This offering statement must be delivered to every purchaser of the securities described herein prior to the purchaser becoming obligated to complete the purchase and, upon request, to any prospective purchasing member.

No official of the Government of the Province of Ontario has considered the merits of the matters addressed in this offering statement.

The securities being offered are not guaranteed by the Financial Services Regulatory Authority of Ontario ("FSRA" or the "Authority") or any similar public agency.

The prospective purchaser of these securities should carefully review the offering statement and any other documents it refers to, examine in particular the section on risk factors beginning on page 38 ***and, further, may wish to consult a financial or tax advisor about this investment.***

DUCA Financial Services Credit Union Ltd.

OFFERING STATEMENT
dated July 29, 2025

MINIMUM $5,000,000 -- MAXIMUM $20,000,000 CLASS B SPECIAL SHARES, SERIES 5 (NON-CUMULATIVE, NON-VOTING, NON-PARTICIPATING, REDEEMABLE SPECIAL SHARES)

("Class B Investment Shares, Series 5")

The subscription price for each Class B Investment Share, Series 5 will be $1.00 per share, with a minimum of 1,000 shares per member which may be subscribed for $1,000.00, to a maximum of 1,000,000 shares per member which may be subscribed for $1,000,000.00.

There is no market through which these securities may be sold. Purchasers of these securities may only sell or transfer them to another member of DUCA Financial Services Credit Union Ltd. ("the Credit Union") or a prescribed person, and all other sales or transfers are prohibited.

The purchaser of these securities may reverse his/her decision to purchase the securities within two business days (which excludes weekends and holidays), of having signed a subscription form, as set out on page 32.

The Class B Investment Shares, Series 5 are subject to the transfer and redemption restrictions under the Credit Unions and Caisses Populaires Act, 2020 ("the Act") and the restrictions under this offering statement as set out on page 35.

THE SECURITIES OFFERED ARE NOT DEPOSITS. THE SECURITIES OFFERED ARE NOT INSURED. THE DIVIDENDS ON THE SECURITIES ARE NOT GUARANTEED.

Member Name ____________ **Serial Number** ____________

TABLE OF CONTENTS

OFFERING STATEMENT SUMMARY

The following is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this offering statement. A "Glossary of Terms" can be found at the end of this summary, prior to the detailed offering statement.

DUCA Financial Services Credit Union Ltd.

The Credit Union was formed on January 1, 2011 as a result of the amalgamation of DUCA Financial Services Credit Union Ltd. ("Antecedent DUCA"), as it then existed, and Virtual One Credit Union Limited ("Virtual One"). Antecedent DUCA was incorporated on May 5, 1954, originally to serve the Dutch Canadian community, but by the time of the creation of the Credit Union by amalgamation, could serve anyone residing or employed in Ontario. Virtual One was itself formed by the amalgamation on August 1, 2004 of Virtual One Credit Union Limited ("Antecedent Virtual One") and CBC (Toronto) Credit Union Limited ("CBC Toronto"). Antecedent Virtual One was incorporated on March 28, 1946, originally to serve the employees of the Toronto Kodak production facility. CBC Toronto was incorporated on July 26, 1952, originally to serve the Toronto employees of the Canadian Broadcasting Corporation. The Credit Union's head office is located at 5255 Yonge Street, Toronto, ON M2N 6P4.

The Credit Union has previously made four (4) offerings of Class B Investment Shares, being Series 1, 2, 3 and 4, of which, only Class B Investment Shares, Series 1 and 4 are still outstanding as of April 30, 2025. Class B Investment Shares, Series 2 and 3 were fully redeemed by 2011 and 2013 respectively.

The Credit Union became a Certified B Corporation™ in May 2015. This certification, granted by the non-profit B-Lab, requires the Credit Union to meet rigorous standards of social and environmental performance, accountability, and transparency.

The Credit Union is committed to creating positive social impact through Environmental, Social, and Governance activities as well as direct support of communities through donations and other philanthropic initiatives. In support of these efforts the Credit Union has established and registered a private foundation, The DUCA Impact Lab, discussed at page 19.

The Credit Union provides a full range of retail and commercial credit and non-credit financial and wealth management services and products to 92,975 members (as of April 30, 2025) through 19 branches across the Greater Toronto Area, and its internet, mobile phone, and telephone banking systems. 2 of the 19 branches were from the merger of operations with United Employees Credit Union Limited ("United") on December 21, 2023, after which date, both branches began operating as DUCA branches and United remained a non-operating, wholly owned subsidiary of the Credit Union until November 15, 2024 when United was dissolved by dissolution order issued by FSRA pursuant to section 237(2) of the Act. The Credit Union also owns and operates Continental Currency Exchange ("CCE"), a foreign currency exchange and money transfer business with 19 branches across southern Ontario, first acquired on April 1, 2022. See also "General Description of the Business", starting on page 17. The financial results of all subsidiaries are consolidated with those of the Credit Union in the preparation of the Credit Union's consolidated audited financial statements ("audited financial statements") each year (December 31). Included in Schedule A are the audited financial statements for the year ended December 31, 2024 and included in Schedule B are the unaudited condensed interim consolidated financial statements ("interim financial statements") for the period ended April 30, 2025.

The Credit Union is open to mergers and acquisitions with other third party legal entities including other credit unions. No formal letters of intent or any legal binding commitments have been executed as of the date hereof.

1) The Offering

The Credit Union offers for sale to its members, at $1.00 per share, Non-Cumulative discretionary dividend, Non-Voting, Non-Participating, redeemable Class B Investment Shares, Series 5, in the capital of the Credit Union. Class B Investment Shares, Series 5, are special, non-Membership Shares and constitute part of the authorized capital of the Credit Union. Subscriptions will be accepted from members of the Credit Union for a minimum of 1,000 Class B Investment Shares, Series 5, and a maximum of 1,000,000 Class B Investment Shares, Series 5 per member. Class B Investment Shares, Series 5, are not redeemable for five (5) years following their Issue Date (as defined in the paragraph that follows), except when the shareholder dies or is expelled from membership in the Credit Union. All redemptions at the request of the holder are also subject to a limit on the maximum number of shares that can be redeemed in that the Credit Union shall not be required to redeem more than 10.0% of the number of the Class B Investment Shares of all series issued and outstanding during any one (1) year period. If applicable law requires that any redemption be approved by the Authority or any other regulatory body having jurisdiction over the Credit Union that redemption will be subject to that regulatory approval being obtained. The Credit Union, at its option, may redeem the Class B Investment Shares, Series 5, at the Redemption Amount, after a period of five (5) years following the Issue Date (as defined below). Potential investors should note that the Act, through the rule regarding capital adequacy promulgated by the Authority under the Act's authority, permits the Credit Union to redeem or purchase for cancellation shares only if the shares are replaced with capital of at least the same quality as the shares being replaced without using a significant amount of the Credit Union's retained earnings given its income capacity, or the Credit Union can demonstrate to the Authority that its Regulatory Capital will remain substantially above regulatory minimum requirements. Purchasers of Class B Investment Shares, Series 5, who are intending to include such shares in an RRSP or RRIF contract should carefully review the redemption restrictions on page 35 before proceeding, because the Credit Union will only allow these shares to be held in a RRIF contract if the annuitant of that contract acknowledges in writing that the Credit Union will satisfy the minimum annual payment requirement from the RRIF by transferring an amount of Class B Investment Shares, Series 5, sufficient to satisfy that required payment in kind from the RRIF to a non-registered account. Transfer of such shares will only be affected through the Credit Union, and transfers are generally restricted to other members of the Credit Union. See "Description of Securities Being Offered" starting on page 32.

