\$ 47,531
Additions to right-of-use assets	11,148	8,558
Depreciation	(11,457)	(12,576)
Terminations and derecognitions	-	(278)
Impairment	-	(143)
<b>Ending balance</b>	<b>\$ 42,783</b>	<b>\$ 43,092</b>

Vancity received income of \$147 thousand (2023 - \$177 thousand) from the sublease of right-of-use assets for year ended December 31, 2024.

### (d) Lease liabilities

The expense relating to interest on lease liabilities was \$1.5 million (2023 - \$1.4 million) for the year ended December 31, 2024.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 10. Premises, equipment and intangibles (continued)

### (d) Lease liabilities (continued)

The following table sets out a maturity analysis of lease payments, showing the contractual undiscounted lease payments:

	2024	2023
Maturity analysis - contractual undiscounted cash flows:		
Less than one year	\$ 12,307	\$ 11,791
One to five years	33,962	33,013
More than five years	3,350	4,971
<b>Total undiscounted lease liabilities at December 31</b>	<b>\$ 49,619</b>	<b>\$ 49,775</b>
Current portion of lease liabilities	\$ 10,840	\$ 10,466
Non-current portion of lease liabilities	34,777	35,243
<b>Total lease liabilities at December 31</b>	<b>\$ 45,617</b>	<b>\$ 45,709</b>

## 11. Income taxes

### (a) Income tax expense (recovery)

	2024	2023
Current tax expense (recovery)	\$ 7,883	\$ (4,740)
Deferred tax expense (recovery):		
Origination and reversal of temporary differences	(4,350)	90
Change in tax rate	468	(1,085)
	(3,882)	(995)
	\$ 4,001	\$ (5,735)

### (b) Reconciliation of effective tax rate

The effective tax rate of 41.0% (2023 - 81.5%) differed from the combined federal and provincial tax rate for the following reasons:

	2024	2023
Combined federal and provincial statutory tax rate	27.0%	27.0%
Credit union preferred rate reduction	(0.7)	(2.4)
Change in predicted future tax rates	13.6	17.9
Non-taxable portion of gain from sale of property	(8.9)	11.7
Non-taxable dividends and distributions received	0.0	14.6
True-up of prior period tax expense	11.3	14.9
Non-taxable and other items	(1.3)	(2.2)
	<b>41.0%</b>	<b>81.5%</b>

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements  
(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 11. Income taxes (continued)

### (c) Deferred tax assets and liabilities

	Balance, January 1, 2024	Recognized in net income	Recognized in OCI	Balance, December 31, 2024
<b>Deferred tax assets:</b>				
Pensions and post-retirement benefits	\$ 10,599	\$ 847	\$ (1,159)	\$ 10,287
Contract liability	3,688	(219)	-	3,469
Lease liabilities	8,734	(127)	-	8,607
Allowance for expected credit losses	15,841	(597)	-	15,244
Other provisions	9,472	966	-	10,438
Accrued expenses	1,619	(890)	-	729
Tax loss carried forward	1,459	(272)	-	1,187
	51,412	(292)	(1,159)	49,961
<b>Deferred tax liabilities:</b>				
Premises and equipment	(6,623)	1,577	-	(5,046)
Right-of-use assets	(8,181)	189	-	(7,992)
Deferred expenses	(7,770)	2,395	-	(5,375)
Other tax liabilities	(57)	13	-	(44)
	(22,631)	4,174	-	(18,457)
<b>Total</b>	<b>\$ 28,781</b>	<b>\$ 3,882</b>	<b>\$ (1,159)</b>	<b>\$ 31,504</b>

	Balance, January 1, 2023	Recognized in net income	Recognized in OCI	Balance, December 31, 2023
<b>Deferred tax assets:</b>				
Pensions and post-retirement benefits	\$ 8,674	\$ 1,011	\$ 914	\$ 10,599
Contract liability	3,824	(136)	-	3,688
Lease liabilities	9,120	(386)	-	8,734
Allowance for expected credit losses	17,124	(1,283)	-	15,841
Other provisions	11,445	(1,973)	-	9,472
Accrued expenses	1,139	480	-	1,619
Tax loss carried forward	1,356	103	-	1,459
	52,682	(2,184)	914	51,412
<b>Deferred tax liabilities:</b>				
Premises and equipment	(7,363)	740	-	(6,623)
Right-of-use assets	(8,738)	557	-	(8,181)
Deferred expenses	(9,639)	1,869	-	(7,770)
Other tax liabilities	(70)	13	-	(57)
	(25,810)	3,179	-	(22,631)
<b>Total</b>	<b>\$ 26,872</b>	<b>\$ 995</b>	<b>\$ 914</b>	<b>\$ 28,781</b>

### (d) Unrecognized deferred tax assets and liabilities

At December 31, 2024, Vancity has unrecognized deferred tax liabilities for temporary differences of \$34.3 million (2023 - \$28.7 million) related to Vancity's investment in subsidiaries. The temporary differences were not recognized because Vancity controls these subsidiaries.

Vancity has unrecognized deferred tax assets for temporary differences of \$3.3 million (2023 - \$3.2 million) related to Vancity's investments in subsidiaries. The temporary differences were not recognized as part of Vancity's deferred tax assets as it is uncertain if or when the benefits will be realized.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

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Year ended December 31, 2024

## 12. Pension and other retirement benefits

Vancity provides pension benefits to employees through defined contribution, defined benefit, and supplemental retirement and multi-employer defined benefit plans. In 2023, Vancity launched The Pension Plan for the Employees of Vancity Savings Credit Union (“Vancity Pension Plan”), a defined benefit pension plan for all eligible employees, including eligible employees of the Bank. Other post-retirement benefits including life insurance, health care, dental benefits or cash alternatives are provided to eligible Vancity employees upon or after retirement.

Vancity funds the defined benefit plans based on actuarially prescribed amounts. The unfunded supplemental retirement and non-pension benefits are paid directly by Vancity at the time of entitlement. Retirement benefits for multi-employer defined benefit and defined contributions plan are paid by Vancity on an annual basis.

The accrued benefit obligation and plan assets of the Vancity Pension Plan were actuarially measured for accounting purposes as of December 31, 2024. An actuarial valuation report for funding purposes for the Vancity Pension Plan was prepared as at January 1, 2023. The next actuarial valuation report for funding purposes for the Vancity Pension Plan is expected to be prepared as at December 31, 2025 and be available in 2026.

The accrued benefit obligation and plan assets of the other pension plans were actuarially measured for accounting purposes as of December 31, 2024. The effective date of the last actuarial valuation report for funding purposes for the Vancity Senior Management Retirement Plan (“SMRP”) was December 31, 2023. The next actuarial valuation report for funding purposes for the SMRP will be prepared no later than as at December 31, 2024 and is expected to be available in 2025.

In 2023, eligible members of the Vancity Pension Plan were provided the option of obtaining additional benefits under the plan by transferring all or a portion of their account balance from a group RRSP sponsored by Vancity. This resulted in a \$39.7 million transfer of assets and increase in liabilities in early 2024. Vancity recognized this increase to plan assets and obligations effective when the assets were transferred and restated the 2024 current service cost and net interest cost.