It is intended that the Class B Investment Shares, Series 5, will be issued on multiple closing dates (each a "Closing Date"). Subscriptions for each closing of Class B Investment Shares, Series 5, shall be accepted from the offer date for that offer noted in the table below (the "Offer Date") until the earlier of (1) the corresponding Closing Date noted in the table below, provided that the Credit Union may accelerate any such Closing Date at its sole discretion; (2) the time that the aggregate amount of subscriptions received for Class B Investment Shares, Series 5, is equal to the maximum amount of $20,000,000; and (3) the date on which the Board, having not received subscriptions for the maximum $20,000,000 Class B Investment Shares, Series 5 resolves to close the offering notwithstanding that six (6) months may not yet have passed since the date of this offering statement. The shares subscribed for shall be actually issued on the issuance dates noted in the table below, notwithstanding the fact that, for purposes of calculating the periods of non-redeemability outlined above, the "Issue Date" shall be defined as the latest date on which Class B Investment Shares, Series 5, are actually issued pursuant to this offering statement. For example, assuming that the Credit Union's final issuance date is January 30, 2026, then the period of non-redeemability for all of Class B Investment Shares, Series 5 ends on January 30, 2031. This deemed Issue Date will apply to all Class B Investment Shares, Series 5, regardless of the dates on which any particular such shares were subscribed for, paid for or their Closing Date, and, for greater clarity, such date shall be the Issue Date for any Class B Investment Shares, Series 5 subsequently issued as dividend shares on previously issued Class B Investment Shares, Series 5 (including previously issued dividend shares), as well as Class B Investment Shares, Series 5 subsequently recorded on the books of the Credit Union to document the transfer of Class B Investment Shares, Series 5 from another member of the Credit Union pursuant to an approved transfer of shares.

Closing No.	Offer Date	Closing Date	Issuance Date
1	Offering Statement Date	24-Sep-25	29-Sep-25
2	25-Sep-25	21-Oct-25	31-Oct-25
3	22-Oct-25	19-Nov-25	28-Nov-25
4	20-Nov-25	19-Dec-25	31-Dec-25
5	20-Dec-25	23-Jan-26	30-Jan-26

No Class B Investment Shares, Series 5, will be issued until the minimum aggregate subscription amount received in respect of such shares is equal to at least $5,000,000. Should the minimum subscription amount of $5,000,000 not be received by a particular Closing Date, then subscriptions for Class B Investment Shares, Series 5, received will be deferred until the next Closing Date, and the Class B Investment Shares, Series 5, subscribed for will be issued at the next applicable issuance date outlined above, subject to the minimum subscription amount of $5,000,000 having been met by the next Closing Date. If the aggregate subscription amount received by the final Closing Date of January 23, 2026 is less than $5,000,000, then this offering for Class B Investment Shares, Series 5, will be cancelled and withdrawn without shares being issued (in which case all funds "frozen" or held in Escrow to support subscriptions will be returned to the applicable members within thirty (30) days thereof, with applicable interest) unless this offering has been renewed with the approval of the Chief Executive Officer of FSRA.

In addition to any requirements pursuant to the Act and the by-laws of the Credit Union, the following shall be conditions to any issuance of Class B Investment Shares, Series 5:

1. The subscriber shall be a member in good standing with the Credit Union, and shall not be a subsidiary or affiliate of the Credit Union; and

2. The subscription price for the said Class B Investment Shares, Series 5 to be issued shall be paid in full by the subscriber upon issuance, and the source of funds therefore shall not, directly or indirectly, be funding provided by the Credit Union.

In the event of the insolvency, bankruptcy or winding up of the Credit Union, the Class B Investment Shares, Series 5 shall be subordinate in right of payment of their Redemption Amount to all subordinated indebtedness, deposits and all other liabilities of the Credit Union except those that, by their terms, rank equally with or are subordinated to the Class B Investment Shares, Series 5. The securities to be issued under this offering statement are not secured by any assets of the Credit Union or any subsidiary or affiliate of the Credit Union or by any arrangement that effectively decreases the subordination described in the preceding sentence and are not covered by deposit insurance or any other form of guarantee as to repayment of the principal amount or dividends. The Class B Investment Shares, Series 5, will qualify as Regulatory Capital, to the extent permitted and as defined in the Act.

2) Use of Proceeds

If fully subscribed, the gross proceeds of this issue will be $20,000,000. The costs of issuing these securities are expected to be approximately $300,000 after applicable tax savings and will be deducted from the gross proceeds in arriving at the amount to be reported as share capital outstanding. The estimated maximum net proceeds of this offering are $19,700,000. The principal use of the net proceeds, and the purpose of this offering, is to add to the Credit Union's Regulatory Capital in order to fully support the achievement of the Credit Union's strategic priorities discussed on page 21. The net proceeds will provide for the, development and stability of the Credit Union, while maintaining a prudent cushion in the amount of Regulatory Capital above regulatory requirements.

Based upon the Credit Union's total assets as of April 30, 2025 according to its interim financial statements, this offering would support additional asset growth of $125.0 million if minimally subscribed, and $500.0 million if fully subscribed, without contravening the Credit Union's policy minimum level for Leverage Ratio of 4.0%.

The Credit Union also manages capital as a percentage of risk-weighted assets. This is calculated by applying risk-weighted percentages as prescribed by the Act to various assets, operational and interest rate risk criteria. Based upon the Credit Union's April 30, 2025 balance sheet, this offering would support additional risk weighted asset growth of $45.5 million if minimally subscribed, and $181.8 million if fully subscribed, without contravening the Credit Union's policy minimum level for Risk Weighted Capital Ratio of 11.0%.

3) Risk Factors

Investments in the Class B Investment Shares, Series 5, are subject to a number of risks, including regulatory redemption restrictions, the continuous need to maintain minimum Regulatory Capital levels, the uncertainty of payment of dividends, credit risk, market risk, liquidity risk, structural risk, operational risk, potential regulatory actions, reliance on key management, economic risk, and competitive risk. See "Risk Factors" starting on page 38.

4) Dividend Policy

The dividend policy of the Credit Union's Board, as it relates to Class B Investment Shares, Series 5, shall be to pay a dividend or dividends in every year in which there are sufficient profits to do so while still fulfilling all other Regulatory Capital, liquidity, and operational requirements. The dividend rate shall be established by the Board, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations, and, in particular, on the Credit Union's earnings. The Board shall consider whether or not a dividend shall be declared, the rate of that dividend and the manner in which it is paid, including whether in the form of additional Class B Investment Shares, Series 5, in cash, or partly in shares and partly in cash. The Board shall consider this at least annually, and any declared dividend will be paid following each fiscal year end and before each annual general meeting of members. There can be no guarantee that a dividend will be paid each year. If the Board intends to declare a dividend on the Class B Investment Shares, Series 5, in any year, such dividend will be at a rate of not less than 4.50% for its fiscal years ending on or before December 31, 2030. For fiscal years ending after that date, if the board intends to declare a dividend, the Board will from time to time set the rate to be between 4.50% and the rate which exceeds by 125 Basis Points the simple average of the yields on the monthly series of the Government of Canada five-year bonds (CANSIM Identifier V122540) as published by the Bank of Canada on its website, www.bank-banques-canada.ca during the Credit Union's fiscal year. Such rates are Non-Cumulative from year-to-year. This dividend policy is subject to change or exception at any time, at the Board's discretion.

Dividends paid on Class B Investment Shares, Series 5, will be deemed to be interest and not dividends, and are therefore not eligible for the tax treatment given to dividends from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

5) Summary Financial Information

This summary financial information should be read in conjunction with the audited financial statements for the fiscal period ended December 31, 2024 and interim financial statements for the four months period ended April 30, 2025 contained in Schedule A and B hereto, respectively, including the notes to those statements, and Management's Discussion and Analysis beginning on page 69.

SUMMARY STATEMENTS OF FINANCIAL POSITION

(in thousands $)	April 30, 2025	December 31, 2024	December 31, 2023	December 31, 2022
ASSETS				
Cash and cash equivalents	71,733	128,670	60,201	38,245
Investments	472,354	585,755	480,251	340,622
Loans	6,295,292	6,565,239	6,929,362	6,411,207
Other assets	168,802	156,954	145,416	86,574
Derivative financial instruments	12,339	8,402	22,806	34,936
Property and equipment, net	11,294	10,889	10,817	5,802
Intangible assets, net	13,373	14,409	13,797	9,019
Goodwill	9,491	9,491	9,491	10,055
Total assets	7,054,678	7,479,809	7,672,141	6,936,460

LIABILITIES AND MEMBERS' EQUITY				
LIABILITIES				
Deposits	5,896,399	6,236,168	5,962,973	5,596,127
Securitization liabilities	687,843	770,671	823,910	435,614
Borrowings	10,002	-	379,319	362,030
Securities lent or sold under repurchase agreements	-	-	-	31,315
Accounts payable and other liabilities	30,001	25,299	32,346	24,822
Derivative financial instruments	11,764	7,987	22,697	34,238
Deferred tax liability	6,292	6,049	6,636	5,967
Members' shares	785	802	861	941
Subordinated debt	74,715	74,665	74,516	74,368
Total liabilities	6,717,801	7,121,641	7,303,258	6,565,422
MEMBERS' EQUITY				
Members' shares	189,409	210,014	218,995	227,928
Contributed surplus	640	640	626	-
Retained earnings	147,490	151,097	154,955	144,152
Accumulated other comprehensive loss	(662)	(3,583)	(5,693)	(1,042)
Total Members' Equity	336,877	358,168	368,883	371,038
Total Liabilities and Members' Equity	7,054,678	7,479,809	7,672,141	6,936,460

SUMMARY STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

(in thousands)	April 30, 2025	December 31, 2024	December 31, 2023	December 31, 2022
Interest income				
Interest on loans	110,428	362,413	307,043	203,588
Investment income	9,576	31,865	23,511	14,473
	120,004	$394,278	$330,554	$218,061
Interest expense				
Interest on deposits	84,330	287,751	226,718	114,580
Borrowings, securitization and other interest expense	12,896	49,606	50,302	26,532
	97,226	337,357	$277,038	$141,112
Net interest income	22,778	56,921	53,516	76,949
Non-interest income	12,927	39,441	57,953	28,143
Total revenue	35,705	$96,362	$111,469	$105,092
Provision for (recovery of) credit losses	2,383	$5,808	1,448	(927)
Non-interest expense	30,022	87,879	88,296	85,974
Income before the undernoted	3,300	$2,675	$21,275	$20,045
Patronage return recovery	-	-	-	(160)
Income before income taxes	3,300	2,675	21,275	20,205
Income tax expense	732	235	4,394	3,884
Net income	2,568	2,440	17,331	16,321

Other comprehensive income (loss)				
Loans and investments in third-party mortgages classified at fair value through other comprehensive income – net unrealized gains (losses) from change in fair value	782	487	(313)	-
Fixed income securities classified at fair value through other comprehensive income – net unrealized gains from change in fair value	189	207	-	-
Cash flow hedges				
Net unrealized gains (losses) on derivatives designated as cash flow hedges	2,121	-	(6,821)	(1,952)
Net losses reclassified to net income	556	1,670	1,270	674
Equity and other securities designated at fair value through other comprehensive income – net unrealized gains (losses) from change in fair value	(64)	215	157	-
	3,584	2,579	(5,707)	(1,278)
Income tax expense (recovery)	663	469	(1,056)	(236)
Total other comprehensive income (loss)	2,921	2,110	(4,651)	(1,042)
Comprehensive income	5,489	4,550	12,680	15,279

Comparative balances shown in the tables above have been restated to be consistent with current period presentations.

GLOSSARY OF TERMS

"Act" - the *Credit Unions and Caisses Populaires Act, 2020* (Ontario), and its associated Regulations and Rules as now enacted or as the same may from time to time be amended, re-enacted or replaced.

"Agricultural Loan" - a loan to finance the production of cultivated or uncultivated field-grown crops; the production of horticultural crops, the raising of livestock, fish, poultry and fur-bearing animals; or the production of eggs, milk, honey, maple syrup, tobacco, wood from woodlots, and fibre and fodder crops.

"Administration" - a legal status ordered by FSRA in any of the following circumstances: (1) FSRA, on reasonable grounds, believes that a credit union is conducting its affairs in a way that might be expected to harm the interests of members, depositors or shareholders or that tends to increase the risk of claims against FSRA, but that Supervision by FSRA would, in the circumstances, not be appropriate; (2) A credit union has failed to comply with an order of FSRA made while the credit union was subject to Supervision; (3) FSRA is of the opinion that the assets of a credit union are not sufficient to give adequate protection to its depositors; (4) A credit union has failed to pay any liability that is due or, in the opinion of FSRA, will not be able to pay its liabilities as they become due; (5) after a general meeting and any adjournment of no more than two weeks, the members of a credit union have failed to elect the minimum number of directors required under the Act (currently five); or (6) FSRA has received a report from the Chief Executive Officer of FSRA that the Chief Executive Officer of FSRA has ordered a credit union to discontinue operations for a period; under which FSRA has the power to: (a) Carry on, manage and conduct the operations of that credit union; (b) Preserve, maintain, realize, dispose of and add to the property of that credit union; (c) Receive the income and revenues of that credit union; (d) Exercise the powers of that credit union and of its directors, officers, and committees; (e) Exclude the directors of that credit union and its officers, committee members, employees and agents from its property and business; and (f) Require that credit union, with or without obtaining member and shareholder consent, to, (i) amalgamate with another credit union, (ii) dispose of its assets and liabilities, or (iii) be wound up.

"Basis Point" or "bp" - one-hundredth of one percent (0.01%).

"Board" - the Credit Union's board of directors as duly elected from time to time pursuant to the Act and the by-laws of the Credit Union.

"Bridge Loan" - a loan to an individual made under the following circumstances:

1. The loan is for the purchase of residential property in which the purchaser will reside.
2. The term of the loan is not greater than one hundred twenty (120) days.
3. The funds from the sale of another residential property owned by the individual will be used to repay the loan.

4. The credit union must receive a copy of the executed purchase and sale agreement for both properties before the loan is made.

5. The conditions of each of the purchase and sale agreements must be satisfied before the loan is made.

6. The loan is fully secured by a mortgage on the residential property being sold or, before the loan is made, the borrower's solicitor has given the credit union an irrevocable letter of direction from the borrower stating that the funds from the sale of the residential property being sold will be remitted to the credit union.

"Capital Conservation Buffer" - Tier 1 Capital in excess of Tier 1 Capital required to meet the Tier 1 Capital Ratio.