### (a) Retirement benefit obligation

	Pension plans		Other benefit plans		Total	
	2024	2023	2024	2023	2024	2023
Defined benefit obligation - funded	\$ (102,908)	\$ (46,857)	\$ -	\$ -	\$ (102,908)	\$ (46,857)
Defined benefit obligation - unfunded	(26,097)	(22,676)	(26,209)	(28,430)	(52,306)	(51,106)
Defined benefit obligation	(129,005)	(69,533)	(26,209)	(28,430)	(155,214)	(97,963)
Fair value of plan assets	106,679	46,571	-	-	106,679	46,571
Net retirement benefit obligation	\$ (22,326)	\$ (22,962)	\$ (26,209)	\$ (28,430)	\$ (48,535)	\$ (51,392)

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 12. Pension and other retirement benefits (continued)

(b) The movement in the defined benefit obligation is as follows:

	Pension plans		Other benefit plans		Total	
	2024	2023	2024	2023	2024	2023
Defined benefit obligation, January 1	\$ (69,533)	\$ (51,960)	\$ (28,430)	\$ (26,940)	\$ (97,963)	\$ (78,900)
Current service cost (net of employee contributions)	(9,854)	(8,724)	(1,638)	(1,544)	(11,492)	(10,268)
Past service cost (including plan amendments)	(41,429)	-	-	-	(41,429)	-
Interest cost	(4,861)	(2,784)	(1,295)	(1,377)	(6,156)	(4,161)
Employee contributions	(3,526)	(2,871)	-	-	(3,526)	(2,871)
Actuarial gains (losses) arising from:						
Experience adjustments	(1,976)	(2,198)	3,151	132	1,175	(2,066)
Financial assumptions	(2,621)	(3,176)	(190)	(1,183)	(2,811)	(4,359)
Benefit payments	4,795	2,180	2,193	2,482	6,988	4,662
Defined benefit obligation, December 31	\$ (129,005)	\$ (69,533)	\$ (26,209)	\$ (28,430)	\$ (155,214)	\$ (97,963)

(c) Fair value of plan assets

(i) Movement in the fair value of plan assets is as follows:

	2024	2023
Fair value of plan assets at January 1	\$ 46,571	\$ 35,531
Interest income on plan assets	3,936	2,067
Return on plan assets, excluding interest income	8,016	994
Employer contributions	10,802	7,821
Employee contributions	3,526	2,871
Benefit payments	(4,795)	(2,180)
Transfer payments	39,271	-
Administration costs paid	(648)	(533)
Fair value of plan assets at December 31	\$ 106,679	\$ 46,571

(ii) Plan assets comprise the following:

	2024	2023
Pooled funds	\$ 41,359	\$ 35,752
Equity securities	39,306	6,380
Debt securities	24,851	3,886
Other assets	1,163	553
Fair value of plan assets	\$ 106,679	\$ 46,571

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements  
(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 12. Pension and other retirement benefits (continued)

(d) The amounts recognized in the consolidated statement of income (loss) were as follows:

	Pension plans		Other benefit plans		Total	
	2024	2023	2024	2023	2024	2023
Current service cost	\$ (9,854)	\$ (8,724)	\$ (1,638)	\$ (1,544)	\$ (11,492)	\$ (10,268)
Interest cost	(2,721)	(2,784)	(1,295)	(1,377)	(4,016)	(4,161)
Interest income on plan assets	1,796	2,067	-	-	1,796	2,067
Past service cost (including plan amendments)	(2,158)	-	-	-	(2,158)	-
Administration costs	(648)	(533)	-	-	(648)	(533)
<b>Total included in employee benefits expense (note 21)</b>	<b>\$ (13,585)</b>	<b>\$ (9,974)</b>	<b>\$ (2,933)</b>	<b>\$ (2,921)</b>	<b>\$ (16,518)</b>	<b>\$ (12,895)</b>

(e) The amounts recognized in OCI were as follows:

	Pension plans		Other benefit plans		Total	
	2024	2023	2024	2023	2024	2023
Cumulative actuarial gains at January 1	\$ 6,352	\$ 10,732	\$ 16,232	\$ 17,283	\$ 22,584	\$ 28,015
Remeasurements:						
Actuarial gain (loss) in the year	(4,597)	(5,374)	2,961	(1,051)	(1,636)	(6,425)
Return on plan assets, excluding interest income	8,016	994	-	-	8,016	994
<b>Cumulative actuarial gains at December 31</b>	<b>\$ 9,771</b>	<b>\$ 6,352</b>	<b>\$ 19,193</b>	<b>\$ 16,232</b>	<b>\$ 28,964</b>	<b>\$ 22,584</b>

(f) The significant actuarial assumptions used were as follows:

	Vancity Pension Plan		Other pension plans		Other benefit plans	
	2024	2023	2024	2023	2024	2023
Discount rate	4.8%	4.6%	4.7%	4.6%	4.5%	4.6%
Inflation rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Future salary increases	n/a	n/a	3.0%	3.0%	n/a	n/a
Future pension increases	n/a	n/a	3.0%	3.0%	n/a	n/a
Health care cost trend	n/a	n/a	n/a	n/a	5.5% <sup>1</sup>	5.5%

<sup>1</sup> 5.45% from 2025 to 2029, grading down to 4.0% from 2040 and thereafter.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. Mortality assumptions for the Vancity Pension Plan and Other Benefit Plans are based on CPM 2014 Private Sector Mortality Table with generational projection using scale CPM-B. Mortality assumptions for Other Pension Plans are based on CPM 2014 Combined Mortality Table with generational projection using scale CPM-B and pension size adjustment factors (0.83 for both male and female).

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 12. Pension and other retirement benefits (continued)

(f) The significant actuarial assumptions used were as follows (continued):

These tables translate into an average life expectancy in years of a pensioner retiring at age 65.

Retiring at the year-end date:

	Vancity Pension Plan	Other pension plans	Other benefit plans
Male	22 years	24 years	22 years
Female	23 years	26 years	24 years

Retiring 20 years after the year-end date:

	Vancity Pension Plan	Other pension plans	Other benefit plans
Male	24 years	25 years	23 years
Female	25 years	27 years	25 years

The interest rate sensitivity of the defined benefit obligation can be measured using duration. The duration also provides information on the maturity profile of the obligation. At December 31, 2024, the weighted average duration of the defined benefit obligation was 14 years (2023 - 12-years).

The sensitivity of the overall pension and other benefit plans liability to changes in the significant principal assumptions is:

	Vancity Pension Plan		Other pension plans		Other benefit plans	
	2024	2023	2024	2023	2024	2023
Discount rate	4.8%	4.6%	4.7%	4.6%	4.5%	4.6%
Impact of: 1% increase	\$ (9,419)	(1,766)	\$ (8,303)	\$ (7,314)	\$ (1,794)	\$ (1,919)
1% decrease	11,078	1,886	10,373	9,114	2,063	2,201
Salary growth rate	n/a	n/a	3.0%	3.0%	n/a	n/a
Impact of: 0.25% increase	n/a	n/a	24	115	n/a	n/a
0.25% decrease	n/a	n/a	(2)	(20)	n/a	n/a
Health care cost trend rate	n/a	n/a	n/a	n/a	5.5%	5.5%
Impact of: 1% increase	n/a	n/a	n/a	n/a	94	106
1% decrease	n/a	n/a	n/a	n/a	(107)	(123)

The results shown in the sensitivity tables were determined by recalculating the defined benefit obligation but only changing the assumption for which the sensitivity is required and then calculating the difference between the recalculated obligation and the actual obligation. There have been no changes from the previous period to the methods or assumptions used in preparing the sensitivity analysis.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 12. Pension and other retirement benefits (continued)

### (g) Future contributions

The expected contributions for the year ending December 31, 2025 are as follows:

	Pension plans	Other benefit plans	Total
Company contributions	\$ 11,329	\$ 2,193	\$ 13,522
Employee contributions	3,649	-	3,649
	\$ 14,978	\$ 2,193	\$ 17,171

### (h) Participation in multi-employer plan

Vancity participates in a defined benefit plan for certain eligible employees which is administered by Credit Union Pension & Benefits Trust.