"Capital Conservation Buffer Ratio" - Capital Conservation Buffer as a percentage of Risk-Weighted Assets.

"Commercial Loan" - a loan, other than any of the following types of loans, made for any purpose: an Agricultural Loan; a Bridge Loan; an Institutional Loan; a Personal Loan; or a residential Mortgage Loan; an Unincorporated Association Loan; a loan that consists of deposits made by the credit union with a financial institution, Central 1 Credit Union or Fédération des caisses Desjardins du Québec; a loan fully secured by a deposit with a financial institution (including the credit union making the loan), Central 1 Credit Union or Fédération des caisses Desjardins du Québec; a loan fully secured by debt obligations guaranteed by a financial institution other than the credit union making the loan, Central 1 Credit Union or Fédération des caisses Desjardins du Québec; a loan that is fully secured by a guarantee of a financial institution other than the credit union making the loan, Central 1 Credit Union or Fédération des caisses Desjardins du Québec; an investment in a debt obligation that is fully guaranteed by a financial institution other than the credit union making the loan, fully secured by deposits with a financial institution (including the credit union making the loan), or fully secured by debt obligations that are fully guaranteed by a financial institution other than the credit union making the loan; an investment in a debt obligation issued by the federal government, a provincial or territorial government, a municipality, or any agency of such a government or municipality; an investment in a debt obligation guaranteed by, or fully secured by securities issued by, the federal government, a provincial or territorial government, a municipality, or by an agency of such a government or municipality; an investment in a debt obligation issued by a central, Central 1 Credit Union, Fédération des caisses Desjardins du Québec; an investment in a debt obligation that is widely-distributed; an investment in shares or ownership interests that are widely-distributed; an investment in a participating share; or an investment in shares of a central, Central 1 Credit Union, Fédération des caisses Desjardins du Québec. A Commercial Loan includes the supply of funds for use in automated bank machines not owned and operated by the credit union.

"Escrow" - a form of trust agreement in which funds are temporarily placed under the control of a third party (trustee) until specific conditions, set out in advance, are met.

"Institutional Loan" - a loan given to the federal government or a federal government agency, a provincial or territorial government or an agency of one, a municipality or an agency of one, a school board or college funded primarily by the federal or a provincial or territorial government, or an entity primarily funded by the federal government, a provincial or territorial government, or a municipality.

"Leverage Ratio" - total Regulatory Capital divided by total assets, adjusted for certain intangible assets, off-balance sheet exposures, and loans funded by a level of government for which the credit union has no credit risk.

"Membership Shares" – Shares required, according to a credit union's by-laws, to maintain a membership in the credit union.

"Mortgage Loan" - loan that is secured by a mortgage on residential property and to which any of the following apply:

1. The amount of the loan, together with the amount then outstanding of any mortgage having an equal or prior claim against the mortgaged property, does not exceed 80% of the value of the property when the loan is made.
2. The loan is insured under the *National Housing Act* (Canada) or guaranteed or insured by a government agency.
3. The loan is insured by an insurer licensed to undertake mortgage insurance.

"Non-Cumulative" - dividends not declared or paid for one fiscal year are not carried forward or added to the dividend of a following year but are forever extinguished.

"Non-Participating" - in case of dissolution, shareholders receive only the Redemption Amount (see below) and do not participate in receiving any of the residual value of the credit union's assets.

"Non-Voting" - holders do not have the right to vote except pursuant to the class vote provisions of section 253 of the Act.

"Personal Loan" - loan given to an individual for personal, family or household use; or to an individual or entity for any other use if the loan does not exceed $25,000 and if the total outstanding amount of such loans to that individual or entity and to connected persons does not exceed $25,000.

"Redemption Amount" - the amount a shareholder receives on redemption or at which shares are transferred from one member to another; this amount is equal to the issue price of the shares ($1 per share) plus any dividends which have been declared but not yet paid.

"Regulatory Capital" - Membership Shares, Class A Shares, Class B Investment Shares , retained earnings, accumulated other comprehensive income (loss), contributed surplus, a portion of the credit union's non-specific allowance for impaired loans, and subordinated debt.

"Risk-Weighted Assets" - the absolute value of assets in specified categories, and certain off-balance sheet exposures is multiplied by a percentage, varying between 0% and 1250% depending on the risk attributed to each category. The sum of all the categories is the credit union's Risk-Weighted Assets.

"Schedule I Banks" - Schedule I banks are domestic banks and are authorized under the *Bank Act* to accept deposits, which may be eligible for deposit insurance provided by the Canada Deposit Insurance Corporation.

"Schedule II Banks" - Schedule II banks are foreign bank subsidiaries authorized under the *Bank Act* to accept deposits, which may be eligible for deposit insurance provided by the Canada Deposit and Insurance Corporation. Foreign bank subsidiaries are controlled by eligible foreign institutions.

"Special Resolution" - a resolution passed by two-thirds (2/3) or more of the votes cast by or on behalf of the persons who voted in respect of that resolution.

"Supervision" - a legal status ordered by FSRA when: (1) A credit union requests, in writing, that it be subject to supervision; (2) A credit union is in contravention of section 77 of the Act; (3) FSRA on reasonable grounds believes that a credit union is conducting its affairs in a way that might be expected to harm the interests of members or depositors or that tends to increase the risk of claims by depositors against FSRA; (4) A credit union or an officer or director of it does not file, submit or deliver a report or document required to be filed, submitted or delivered under this Act within the time limited under this Act; (5) A credit union has failed to comply with an order of the Chief Executive Officer of FSRA under which the Chief Executive Officer of FSRA can: (a) order that credit union to correct any practices that the authority feels are contributing to the problem or situation that caused it to be ordered subject to FSRA's supervision; (b) order that credit union and its directors, committee members, officers and employees not to exercise any powers of that credit union or of its directors, committee members, officers and employees; (c) establish guidelines for the operation of that credit union; (d) order that credit union not to declare or pay a dividend or to restrict the amount of a dividend to be paid to a rate or amount set by FSRA; (e) attend meetings of that credit union's board and its audit committees; and (f) propose bylaws for that credit union and amendments to its articles of incorporation.

"Syndicated Loans" - a loan, including any related credit facilities, to which all of the following conditions apply:

1. The loan is made under a syndicated loan agreement.

2. The syndicating lead is one of the following institutions:

   i. A credit union, or a subsidiary of a credit union if that credit union is the only other party, other than the borrower, to the syndicated loan agreement.

   ii. A central.

   iii. Central 1 Credit Union.

iv. Fédération des caisses Desjardins du Québec.

v. A bank listed in Schedule I to the *Bank Act* (Canada).

3. The only parties to the syndicated loan agreement are the following entities:

    i. The syndicating lead.

    ii. A borrower from Ontario.

    iii. One or more of the following entities:

        A. A credit union or its subsidiary or affiliate.

        B. A central.

        C. Central 1 Credit Union.

        D. Fédération des caisses Desjardins du Québec.

        E. A financial institution other than a securities dealer.

        F. An extra-provincial credit union registered under clause 273 (6) (a) of the Act.

4. Each of the parties to the syndicated loan agreement, other than the borrower, agrees to contribute a specified portion of the loan and to be bound by the terms and conditions of the syndicated loan agreement.

5. The syndicating lead contributes at least 10% of the loans, including any related credit facilities, and underwrites, disburses and administers them on behalf of the parties to the syndicated loan agreement.

Syndicated loans can be made inside or outside Ontario, in which case a credit union incorporated pursuant to the laws of another Canadian province can be the syndicating lead, and the borrower can be located in another Canadian province.

"Tier 1 Capital" - has the meaning as specified in FSRA's Rule 2021-002 with respect to capital adequacy.

"Tier 2 Capital" – has the meaning as specified in FSRA's Rule 2021-002 with respect to capital adequacy.

"Tier 1 Capital Ratio" – Tier 1 Capital as a percentage of Risk-Weighted Assets.

"Total Supervisory Capital Ratio" – The sum of Tier 1 Capital, including the Capital Conservation Buffer, and Tier 2 Capital, as a percentage of Risk-Weighted Assets.

"Unincorporated Association Loan" - loan to an unincorporated association or organization that is not a partnership registered under the *Business Names Act* (Ontario), and that is operated on a non-profit basis for educational, benevolent, fraternal, charitable, religious or recreational purposes.

DETAILED OFFERING STATEMENT

1) The Credit Union

The Credit Union was formed on January 1, 2011 as a result of the amalgamation of DUCA Financial Services Credit Union Ltd. ("Antecedent DUCA"), as it then existed, and Virtual One Credit Union Limited ("Virtual One"). Antecedent DUCA was incorporated on May 5, 1954, originally to serve the Dutch Canadian community, but by the time of the creation of the Credit Union by amalgamation, could serve anyone residing or employed in Ontario. Virtual One was itself formed by the amalgamation on August 1, 2004 of Virtual One Credit Union Limited ("Antecedent Virtual One") and CBC (Toronto) Credit Union Limited ("CBC Toronto"). Antecedent Virtual One was incorporated on March 28, 1946, originally to serve the employees of the Toronto Kodak production facility. CBC Toronto was incorporated on July 26, 1952, originally to serve the Toronto employees of the Canadian Broadcasting Corporation. The Credit Union's head office is located at 5255 Yonge Street, Toronto, ON M2N 6P4.

The Credit Union has previously made four (4) offerings of investment shares being Class B Investment Shares, Series 1, 2, 3 and 4, of which, only Class B Investment Shares, Series 1 and 4 are still outstanding as of April 30, 2025. Class B Investment Shares, Series 2 and 3 were fully redeemed by 2011 and 2013 respectively.

The Credit Union became a Certified B Corporation™ in May 2015. This certification, granted by the non-profit B-Lab, requires the Credit Union to meet rigorous standards of social and environmental performance, accountability, and transparency.

The Credit Union is committed to creating positive social impact through Environmental, Social, and Governance activities as well as direct support of communities through donations and other philanthropic initiatives. In support of these efforts the Credit Union has established and registered a private foundation, The DUCA Impact Lab, discussed in more detail at page 19.

The Credit Union provides a full range of retail and commercial credit and non-credit financial and wealth management services and products to 92,975 members (as of April 30, 2025) through 19 branches across the Greater Toronto Area, and its internet, mobile phone, and telephone banking systems. 2 of the 19 branches were from the merger of operations with United Employees Credit Union Limited ("United") on December 21, 2023, after which date, both branches began operating as DUCA branches and United remains a non-operating, wholly owned subsidiary of the Credit Union until November 15, 2024 when United was dissolved by dissolution order issued by FSRA pursuant to section 237(2) of the Act. The Credit Union also owns and operates Continental Currency Exchange, a foreign currency exchange and money transfer business with 19 branches across southern Ontario, first acquired on April 1, 2022. See also "General Description of the Business", starting on page 17. The financial results of all subsidiaries are consolidated with those of the Credit Union in the preparation of the Credit Union's financial statements.

The Credit Union is open to mergers and acquisitions with other third party legal entities including other credit unions. No formal letters of intent or any legal binding commitments have been executed as of the date hereof.

2) General Description of the Business

An overview of the products and services offered by the Credit Union follows:

2.1) Personal Financial Services

The Credit Union provides a broad range of personal financial products and services to its members. Retail financial products for individuals include Canadian-dollar savings and chequing accounts (including a high-interest savings account), U.S.-dollar and Euro savings accounts, equity index-linked term deposits, and an extensive variety of redeemable and non-redeemable Canadian-dollar and U.S.-dollar term deposit products in both short terms of 32 to 364 days and longer terms of one to seven years. The Credit Union also offers a commercial account to serve the needs of its business banking members. Registered investment options include registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs") and their locked-in equivalent, tax-free savings accounts ("TFSAs"), registered education savings plans ("RESPs") and First Home Savings Account ("FHSA"). Investment services also include mutual funds, equities, and bonds offered through an arrangement with Credential Securities Inc. and Credential Asset Management Inc. outlined at page 66. As of April 30, 2025, members of the Credit Union had more than $709.5 million invested through Credential Securities Inc. and Credential Asset Management Inc., primarily in mutual funds, stocks and bonds. All registered plans are trusteed by Concentra Trust ("Concentra Trust").

Through its subsidiary Continental Currency Exchange, the Credit Union also provides foreign exchange services including banknotes, wires, electronic funds transfers and pre-authorized debits for an extensive list of foreign currencies through a branch network of 19 locations in Ontario.

The Credit Union owns and operates 19 Automated Banking Machines ("ABMs") located in its branches. The Credit Union is also linked to the Interac, Cirrus, Plus and Acculink networks and is a member of The Exchange® Network, giving members access to their accounts at point of sale terminals and ABMs well beyond its own branch network and throughout Ontario, Canada, and internationally. The Credit Union does not hold the accounts receivable owing from its credit card holders.

2.2) Lending Services

The Credit Union is permitted to offer Personal Loans, Mortgage Loans, Bridge Loans, Commercial Loans, Agricultural Loans, Institutional Loans, Syndicated Loans and Unincorporated Association Loans, up to limits defined in its lending policies, which are required by regulation to meet a "prudent person" standard. The Credit Union is also subject to a limit on loans to any one person and their "connected persons", as that phrase is defined in a regulation passed pursuant to the Act, of 25.0% of its Regulatory Capital. The Board has approved, and management follows, its lending policies in all areas to minimize the risk of loan losses. A variety of loan- related group insurance products are also available to members for Personal Loans and Mortgage Loans.

2.3) Personal Loans

Personal Loans consist of instalment loans, demand loans, and lines of credit. According to the Credit Union's credit risk management policy, Personal Loans are limited to 15.0% of the Credit Union's total assets, and the amount of individual unsecured, secured, and cash-secured Personal Loans are limited to amounts specified in the policy and related guidelines. As of April 30, 2025, the Credit Union's Personal Loan portfolio totaled $283.6 million, and represented 4.0% of the Credit Union's total assets.

2.4) Residential Mortgages

The Credit Union offers conventional as well as insured residential Mortgage Loans to individuals. Conventional residential Mortgage Loans have a loan to value of 80% or less at the time of origination. Residential Mortgage Loans above 80% loan to value at the time of origination are insured by the Canada Mortgage and Housing Corporation, Sagen MI Canada Inc. or Canada Guaranty Mortgage Insurance Company.

According to the Credit Union's credit risk management policy, Mortgage Loans are limited to 90.0% of the Credit Union's total assets, and the amount of any individual Mortgage Loan is limited to $5.0 million. As of April 30, 2025, the Credit Union's portfolio of Mortgage Loans totaled $4.5 billion and represented 63.9% of the Credit Union's total assets.