Under IFRS Accounting Standards, an employer is required to account for its participation in a multi-employer plan in respect of its proportionate share of assets, liabilities and costs in the same fashion as for any other defined benefit plan except in the circumstances where the information is not available to the employer, as follows:

- (i) The entity does not have sufficient information to enable the employer to use defined benefit accounting.
- (ii) The Plan exposes the participating employers to actuarial risks associated with the current and former employees of other entities with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual entities participating in the Plan.

It has been determined that insufficient information is available to enable defined benefit accounting for the Plan. In particular, the investments made from contributions are not tracked on an individual employer basis to enable an apportionment of Plan assets to the respective member employers. Furthermore, the Plan exposes each of the employers to common actuarial risks of all of the members with the consequence that, in management's opinion, there is no reasonable and consistent basis of allocation of the actuarial assets (liabilities). Accordingly, Vancity accounts for its participation in the multi-employer plan on a defined contribution basis.

An actuarial valuation of the overall Plan was carried out as at December 31, 2021. It was determined that the overall Plan had an actuarial going concern surplus of \$112.5 million and a solvency deficiency of \$10.4 million, based on market value assets of approximately \$1,056 million. Employer contributions to the Plan are established by the trustees of the Plan upon advice from the Plan's actuaries, including amounts to finance any solvency deficiencies over time.

The next actuarial valuation is scheduled for December 31, 2024 with results expected to be available in 2025.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

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Year ended December 31, 2024

## 13. Other assets

	2024	2023
Prepaid and deferred expenses	\$ 33,486	\$ 32,863
Trade and other receivables	18,825	15,215
Assets restricted from use (note 28(c))	7,050	-
Security deposits	938	938
Investment property	243	252
Assets held for sale	-	2,729
	<b>\$ 60,542</b>	<b>\$ 51,997</b>

## 14. Deposits from members

	2024	2023
Demand deposits	\$ 10,587,549	\$ 10,538,280
Term deposits	13,850,203	14,191,622
Shares (note 15)	127,550	135,385
Accrued interest and dividend payable	304,073	280,583
	<b>\$ 24,869,375</b>	<b>\$ 25,145,870</b>

## 15. Shares

	2024	2023
Membership shares	\$ 72,965	\$ 77,576
Class C investment shares	24,179	25,624
Class E investment shares	28,882	30,327
Savings shares	1,524	1,858
	<b>\$ 127,550</b>	<b>\$ 135,385</b>

Members are required to purchase \$5 of membership shares and are from time to time allowed to purchase investment shares. Retraction and redemption of these shares are subject to certain restrictions. Current outstanding Class C investment shares, subject to approval by the Board, are intended to earn dividends quarterly at a quarterly adjusted rate set at the higher of 1.6% or 1% above the "Government of Canada marketable bond – 3 to 5 year" rate as published by the Bank of Canada. Current outstanding Class E investment shares, subject to approval by the Board, are intended to earn dividends quarterly at a quarterly adjusted rate set at 2% above the "Government of Canada benchmark bond yield - 5 year" as published by the Bank of Canada.

Savings shares can no longer be purchased by members and additional deposits are not permitted to these accounts. These shares have endowment insurance as a product feature and are paid an annual dividend. Deposits held in membership and investment shares are not guaranteed by the Credit Union Deposit Insurance Corporation of British Columbia ("CUDIC"). Savings shares are guaranteed by CUDIC.

# VANCOUVER CITY SAVINGS CREDIT UNION

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(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 16. Borrowings

### (a) Secured borrowings

	2024	2023
CMB and MBS programs	\$ 901,924	\$ 980,562
Repurchase obligations	99,107	-
	<u>\$ 1,001,032</u>	<u>\$ 980,562</u>

During the year, Vancity participated in new CMB and MBS third party investor programs by transferring \$131.4 million (2023 - \$41.0 million) in MBS into the program and had maturities and principal repayments of \$204.3 million (2023 - \$137.9 million). At December 31, 2024, the carrying amount of secured borrowings related to CMB and MBS programs was \$901.9 million (2023 - \$980.6 million), which includes accrued interest amounting to \$1.0 million (2023 - \$0.9 million) and the carrying amount of the assets held as security was \$936.4 million (2023 - \$1,011.9 million).

The security comprises \$904.2 million of mortgages and accrued interest (2023 - \$993.6 million) and \$32.2 million in cash (2023 - \$18.4 million). Vancity receives the net differential between the monthly interest receipts of the assets and the interest expense on the secured borrowing. The exposure to variability of future interest income and expense has been incorporated into the interest rate sensitivity calculations as shown in note 24(c)(i).

At December 31, 2024, the carrying amount of secured borrowings related to repurchase obligations was \$99.1 million (2023 - nil) and the carrying amount of assets held as security was \$98.5 million (2023 - nil).

### (b) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Lease liabilities	Investment shares	Secured borrowings	Wholesale borrowings	Total
Balance, January 1, 2024	\$ 45,709	\$ 55,951	\$ 980,562	\$ 695,571	\$ 1,777,793
Increase (decrease) in borrowings	-	-	20,281	(163,484)	(143,203)
Investment share dividends	-	2,629	-	-	2,629
Investment share redemptions	-	(5,519)	-	-	(5,519)
Lease payments	(11,754)	-	-	-	(11,754)
Total changes from financing cash flows	(11,754)	(2,890)	20,281	(163,484)	(157,847)
Interest expense	1,541	-	23,075	33,783	58,399
Interest paid	(1,541)	-	(22,886)	(36,338)	(60,765)
Additions to lease liabilities	11,662	-	-	-	11,662
Total liability-related other changes	11,662	-	189	(2,555)	9,296
Balance, December 31, 2024	<u>\$ 45,617</u>	<u>\$ 53,061</u>	<u>\$ 1,001,032</u>	<u>\$ 529,532</u>	<u>\$ 1,629,242</u>

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 16. Borrowings (continued)

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Lease liabilities	Investment shares	Secured borrowings	Wholesale borrowings	Total
Balance, January 1, 2023	\$ 49,488	\$ 58,534	\$ 1,173,425	\$ 598,638	\$ 1,880,085
Increase (decrease) in borrowings	-	-	(192,747)	94,604	(98,143)
Investment share dividends	-	3,358	-	-	3,358
Investment share redemptions	-	(5,941)	-	-	(5,941)
Decrease in lease liabilities	(3,779)	-	-	-	(3,779)
Total changes from financing cash flows	(3,779)	(2,583)	(192,747)	94,604	(104,505)
Interest expense	1,441	-	21,921	29,343	52,705
Interest paid	(1,441)	-	(22,037)	(27,014)	(50,492)
Total liability-related other changes	-	-	(116)	2,329	2,213
Balance, December 31, 2023	\$ 45,709	\$ 55,951	\$ 980,562	\$ 695,571	\$ 1,777,793