The Credit Union utilizes various third parties to source and service new Mortgage Loans. After funding of the loans by the Credit Union, relationships remain with the third-party lender, acting as the lead lender and servicer of the Mortgage Loans. However, all amounts are due to Credit Union by the borrowers, with the third party acting as an agent on the Credit Union's behalf to collect funds and then remit those funds to the Credit Union on a recurring basis.

The Credit Union uses securitization of Mortgage Loans as another funding tool to strengthen its liquidity position. The limits on securitization outlined in the Credit Union's securitization policy are discussed with respect to the Credit Union's liquidity risk beginning at page 40. As of April 30, 2025, the Credit Union is in compliance with regulatory and policy limits on its minimum liquidity levels.

2.5) Commercial Loans

Commercial lending consists of mortgages, term loans and operating lines of credit to small and medium-sized businesses, and mortgages that do not meet the definition of a Mortgage Loan because the property is non-owner-occupied, multi-unit residential, or non-residential property. According to the Credit Union's credit risk management policy, Commercial Loans are limited to 42.0% of the Credit Union's total assets, and the amount of individual Commercial Loans are also limited. As of April 30, 2025, the Credit Union's Commercial Loan portfolio totaled $1.5 billion, and represented 21.0% of the Credit Union's total assets.

2.6) Syndicated Loans

Syndicated Loans are loans made by a syndicating credit union and other financial institutions pursuant to a syndicated loan agreement, enabling several lenders to cooperate in making a larger loan than any one of them would have been able or willing to offer to the borrower individually. As of April 30, 2025, the Credit Union's Syndicated Loan portfolio which is part of the Commercial Loan Portfolio totaled $417.8 million, comprising Syndicated Loans led by DUCA and DUCA participations in Syndicated Loans led by other financial institutions, and represented 5.9% of the Credit Union's total assets.

2.7) Summary Lending Comments

For further information regarding any of these loan portfolios, see the "Loan Composition" heading in the table presented in the "Management's Discussion and Analysis" section at page 69, Note 8 in the Credit Union's audited financial statements, which starts on page 83 of Schedule A hereto and Note 7 in the interim financial statements, which starts on page 153 of Schedule B hereto.

2.8) Mission and Purpose Statement

The Credit Union's mission and purpose statement is to help people and businesses Do More, Be More, & Achieve More with their money and their lives.

2.9) Corporate Social Responsibility

The Credit Union is committed to creating positive social impact through Environmental, Social, and Governance activities as well as direct support of communities through donations and other philanthropic initiatives. In support of these efforts the Credit Union has established and registered a private foundation, The DUCA Impact Lab, which provides grants and explores solutions to create opportunities for greater financial inclusion – to build models of banking that benefit all. The DUCA Impact Lab brings together innovators, experts and stakeholders from the community to identify, test and champion catalytic solutions that provide fair financial services. Its current focus is measuring the social value of financial inclusion and on developing, testing and scaling the Escalator Loan program – a solution for those struggling to break the cycle of predatory debt.

2.10) Membership

Pursuant to the Credit Union's by-laws, membership is open to all persons. However, legal counsel has advised the Credit Union of the risks of contravening the laws of another jurisdiction by admitting any person to membership who is not resident in Ontario, so in practice the Credit Union only admits to membership persons resident in Ontario.

Membership in the Credit Union is granted to applicants by enabling them to purchase and hold the required number of Membership Shares as specified in paragraphs 2.03 of the by-laws of the Credit Union. This section requires members to hold one (1) one-dollar ($1.00) Membership Share of the Credit Union.

Members may also, if they choose to do so, hold up to 999 additional Membership Shares in the Credit Union beyond their mandatory minimum one (1) Membership Share, at a purchase price of $1.00 per share.

2.11) Corporate Governance

As of the date of the offering statement, the business of the Credit Union is directed and governed by its Board, a group of nine (9) individuals who are elected prior to the annual general meeting of the Credit Union pursuant to a procedure outlined in the Credit Union's bylaws, by the members of the Credit Union in full compliance with the Credit Union's Membership Share requirement who have attained the age of eighteen (18) years as of the date of the annual general meeting. Each director is elected for a three (3) year term on a staggered basis to provide for continuity of Board members. No class or series of shares, other than Membership Shares, carries the right to vote for the Credit Union's Board.

No person may serve as a director of the Credit Union for more than twelve (12) years since the Credit Union's creation by amalgamation.

The knowledge, experience and skill of each director and the Board as a whole are important elements in the success and viability of the Credit Union. It is important that directors have appropriate competencies to effectively fulfill their responsibilities to the Credit Union, its members and shareholders, and, thereby, contribute to the safety and soundness of the Ontario credit union system.

The Credit Union has established guidelines and processes to ensure that its directors understand, meet and maintain appropriate competency requirements. The Board has outlined in the Director Training and Qualifications Policy competencies that are most important for the Board to possess. In addition, members of the Audit Committee must meet a high standard for financial literacy. Each director is expected to supplement the training (mandated training and group training) with a minimum of fifteen (15) hours per year of training. In relation to the practical application of their competencies, directors are expected to ensure information provided is sufficient to support analysis and provide recommendations, and to be actively involved in Board meetings and in the Credit Union's long-range planning. Once the directors complete their self-assessments, the Credit Union prepares development plans for all directors, and the directors undertake any required training/development requirements in order to achieve these competencies within the established timelines. Once minimum requirements are met, directors continue their education through scheduled training courses, on-line courses, seminars and conferences.

The Board has established committees to assist in its effective functioning and to comply with the requirements of the Act. An Audit Committee has been formed and is composed of at least three members of the Board. Its mandate and duties are set out in the Regulations to the Act. The Audit Committee is responsible for, among other things, reviewing any financial statements which are presented to the members, either at an annual general meeting or within an offering statement, and making recommendations to the Board as to the approval of such financial statements.

The Risk Committee has been formed and is composed of at least three members of the Board. The Risk Committee is a standing committee of the Board to which the Board has delegated responsibility to oversee the effective operation of all risk-taking operations and risk management functions of the Credit Union and ensuring appropriate risk governance processes are executed effectively. The Risk Committee reviews the risk activities of the Credit Union, the associated corporate policies and any significant and emerging events and related action plans and recommends improvements or changes to the Board as deemed necessary or desirable.

The Credit Union has adopted an enterprise risk management policy discussed at page 38, which requires the Risk Committee to oversee the overall risk framework and risk policy, review management reports and obtain reasonable assurances that the Credit Union has effective risk management processes in place and is adhering to all management policies.

The Governance Committee has been formed and is composed of at least three members of the Board. The Governance Committee is a standing committee of the Board to which the Board has delegated responsibility to oversee the quality and effectiveness of the Credit Union's corporate governance.

The Human Resource & Compensation Committee ("HRCC") has been formed and is composed of at least three members of the Board. The HRCC is a standing committee of the Board to which the Board has delegated responsibility to oversee the Credit Union's human resources policies and oversee and assess the compensation and management of senior leadership.

The Nominations Committee has been formed and is composed of at least three members of the Board. The Nominations Committee is a standing committee of the Board to which the Board has delegated responsibility to oversee the director nomination and election process.

The Board Transaction Committee has been formed and is composed of at least three members of the Board. The Board Transaction Committee is an ad hoc committee of the Board to review and recommend mergers and acquisitions to be entered into by the Credit Union, if and when mergers and acquisition opportunities arise.