## 17. Accounts payable and accrued liabilities

	2024	2023
Accruals	\$ 63,882	\$ 86,216
Visa reward points liability	50,863	47,357
Outstanding certified cheques	45,597	36,312
Accounts payable	21,824	81,573
Visa prepaid liability	19,127	19,865
Outstanding drafts	2,208	1,940
Miscellaneous	2,147	1,645
	\$ 205,648	\$ 274,908

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

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Year ended December 31, 2024

## 18. Net interest income

	2024	2023
Interest income		
Cash and cash equivalents	\$ 2,304	\$ 1,797
Interest bearing deposits with financial institutions	1,959	1,841
Financial instruments:		
Amortized cost	87,882	61,257
FVTPL	1,482	1,194
FVOCI	32,842	44,197
Loans and advances to members	1,140,606	1,052,110
Other assets	10,994	17,110
	1,278,069	1,179,506
Interest expense		
Deposits from members	810,540	724,871
Secured borrowings	23,075	21,921
Wholesale borrowings	33,783	29,343
Lease liabilities	1,541	1,441
Other liabilities	27,262	34,883
	896,201	812,459
	\$ 381,868	\$ 367,047

## 19. Net fee and commission income

	2024	2023
Fee and commission income:		
Account service fees	\$ 31,254	\$ 27,659
Credit card fees	40,993	38,241
Foreign exchange	12,366	8,754
Insurance broker commissions and fees	2,621	2,792
Loan fees	5,436	4,607
Loan insurance fees	4,195	4,030
Investment fees	61,965	55,448
	158,830	141,531
Fee and commission expense:		
Credit card fees	22,769	20,903
Other fees	7,947	7,343
	30,716	28,246
	\$ 128,114	\$ 113,285

# VANCOUVER CITY SAVINGS CREDIT UNION

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Year ended December 31, 2024

## 20. Net gains (losses) on financial instruments

	2024	2023
Realized gains (losses) on disposal of financial instruments:		
Instruments held at amortized cost	\$ 655	\$ 3,382
Instruments designated as FVTPL	145	189
Debt investment securities measured at FVOCI	(99)	(410)
Bond forward	(39)	1,633
Unrealized change in fair value of financial instruments:		
Instruments designated as FVTPL	4,187	(1,807)
	<u>\$ 4,849</u>	<u>\$ 2,987</u>

## 21. Salary and employee benefits

	2024	2023
Salaries	\$ 251,217	\$ 233,439
Benefits	47,615	49,539
Pension costs:		
Defined contribution plans	8,570	9,538
Defined benefit plans (note 12(d))	13,585	9,974
Post-employment benefits (note 12(d))	2,933	2,921
	<u>\$ 323,920</u>	<u>\$ 305,411</u>

## 22. General and administrative expenses

	2024	2023
Data processing	\$ 40,371	\$ 36,244
Professional and consulting	21,999	23,962
Dues, assessments and regulatory fees	12,878	18,692
Member service and lending	12,494	12,202
Marketing and advertising	12,096	21,295
Telecommunication, stationery and postage	7,400	8,732
Miscellaneous	5,585	7,045
Insurance	4,265	3,589
Travel, meetings and entertainment	2,331	2,181
	<u>\$ 119,419</u>	<u>\$ 133,942</u>

# VANCOUVER CITY SAVINGS CREDIT UNION

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Year ended December 31, 2024

## 23. Distribution to community and members

	2024	2023
Donations to community	\$ 1,499	\$ 333
Membership distribution - dividends	231	-
Investment share dividends	2,629	3,358
<b>Total distributions to community and members</b>	<b>\$ 4,359</b>	<b>\$ 3,691</b>

For the years ended December 31, 2024 and 2023, distributions to community and members includes amounts paid in the year and amounts accrued to be paid in following years.

## 24. Financial risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of Vancity's risk management framework. The Risk Committee, which is established by the Board, is responsible for reviewing and recommending risk management policies.

Risk management policies are established to identify and analyze the risks faced by Vancity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and Vancity's activities. Vancity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the established risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by Vancity. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Vancity accepts deposits from members at both fixed and floating rates for various periods and seeks to earn an interest rate margin by investing these funds in high quality financial instruments - principally mortgages. Vancity's principal business activities result in a consolidated statement of financial position that consists primarily of financial instruments. The primary types of financial risk which arise from these activities are credit risk, liquidity risk, and market risk.

### (a) Credit risk

Credit risk is the risk of financial loss to Vancity if a member or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from Vancity's loans and advances to members. Vancity is also exposed to credit risks arising from investments in debt securities and other credit exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties.

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Year ended December 31, 2024

## 24. Financial risk management framework (continued):

### (a) Credit risk (continued)

#### (i) Credit risk management

Vancity manages, limits and controls concentrations of credit risk, where identified, to individual counterparties and industries. The Board, through the Risk Committee, places limits on the amount of credit risk accepted in relation to one member and/or sector.

#### (ii) Credit risk exposure

The following information represents the maximum exposure to credit risk before taking into consideration any collateral or credit enhancements. For financial assets recognized on the consolidated statement of financial position, the exposure to credit risk is their stated carrying amount. For loan commitments, the maximum exposure is the full amount of the undrawn facilities.

	2024	2023
On-balance sheet exposures	\$ 28,120,184	\$ 28,563,863
Off-balance sheet exposures (note 28(a))	7,685,079	7,533,907
	<b>\$ 35,805,263</b>	<b>\$ 36,097,770</b>

The table below provides a distribution of Vancity's retail loan portfolio by FICO score; however, it does not take into consideration other factors that may mitigate exposure to credit risk. FICO scores are credit scores that are considered in assessing the credit risk of the retail portfolio.

Risk category	FICO score range	Stage 1	Stage 2	Stage 3	2024	2023
Low	more than 720	\$ 11,492,052	\$ 1,131,906	\$ 1,994	\$ 12,625,952	\$ 12,959,764
Medium	620 - 720	2,049,127	1,294,325	7,694	3,351,146	3,315,158
High	than 620	18,052	463,677	34,605	516,334	421,413
		<b>\$ 13,559,231</b>	<b>\$ 2,889,908</b>	<b>\$ 44,293</b>	<b>\$ 16,493,432</b>	<b>\$ 16,696,335</b>

The business portfolio utilizes an assessment process that measures credit risk, taking into consideration a number of factors such as the borrower's management, current and projected financial results, industry statistics, and economic trends that cumulates into a risk rating. This risk rating categorizes risk according to the degree of financial loss faced and forces management to focus on these risks and helps determine where impairment provisions may be required. The current risk rating framework consists of internal grades reflecting varying degrees of risk of default, staff oversight, and the availability of collateral or other credit enhancements.

# VANCOUVER CITY SAVINGS CREDIT UNION

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(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 24. Financial risk management framework (continued)

### (a) Credit risk (continued)

#### (ii) Credit risk exposure (continued)

The credit quality of Vancity's business portfolio, expressed in terms of the internal risk ratings is shown in the table below:

Internal risk ratings	Stage 1	Stage 2	Stage 3	2024	2023
Minimal to normal	\$ 6,559,352	\$ 336,994	\$ -	\$ 6,896,346	\$ 6,824,146
Acceptable	840,184	257,572	562	1,098,318	1,043,802
High	12,662	34,115	71,808	118,585	87,672
	\$ 7,412,198	\$ 628,681	\$ 72,370	\$ 8,113,249	\$ 7,955,620

#### (iii) Collateral held

Vancity holds collateral against certain of its credit exposures. The following table sets out the principal types of collateral held against loans and advances to members as at December 31.

	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
	2024	2023	
Retail:			
Residential mortgages	100%	100%	Residential property
Personal loans	-	-	None
Business:			
Commercial mortgages and loans	96%	97%	Commercial and residential property

#### (iv) Amounts arising from ECL

##### *Forward-looking information and macroeconomic factors*

The FLI component represents management's estimate of the impacts on the ECL of forward-looking information and forecasts of macroeconomic conditions to the credit union's ECL. These macroeconomic factors are based on the credit risk management assessments and are consistent with industry guidelines on typical factors that are relevant to different types of lending products. Management makes forecasts of multiple forward looking and macroeconomic scenarios (base, upside and downside) and their estimated impacts to the ECL. Multiple scenarios are forecasted to ensure that estimates of ECL are unbiased.

The key forward-looking and macroeconomic factors considered in determining the FLI inputs to the ECL calculation at December 31, 2024 were unemployment rate, gross domestic product ("GDP") growth rate, and inflation rate.

# VANCOUVER CITY SAVINGS CREDIT UNION

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(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2024

## 24. Financial risk management framework (continued)

### (a) Credit risk (continued)

#### (iv) Amounts arising from ECL (continued)

##### *Forward-looking information and macroeconomic factors (continued)*

The primary macroeconomic variables used to estimate ECL are as follows:

Forecast	Next 12 months	Remaining forecast period
Forward looking indicator:		
Unemployment rate	4.2% to 7.8%	4.2% to 7.8%
GDP growth rate	0.90% to 2.20%	1.90% to 1.40%
Inflation rate	1.70% to 2.00%	1.60% to 2.20%

##### *Sensitivity of ECL to future economic conditions*

Management performs a sensitivity analysis on the ECL recognized on loans and advances to members. The table below shows ECL on loans and advances to retail and business members as at December 31, 2024 assuming each forward-looking scenario (e.g., central, upside and downside) were weighted 100 per cent instead of applying scenario probability weights across the three scenarios. For ease of comparison, the table also includes the probably-weighted amounts that are reflected in the financial statements. The amounts are inclusive of post-model adjustments, as appropriate to each scenario.

	Upside	Central	Downside	Probability-weighted
ECL:				
Retail	\$ 30,469	\$ 42,910	\$ 59,520	\$ 47,800
Business	19,187	34,907	67,163	43,136
<b>Total ECL</b>	<b>\$ 49,657</b>	<b>\$ 77,817</b>	<b>\$ 126,684</b>	<b>\$ 90,936</b>
Proportion of loans in Stage 2:				
Retail	5%	10%	18%	12%
Business	3%	3%	3%	3%

#### (v) Concentration of credit risk

A significant portion of Vancity's business loan portfolio is concentrated in the real estate sector, which represents 53% (2023 - 56%) of the portfolio as at December 31, 2024. The construction sector accounts for 14% (2023 - 12%), while no other individual sector exceeded 10% of the total portfolio as at December 31, 2024 or 2023.

# VANCOUVER CITY SAVINGS CREDIT UNION

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Year ended December 31, 2024

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## 24. Financial risk management framework (continued)

### (a) Credit risk (continued)

#### (v) Concentration of credit risk (continued)

From a geographic perspective, 90% (2023 - 88%) of the business loan portfolio is concentrated in British Columbia, with the remainder in Ontario and Alberta.

There is no individual borrower or group of related borrowers that represents more than 10% of the total loan portfolio as at December 31, 2024 and 2023, thereby mitigating concentration risk at the counterparty level.

### (b) Liquidity risk

Liquidity risk is the risk that Vancity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset as well as not being able to meet unexpected cash needs. Vancity must maintain a statutory level of liquidity cash reserves at Central 1 and an additional amount of liquidity reserves to fund member and community lending.

Accordingly, Vancity has policies and procedures in place to manage its liquidity position, both to comply with regulatory requirements and sound business practices.

#### (i) Liquidity risk management

Vancity's liquidity risk is subject to extensive risk management controls and is managed within the framework, policies and limits approved by the Board. On an annual basis, the Board, through the Risk Committee reviews and approves the liquidity policy presented by management to ensure adherence to regulatory requirements. The Asset Liability Committee ("ALCO") oversees the operational adherence to the liquidity policy. ALCO approves liquidity management processes and strategies presented by treasury and finance management in addition to overseeing adherence to minimum liquidity limits, eligibility requirements for liquid assets, investments with counterparties, funding diversification, deposit concentration and diversification limits.

A key measure used by Vancity for managing liquidity risk is the ratio of liquid assets to deposits and debt liabilities. In accordance with OSFI regulatory requirements, the Bank measures liquidity risk by monitoring its liquid assets to total assets. Because of this difference in calculation, Vancity's consolidated liquidity information does not include the Bank. The Bank's liquidity information has been disclosed separately below.

For the purpose of measuring liquidity risk, liquid assets comprise the total market value of cash, Government of Canada or provincial treasury bills, debt securities with a government guarantee and a minimum DBRS Limited ("DBRS") investment rating of A, government guaranteed mortgage backed securities, banker's acceptances and bearer deposit notes from Schedule I and II banks with a DBRS rating of R-1 low or higher, and corporate commercial paper with a DBRS rating of R-1 low or higher.

# VANCOUVER CITY SAVINGS CREDIT UNION

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Year ended December 31, 2024

## 24. Financial risk management framework (continued)

### (b) Liquidity risk (continued)

#### (ii) Liquidity risk exposure

##### VCS

VCS's liquid assets as at December 31, 2024 were \$3,314.0 million (2023 - \$3,831.7 million) and the ratio of liquid assets to deposits and debt liabilities at December 31, 2024 was 12.66% (2023 - 14.42%).

##### The Bank

The Bank's liquid assets as at December 31, 2024 were \$58.5 million (2023 - \$57.7 million).

##### Vancity

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

	Less than 1 year	1 - 3 years	3 to 5 years	Over 5 years	Total
Deposits from members	\$ 22,426,600	\$ 2,070,036	\$ 274,421	\$ 98,318	\$ 24,869,375
Wholesale borrowings	529,532	-	-	-	529,532
Secured borrowings	161,277	591,639	230,769	17,347	1,001,032
Other financial liabilities	216,516	22,147	11,815	3,350	253,828
Derivative instruments	13,880	19,417	4,432	-	37,729
December 31, 2024	\$ 23,347,805	\$ 2,703,239	\$ 521,437	\$ 119,015	\$ 26,691,496
December 31, 2023	\$ 23,353,557	\$ 3,231,502	\$ 391,943	\$ 206,903	\$ 27,183,905

### (c) Market risk

In the normal course of its operations, Vancity engages in transactions that give rise to market risk. Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and credit spreads. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return for a given level of risk.