The Board has overall responsibility for and authority within the Credit Union, and directs the activities of the Chief Executive Officer, to whom it has delegated certain responsibilities according to Board policies. The Credit Union has senior management as outlined on page 59 of the offering statement. The Credit Union, including its subsidiary CCE, has 550 active employees, consisting of 465 full-time and 85 part-time employees. For the names, municipality of residence, offices with the Credit Union and the present principal occupations of the directors and senior managers of the Credit Union as of the date of this offering statement, see "Directors and Senior Management", beginning on page 59 of the offering statement.

The duties, powers and standards of care and performance for boards of directors, officers and committee members of credit unions are specified in the Act, and include a duty to act honestly, in good faith, and with a view to the best interest of the Credit Union, and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

2.12) Business Strategy & Priorities

The Credit Union's strategic roadmap focuses on five (5) key themes:

- Sustainable and profitable Business Growth

- Brand Awareness, Promotion and Community Development
- Service, Technology & Operational Excellence
- Financial Strength and Corporate Development
- Continued improvement in organizational culture and risk management and compliance frameworks

This focus will allow for the evolution of the Credit Union into a "high-touch/high-tech" financial services provider.

In order to evolve, the Credit Union's strategic tactics for its current fiscal year include:

- optimizing financial outcomes and capital to support sustainable growth and maximize profit sharing for Members;
- further development of a data warehouse to support data analytics aimed at enhancing Member service and improving efficiency and effectiveness of data management and reporting;
- a focus on growth in small to mid-sized business banking products and services;
- continued improvement in delivery of Member service experience both in person and digitally;
- continued strengthening and improvement of operational processes and workflows and technology platforms; and
- further enhancement and improvement in risk management, governance and compliance frameworks, processes and practices.

This strategy includes consideration and preparation for mergers & acquisition opportunities which may arise, although the Credit Union is not actively involved in discussions with any other party as of the date of this offering statement.

2.13) The Regulatory Framework

(See also "Capital Adequacy", on page 24)

Ontario credit unions are regulated through a comprehensive regulatory framework which involves the Ministry of Finance and FSRA. The credit union sector is governed by the Act.

The Ministry of Finance is responsible for developing and proposing the legislation and regulations and FSRA is responsible for developing the rules, that credit unions must follow.

FSRA is responsible for ensuring that credit unions operate in accordance with the requirements of the Act, particularly with respect to issues involving market conduct relating to members and the general public.

FSRA is responsible for incorporating credit unions and caisses populaires, approving changes to their articles of incorporation, as well as for certain approvals under the Act, and for reviewing complaints against credit unions and caisses populaires.

FSRA is also responsible for overseeing compliance with sound business and financial practices, capital, and liquidity rules, and for administering the deposit insurance protection program for deposits held in Ontario credit unions up to prescribed limits. As part of this responsibility, FSRA has the authority to issue rules to ensure that insured institutions operate in accordance with sound business and financial practices.

FSRA may place a credit union or caisse populaire in a depositor protection program such as Supervision or Administration, or cancel its deposit insurance, if it believes that a credit union or caisse populaire is conducting its affairs in a way that might be expected to harm the interests of members or depositors or that tends to increase the risk of claims by depositors against FSRA. FSRA has rated the Credit Union on its differential premium system, enabling calculation of the Credit Union's deposit insurance premium for its fiscal year ending December 31, 2024, and its insurance is in place and in good standing regarding its current fiscal year. The Credit Union is required to report to FSRA immediately any actual or anticipated event which is likely to have a material impact on the Credit Union's financial position and increase FSRA's insurance risk. In that event, FSRA reserves the right to impose other terms, conditions, or requirements as FSRA deems appropriate.

2.14) Central 1 Credit Union

Each province in Canada has one or more central credit unions that serve their member credit unions in the province, and, in Ontario, one of these bodies is Central 1 Credit Union ("Central 1"). Central 1 was formed through a merger of Credit Union Central of British Columbia ("CUCBC") and Credit Union Central of Ontario ("CUCO") on July 1, 2008. As an incorporated association owned by its member credit unions in Ontario and British Columbia, Central 1 provides liquidity management, wholesale financial, digital banking, payments, and trade association services to its member credit unions.

As the central banker for its member credit unions, Central 1 provides, through an arrangement with a third party, centralized cheque clearing, and itself provides lending services to member credit unions. Lending services include overdraft facilities, demand loans, and term loans at fixed and variable rates.

Central 1 also undertakes economic forecasting, and market research and planning.

As a member of the Canadian Credit Union Association ("CCUA"), Central 1 and its member credit unions enjoy access to national marketing and research, and a voice in the World Council of Credit Unions, a world-wide association of national credit union associations of which CCUA is a member.

Through CCUA, Central 1 and its member credit unions also have access to national government relations efforts.

To become a member of Central 1, the Credit Union must purchase membership shares calculated based on the percentage of its total assets relative to the system's total assets as of the preceding calendar year end. As of December 31, 2024, the Credit Union's membership in Central 1 is in good standing.

2.15) <u>Tier 1 and Tier 2 Regulatory Capital</u>

Capital is defined in FSRA's Rule 2021-002 with respect to capital adequacy as the Credit Union's Tier 1 capital and Tier 2 capital. Tier 1 capital, regarded as the most permanent form of capital, includes the Credit Union's Membership Shares, retained earnings, accumulated other comprehensive income, and any issued and outstanding Class A Shares or Class B Investment Shares which are not eligible to be redeemed in the twelve months following the date of the reporting of Regulatory Capital. The Credit Union's Tier 2 capital includes that portion of any issued and outstanding Class A Shares or Class B Investment Shares which can be redeemed in the next twelve (12) months (i.e. 10%), subordinated indebtedness issued by the Credit Union that meet the criteria for inclusion in Tier 2 capital, and a general allowance up to 1.25% of risk weighted assets of the Credit Union. Additional discussion of composition of Tier 1 and Tier 2 capital appears in note 22 to the audited financial statements included in Schedule A hereto and note 19 to the interim financial statements included in Schedule B hereto.

2.16) <u>Capital Adequacy</u>

As of April 30, 2025 and years ended December 31, 2024, 2023 and 2022, the Credit Union and its subsidiaries, on a consolidated basis, were in compliance with the Regulatory Capital Adequacy Requirements of the Act and its predecessor legislation, as indicated under the "Compliance with Capital Requirements" heading of the table on page 69 of the offering statement.

In order to ensure its continued compliance with the Regulatory Capital Adequacy Requirements of the Act and more accurately align with technical legal requirements for the Credit Union's Class A Shares to continue to be treated as patronage shares within the meaning of the Act which contribute to Tier 1 regulatory capital in accordance with DUCA's legacy profit-sharing program, the Credit Union intends to amend its Articles to modify the rights, privileges, restrictions and conditions attaching to the Class A Shares, as more particularly described on page 31 below.

The Credit Union's capital management policy requires that the Credit Union maintain regulatory capital ratios that are in excess of the regulatory minimum levels. This policy also requires that dividends and other profit distributions not normally exceed profitability earned in the year in which they are declared and will not cause the Credit Union's Regulatory Capital to fall below policy minimum levels.

Based on the total assets and regulatory capital at April 30, 2025, the Credit Union's Leverage Ratio would increase to 5.9% if this offering is minimally subscribed and to 6.1% if fully subscribed. Based upon the Credit Union's April 30, 2025 balance sheet, this offering would support additional asset growth of $125.0 million if minimally subscribed, and $500.0 million if fully subscribed, while still maintaining the Leverage Ratio at no less than the Credit Union's policy minimum level of 4.0%.