The Board, through the Risk Committee, sets risk tolerance levels for Vancity. Within these boundaries, ALCO measures, monitors and manages Vancity's market risk profile. The policies for market risk management are reviewed annually by the Risk Management Committee and approved by the Risk Committee and the Board.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

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## 24. Financial risk management framework (continued)

### (c) Market risk (continued)

Vancity has various policy and procedure statements that specify roles and responsibilities for senior management, treasury, trading management, traders, finance, and compliance. Many of these policies fall under the responsibility of the Risk Committee. The Risk Committee's role is to provide effective oversight, on behalf of the Board, of Vancity's risk management activities. In addition, Vancity has developed and maintains a practice of performing independent valuations of positions, mark to market methodologies, and asset liability modeling.

### (i) Interest rate risk

Interest rate risk, inclusive of credit spread risk, is the risk of loss to Vancity due to the following: changes in the level, slope and curvature of the interest rate yield curve; the volatility of interest rates; the maturity profile of assets and liabilities; mortgage prepayment rates; changes in the market price of credit; and the creditworthiness of a particular issuer. For Vancity, mismatches in the balance of assets, liabilities and off-balance sheet financial instruments that mature and re-price in varying reporting periods generate interest rate risk.

These mismatches will arise through the ordinary course of business as Vancity manages its portfolio of loans and deposits with changing term preferences and through the strategic positioning of the portfolio to enhance profitability. To manage interest rate risk, Vancity may also use financial instruments such as interest rate swaps and other derivative instruments.

Duration analysis is a measure of interest rate exposure and provides an indication of when on average the present value of any financial instrument will be received. Vancity uses duration analysis to measure the sensitivity of asset and liability market values to a change in interest rates and provides an indication of long-term interest rate exposure.

Based on Vancity's interest rate positions as at December 31, the following table shows the potential before tax impact of an immediate and sustained 1.0% increase and decrease in interest rates over a 12-month period on Vancity's market value of net assets and net interest income.

Interest rate sensitivity	2024		2023	
	Market value impact	Net interest income	Market value impact	Net interest income
Before tax impact of:				
1.0% decrease in rates	\$ 14,904	\$ (9,584)	\$ 42,229	\$ (6,190)
1.0% increase in rates	(24,132)	2,716	(47,222)	1,381

# VANCOUVER CITY SAVINGS CREDIT UNION

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Year ended December 31, 2024

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## 24. Financial risk management framework (continued)

### (c) Market risk (continued)

#### (i) Interest rate risk (continued)

Gap analysis is a technique used by Vancity in asset liability management to assess interest rate risk. It comprises aggregating cash flows into repricing periods and then assessing whether the cash flows in each of the periods net to zero. The repricing periods are time horizons, based on either repricing dates or maturity dates of the assets and liabilities. An interest rate gap is a positive or negative net cash flow for one of the periods. Gap analysis does not take into consideration the credit risk of assets and liabilities. The determination of interest rate sensitivity or gap position encompasses numerous assumptions. It is based on the earlier of the repricing date or the maturity date of assets, liabilities and derivative instruments used to manage interest rate risk.

The gap position presented is as at December 31 of each year. It represents the position outstanding at the close of the business day and may change significantly in subsequent periods based on member behavior and the application of Vancity's asset and liability management policies.

The assumptions for the years ended December 31, 2024 and 2023 were as follows:

#### *Assets*

Fixed term assets, such as residential mortgage loans and personal loans, are reported based on scheduled repayments and estimated prepayments that reflect expected borrower behavior.

Variable rate assets that are related to the Vancity's prime rate or other short-term market rates are reported in the within three months category.

Fixed rate and non-interest bearing assets with defined maturity are reported based on expected account balance behavior.

#### *Liabilities*

Fixed rate liabilities, such as term deposits, are reported at scheduled maturity with estimated redemptions that reflect expected depositor behavior.

Interest bearing deposits on which the member interest rate changes with prime or other short-term market rates are reported within the three months category.

Fixed rate and non-interest bearing liabilities with no defined maturity are reported based upon expected account balance behavior.

# VANCOUVER CITY SAVINGS CREDIT UNION

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Year ended December 31, 2024

## 24. Financial risk management framework (continued)

### (c) Market risk (continued)

#### (i) Interest rate risk (continued)

##### Yields

Yields are based on the effective interest rates for the assets and liabilities on December 31.

December 31, 2024	Yield	Within 3 months	3 months to 1 year	1 to 4 years	Over 4 years	Non-interest sensitive	Total
<b>Assets:</b>							
Cash and cash equivalents	0.00%	\$ 128,488	\$ -	\$ -	\$ -	\$ 7,546	\$ 136,034
Interest bearing deposits with financial institutions	3.41%	31,347	-	-	-	33,571	64,918
Financial investments	3.40%	682,569	900,269	1,455,528	238,393	62,041	3,338,800
Loans and advances to members	4.41%	8,479,039	5,201,874	9,867,869	1,047,649	(30,038)	24,566,393
Other	0.00%	473	22,879	-	107	231,151	254,610
		<b>\$ 9,321,916</b>	<b>\$ 6,125,022</b>	<b>\$ 11,323,397</b>	<b>\$ 1,286,149</b>	<b>\$ 304,271</b>	<b>\$ 28,360,755</b>
<b>Liabilities and Equity:</b>							
Deposits from members	2.81%	\$ 10,919,219	\$ 8,540,108	\$ 2,777,486	\$ 2,279,143	\$ 353,419	\$ 24,869,375
Wholesale borrowings	3.61%	528,085	-	-	-	1,447	529,532
Secured borrowings	1.34%	145,083	98,502	619,303	132,975	5,169	1,001,032
Other	0.00%	1,277	12,002	23,542	49,003	1,874,992	1,960,816
		<b>\$ 11,593,664</b>	<b>\$ 8,650,612</b>	<b>\$ 3,420,331</b>	<b>\$ 2,461,121</b>	<b>\$ 2,235,027</b>	<b>\$ 28,360,755</b>
Balance sheet mismatch		\$ (2,271,748)	\$ (2,525,590)	\$ 7,903,066	\$ (1,174,972)	\$ (1,930,756)	\$ -
Notional derivative assets		(1,375,000)	1,375,000	-	-	-	-
Notional derivative liabilities		2,005,500	(450,000)	(1,355,500)	(200,000)	-	-
Net mismatch 2024		\$ (1,641,248)	\$ (1,600,590)	\$ 6,547,566	\$ (1,374,972)	\$ (1,930,756)	\$ -
Net mismatch 2023		(1,843,586)	(2,946,980)	7,959,392	(1,154,659)	(2,014,167)	-

#### (ii) Foreign currency risk

Foreign currency risk is the risk that movement in foreign exchange rates will have an adverse effect on the financial performance of Vancity. Foreign currency risk arises in the ordinary course of business as Vancity meets the member demands for foreign currency banking activities.

Vancity is exposed to foreign currency risk each time it buys and sells foreign currency products to a member or to another financial institution. Vancity holds a foreign currency position that is exposed to the risk of exchange rates movements in either the spot or forward market. Vancity's exposure to this risk is managed through economic hedging, either naturally or synthetically. The impact of foreign currency risk will be influenced by the volatility of exchange rate changes, the mix of foreign currency assets and liabilities, and the exposure to each currency market.

# VANCOUVER CITY SAVINGS CREDIT UNION

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## 25. Assets pledged as collateral

In the normal course of business, Vancity pledges mortgage assets and readily marketable securities to secure credit and clearing facilities. Asset pledging transactions are conducted under terms that are common and customary to standard derivative and other financing activities. Standard risk management controls are applied with respect to asset pledging.

Assets which are pledged as collateral are related to derivative transactions, proceeds from securitizations and other borrowings. The nature and carrying amounts of the assets pledged as collateral are as follows:

	2024	2023
Cash	\$ 25,190	\$ 35,484
Interest bearing deposits with financial institutions (note 28(c))	34,571	-
Securities	3,040	2,976
Mortgages	1,619,194	1,708,571
Other assets (note 28(c))	7,050	-
General charge	410,000	410,000
	<u>\$ 2,099,045</u>	<u>\$ 2,157,031</u>
Assets pledged in relation to the following available facilities:		
Clearing facilities	\$ 3,000	\$ 3,000
Secured borrowings	1,001,032	980,562
Standby credit facilities	1,125,000	1,125,000
Derivative contracts	34,571	17,116
	<u>\$ 2,163,603</u>	<u>\$ 2,125,678</u>

## 26. Regulatory and capital management

VCS

Capital is managed in accordance with policies established by the Board and appropriate management committees. An integral part of VCS's strategy is to maintain a strong capital base. All of the elements of capital are monitored throughout the year. An Internal Capital Adequacy Assessment Process (ICAAP) is performed on an annual basis to ensure an appropriate level of capital is maintained to sustain current and future operations and is approved by the Board of Directors. VCS makes annual dividend payments on eligible shares, within the context of its overall capital management plan.

FIA requires VCS to maintain a capital base that is adequate for its business. Capital levels for credit unions in British Columbia are regulated pursuant to guidelines issued by the BC Financial Services Authority ("BCFSA"). Minimum capital standards are based on a total capital to risk weighted assets ("RWA") ratio of 8%.

# VANCOUVER CITY SAVINGS CREDIT UNION

Notes to the Consolidated Financial Statements

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## 26. Regulatory and capital management (continued)

Regulatory capital is allocated to two tiers: Primary and Secondary. Primary capital is comprised of the more permanent components of capital and consists primarily of retained earnings adjusted for deferred taxes, shares, and contributed surplus. Secondary capital consists of 50% of a credit union's portion of retained earnings in CUDIC, Central 1, and Stabilization Central Credit Union, as well as equity shares that do not meet the criteria for Primary capital. Total regulatory capital is defined as the lesser of total of Primary and Secondary capital less deductions as prescribed by BCFSA or VCS's retained earnings and contributed surplus divided by 35%.

The capital ratio is calculated by dividing total capital by RWA, which are the assets weighted according to relative risk (0% to 150%) as determined by BCSFA for on-balance sheet and off-balance sheet exposures.

As at December 31, 2024 and 2023, VCS's capital ratios were in compliance with the regulatory requirements.

	2024	2023
Primary capital	\$ 1,706,252	\$ 1,710,365
Secondary capital	277,704	253,917
Deductions from capital	(72,350)	(76,630)
<b>Total regulatory capital</b>	<b>\$ 1,911,606</b>	<b>\$ 1,887,652</b>

### *The Bank*

Capital levels for Canadian Banks are regulated pursuant to Capital Adequacy Requirements guideline issued by OSFI in accordance with the Basel II and Basel III capital adequacy frameworks. The Basel III framework revised the definition of regulatory capital to strengthen the capital base with a greater focus on common equity. Regulatory capital consists of: Tier 1 (the sum of Common Equity Tier 1 and Additional Tier 1) and Tier 2 as defined by the guideline. Intangibles and deferred tax assets as specified in the guideline are deducted from Common Equity Tier 1 capital as regulatory adjustments.

Regulatory ratios are calculated by dividing the Common Equity Tier 1, Tier 1, and Total Capital by the risk-weighted assets ("RWA"). The calculation of RWA is determined by OSFI prescribed rules relating to on-balance sheet and off-balance sheet exposures.

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

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## 26. Regulatory and capital management (continued)

*The Bank (continued)*

Although maximization of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Synergies with other operations and activities are also considered as well as the availability of management and other resources and the fit of the activity with the Bank's longer term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board.

As at December 31, 2024 and 2023, the Bank's capital ratios were in compliance with the regulatory requirements.

	2024	2023
Tier 1 capital	\$ 72,229	\$ 72,597
Tier 2 capital	1,168	1,212
Deductions from capital	(1,748)	(1,930)
Regulatory capital	\$ 71,649	\$ 71,879

## 27. Fair value of financial instruments

Certain financial instruments are recognized in the consolidated statement of financial position at fair value. These include derivative instruments and financial assets classified either as FVTPL or FVOCI. The fair value of a financial instrument is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants which takes place in the principal (or most advantageous) market at the measurement date. The fair value of a liability reflects its non-performing risk. The best evidence of fair value is a quoted bid price for financial assets held or an offer price for financial liabilities from an active market. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Where independent quoted market prices are not available, Vancity uses the quoted market prices for similar instruments, other third-party evidence or valuation techniques.

Financial instruments are recorded at fair value upon initial recognition, which is normally equal to the fair value of the consideration given or received to obtain the instrument. Where financial instruments are measured at fair value subsequent to initial recognition, fair value is determined as described above.

*Financial instruments whose carrying values approximate fair value*

Fair values of cash and cash equivalents, interest receivable, non-maturity loans and other financial assets and liabilities are assumed to approximate their carrying values, principally due to their short-term nature.

# VANCOUVER CITY SAVINGS CREDIT UNION

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## 27. Fair value of financial instruments (continued)

### *Financial instruments for which fair value is determined using valuation techniques*

The fair value of financial instruments determined using these techniques include the use of recent arm's length transactions and discounted cash flow analysis for investments in unquoted securities, discounted cash flow analysis for derivatives, third-party option pricing models for index-linked option contracts, other valuation techniques commonly used by market participants and utilize independent observable market inputs to the maximum extent possible.

The use of valuation techniques to determine the fair value of a financial instrument requires management to make assumptions such as the amount and timing of future cash flows and discount rates and incorporate Vancity's estimate of assumptions that a market participant would make when valuing the instruments.

The fair values below reflect conditions that existed only at the respective financial reporting dates and do not necessarily reflect a future value or the amounts Vancity might receive or pay if it were to dispose of any of its financial instruments prior to their maturity.

Vancity measures fair value using the following hierarchy that reflects the significance of inputs used in making the measurements:

- Level 1: Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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Year ended December 31, 2024

## 27. Fair value of financial instruments (continued)

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

December 31, 2024	Level 1	Level 2	Level 3	Total fair value	Carrying value
<b>Assets:</b>					
Cash and cash equivalents	\$ 136,034	\$ -	\$ -	\$ 136,034	\$ 136,034
Financial investments measured at fair value	860,577	18,719	62,390	941,686	941,686
Financial investments measured at amortized cost	2,498,839	306,225	-	2,805,064	2,397,114
Derivative assets	-	6,989	-	6,989	6,989
Loans and advances to members	-	-	24,294,956	24,294,956	24,566,393
Interest bearing deposits with financial institutions	-	64,918	-	64,918	64,918
Other financial assets	-	92,046	-	92,046	92,046
	\$ 3,495,450	\$ 488,897	\$ 24,357,346	\$ 28,341,693	\$ 28,205,180
<b>Liabilities:</b>					
Derivative liabilities	\$ -	\$ 37,081	\$ -	\$ 37,081	\$ 37,081
Deposits from members	-	24,253,276	-	24,253,276	24,869,375
Wholesale borrowings	-	529,432	-	529,432	529,532
Secured borrowings	-	971,565	-	971,565	1,001,032
Other financial liabilities	-	253,828	-	253,828	253,828
	\$ -	\$ 26,045,182	\$ -	\$ 26,045,182	\$ 26,690,848
<b>December 31, 2023</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 203,527	\$ -	\$ -	\$ 203,527	\$ 203,527
Financial investments measured at fair value	1,008,762	121,620	43,523	1,173,905	1,173,905
Financial investments measured at amortized cost	1,789,131	680,323	-	2,469,454	2,514,042
Derivative assets	-	17,258	-	17,258	17,258
Loans and advances to members	-	-	23,795,750	23,795,750	24,612,106
Interest bearing deposits with financial institutions	-	43,025	-	43,025	43,025
Other financial assets	-	97,838	-	97,838	97,838
	\$ 3,001,420	\$ 960,064	\$ 23,839,273	\$ 27,800,757	\$ 28,661,701
<b>Liabilities:</b>					
Derivative liabilities	\$ -	\$ 30,514	\$ -	\$ 30,514	\$ 30,514
Deposits from members	-	24,371,809	-	24,371,809	25,145,870
Wholesale borrowings	-	695,380	-	695,380	695,571
Secured borrowings	-	918,831	-	918,831	980,562
Other financial liabilities	-	323,167	-	323,167	323,167
	\$ -	\$ 26,339,701	\$ -	\$ 26,339,701	\$ 27,175,684

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Year ended December 31, 2024

## 27. Fair value of financial instruments (continued)

During the years ended December 31, 2024 and 2023, there were no transfers in or out of Level 3. Vancity recognizes transfers between levels in the fair value hierarchy at the end of the year during which the change occurred.

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value:

	2024	2023
Balance at January 1	\$ 43,523	\$ 39,910
Gains (losses) included in net income attributable to members	5,989	(2,134)
Purchases	12,878	10,888
Settlements	-	(5,141)
<b>Balance at December 31</b>	<b>\$ 62,390</b>	<b>\$ 43,523</b>

Level 3 financial investments consist of private equity funds that are valued using Net Asset Values ("NAV") (unobservable input). Private equity fund NAVs are based on information provided by the fund managers, and as a result, there are no other reasonably possible alternative assumptions for these investments. The estimated fair value would increase if the net asset value were higher.

## 28. Commitments and contingencies

### (a) Credit commitments

The following amounts represent the maximum amount of additional credit that Vancity could be obligated to extend. The amounts of these arrangements may expire or terminate without being utilized and may not be representative of the funding likely to be required for these commitments.

	2024	2023
Undrawn lines of credit	\$ 5,746,870	\$ 5,730,027
Commitments to extend credit	733,667	742,702
Undrawn credit on credit cards issued	1,146,965	1,010,203
Documentary letters of credit	57,577	50,975
	<b>\$ 7,685,079</b>	<b>\$ 7,533,907</b>

### (b) Statutory liquidity requirement

For liquidity purposes, BCFSa requires all credit unions to hold 8% of aggregate deposit and other debt liabilities in HQLA, placed in a bare trust. Vancity's intention is to hold these financial assets to maturity and collect contractual cash flows that represent solely payments of principal and interest. At December 31, 2024, Vancity's minimum required HQLA held in the bare trust is \$2.1 billion (2023 - \$2.1 billion).

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Year ended December 31, 2024

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## 28. Commitments and contingencies (continued)

### (c) Assets restricted from use

Included in the interest bearing deposits with financial institutions balance is \$34.6 million (2023 - \$17.1 million included in cash and cash equivalents) of cash pledged as collateral for derivative contracts.

Included in the other assets balance is \$6.5 million (2023 - \$10.7 million included in cash and cash equivalents) relating to CMB and other MBS third party investor programs.

Included in the other assets balance is \$0.6 million (2023 - \$0.8 million included in cash and cash equivalents) held in trust for investors.

### (d) Contingencies

In the ordinary course of business, Vancity is party to a number of legal proceedings, in which the likelihood of a loss and amount of loss, if any, is not readily determinable.

In accordance with accounting standards, provisions have been included in liabilities where appropriate if, in the opinion of management, it is more likely than not that a future event will confirm that a liability existed at the date of the financial statements and the amount of the loss can be reasonably estimated.

At times, however, it is either not possible to determine whether a liability has been incurred or to reasonably estimate the amount of loss until proceedings are closer to a resolution, in which case no amounts will be accrued until that time.

The outcome of any such matters, individually or in aggregate, may be material to the consolidated financial position or operating results of Vancity for a particular year.

### (e) Contractual commitment

(i) Vancity has \$102.4 million (2023 - \$63.9 million) in contractual commitments for software, hardware, and services contracts.

(ii) Vancity has \$29.4 million (2023 - \$38.6 million) in contractual commitments to acquire units in several private investment funds.

### (f) Contingent tax liabilities

As at December 31, 2024 and 2023, Vancity has considered contingent tax liabilities and uncertain tax treatments, as well as interest and penalties, and determined that no amount need be accrued in respect of such amounts.

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## 29. Related party transactions

Related parties of Vancity include subsidiaries, associates, post-employment benefit plans, key management personnel and close family members of key management personnel. Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of Vancity, directly or indirectly, including any director (whether executive or otherwise) of Vancity. These key management personnel are comprised of the Board of Directors, Executive Leadership Team, and signing officers of Vancity.

Please refer to note 12 for transactions and balances with Vancity's post-retirement benefit plans.

A number of transactions were entered into with key management personnel in the normal course of business:

### (a) Loans and deposits

Vancity provides banking services to key management personnel and persons connected to them. Balances outstanding at December 31, 2024 were loans of \$6.1 million (2023 - \$5.9 million) and deposits of \$2.6 million (2023 - \$3.8 million).

### (b) Key management compensation

	2024	2023
Salaries and other short-term employee benefits	\$ 7,416	\$ 6,654
Post-employment benefits	1,142	1,273
Termination and other long-term benefits	914	1,210
	\$ 9,472	\$ 9,137

In addition to their salaries, Vancity also provides non-cash benefits to director-level employees and executive officers, and contributes to a defined pension benefit plan on their behalf.

## 30. Subsequent events

On February 27, 2025, Vancity and First Credit Union announced the intention to explore a potential merger of the two credit unions, the outcome of which is still undetermined.