The growth possible for the Credit Union, if this offering is fully or minimally subscribed, is calculated as follows. If this offering is fully subscribed, the Credit Union will have Regulatory Capital of $430.9 million. Dividing this amount of Regulatory Capital by the required policy Leverage Ratio of 4.0% reveals that the Credit Union would then have sufficient Regulatory Capital to support assets of $10.77 billion. Subtracting from the level of assets the Credit Union otherwise would have been able to support without this share offering indicates that the Credit Union could grow by an additional $500 million if this offering is fully subscribed. The Credit Union's Leverage Ratio in this case will be 6.1%, assuming no growth from the assets disclosed on the Credit Union's financial statements as of April 30, 2025.

If this offering is only minimally subscribed, however, the Credit Union will have Regulatory Capital of $415.9 million. Dividing this level of Regulatory Capital by the required policy Leverage Ratio of 4.0% reveals that the Credit Union would then have sufficient Regulatory Capital to support assets of $10.40 billion. Subtracting from the level of assets the Credit Union otherwise would have been able to support without this share offering indicates that the Credit Union could grow by an additional $125.0 million if this offering is minimally subscribed. The Credit Union's Leverage Ratio in this case would be 5.9%, assuming no growth from the assets disclosed on the Credit Union's financial statements as of April 30, 2025.

The Credit Union also manages capital as a percentage of risk-weighted assets. This is calculated by applying risk-weighted percentages as prescribed by the Act to various assets, operational and interest rate risk criteria. As of April 30, 2025, the Credit Union's total risk-weighted assets were $3.45 billion. Risk Weighted Capital Ratio would increase to 12.05% if this offering is minimally subscribed, and to 12.49% if fully subscribed. Based upon the Credit Union's April 30, 2025 balance sheet, compared to risk-weighted assets the Credit Union otherwise would have been able to support without this offering indicates that this offering would support additional risk weighted asset growth of $45.5 million if minimally subscribed, and $181.8 million if fully subscribed. The Credit Union's policy minimum level for Risk Weighted Capital Ratio is 11.0%.

2.17) Additional Information

For more information regarding the Credit Union's operations, see "Management's Discussion and Analysis" beginning on page 69, the audited financial statements attached hereto as Schedule A and interim financial statements attached hereto as Schedule B.

CAPITAL STRUCTURE OF THE CREDIT UNION

The Credit Union has three classes of shares in its capital structure: Membership Shares, Class A Special Shares (the "Class A Shares"), and Class B Investment Shares (the "Class B Investment Shares"). The Class A Shares and Class B Investment Shares are both issuable in series. The Credit Union has created and authorized one series of Class A Shares (the "Class A Shares, Series 1"), and has created and authorized five (5) series of the Class B Investment Shares, of which two (2) such series are issued and outstanding (the "Class B Investment Shares, Series 1", the "Class B Investment Shares, Series 4"). Class B Investment Shares, Series 2 and 3 were fully redeemed by 2011 and 2013 respectively. Additional discussion of the description and composition of the Credit Union's share capital appears in note 17 to the audited financial statements included in Schedule A hereto and note 14 to the interim financial statements included in Schedule B hereto.

1) Summary of Other Classes

The following represents a summary of the rights of the Membership Shares, the Class A Shares, Series 1, the Class B Investment Shares, Series 1 and the Class B Investment Shares, Series 4, in the capital structure of the Credit Union regarding dividends, return of capital on dissolution, redeemability at the holder's initiative, redeemability at the Credit Union's initiative, voting, and treatment of shares as Regulatory Capital. A discussion of the terms and conditions of the Class B Investment Shares, Series 5, follows at page 32 under the heading "Description of Securities Being Offered". The following summary, insofar as it pertains to the Class A Shares, is subject to the clarifications set out below on page 31.

1.1) <u>Dividends:</u>

Membership Shares	The holders of the Membership Shares are entitled, after payment of dividends to holders of the Class B Investment Shares, Series 1, 4, and 5, and of the Class A Shares, Series 1, of the Credit Union, to receive Non-Cumulative cash or share dividends if, as and when declared by the Board. Dividends may be paid in the form of cash or Class A Shares, Series 1.
Class A Shares, Series 1	The holders of Class A Shares, Series 1, are entitled, in preference to the holders of the Membership Shares to receive Non-Cumulative cash or share dividends if, as, and when declared by the Board. Holders of Class A Shares, Series 1, may, however, consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares.
Class B Investment Shares, Series 1	The holders of Class B Investment Shares, Series 1, are entitled, in preference to the holders of the Class A Shares, Series 1, and the Membership Shares, but equally with the Class B Investment Shares, Series 4 and 5, to receive Non-Cumulative cash or share dividends if, as, and when declared by the Board. Holders of Class B Investment Shares, Series 1, may, however, consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares.

Class B Investment Shares, Series 4	The holders of Class B Investment Shares, Series 4, are entitled, in preference to the holders of the Class A Shares, Series 1, and the Membership Shares, but equally with the Class B Investment Shares, Series 1 and 5, to receive Non-Cumulative cash or share dividends if, as, and when declared by the Board. Holders of Class B Investment Shares, Series 4, may, however, consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares.

1.2) <u>Return of Capital on Dissolution:</u>

Membership Shares	The holders of the Membership Shares are entitled, on dissolution of the Credit Union, to receive an amount representing equal portions of the assets or property of the Credit Union remaining after payment of all its debts and obligations, including redemption of the Class A Shares Series 1, and class B Investment Shares, Series 1, 4 and 5.
Class A Shares, Series 1	The holders of Class A Shares, Series 1, are entitled, in preference to the holders of the Membership Shares, but junior to the holders of the Class B Investment Shares, Series 1, 4 and 5, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of its other debt and obligations.
Class B Investment Shares, Series 1	The holders of Class B Investment Shares, Series 1, are entitled, in preference to the holders of the Class A shares, Series 1, and the Membership Shares, but rateably with the holders of the Class B Investment Shares, Series 4 and 5, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of its other debts and obligations.
Class B Investment Shares, Series 4	The holders of Class B Investment Shares, Series 4, are entitled, in preference to the holders of the Class A shares, Series 1, and the Membership Shares, but rateably with the holders of the Class B Investment Shares, Series 1 and 5, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of its other debts and obligations.

1.3) <u>Redeemability at the Holder's Initiative (Retraction):</u>

Membership Shares	Membership Shares are not redeemable at the member's initiative.

Class A Shares, Series 1	Class A Shares, Series 1, may request retraction of the shares they hold at any time one year or more after the shares are issued; however, any retractions which occur for any reason other than the death of the shareholder within the first six (6) years after the shares are issued occur at a discount, which decreases over time. In no event shall the total number of Class A Shares, Series 1, redeemed by the Credit Union in any fiscal year exceed 10.0% of the issued and outstanding Class A Shares, Series 1, reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements. Notwithstanding any request for retraction, any redemption of Class A Shares, Series 1, at the initiative of the holder is at the discretion of the Credit Union.
Class B Investment Shares, Series 1	Holders of the Class B Investment Shares, Series 1, may generally request retraction of the shares they hold at any time five (5) years or more after the shares are issued. Holders of the Class B Investment Shares, Series 1, who are expelled from membership in the Credit Union, or who have died, however, may require retraction at any time, regardless of the date on which the shares were issued. In no case shall the total number of Class B Investment Shares, Series 1, redeemed by the Credit Union in any fiscal year exceed 10.0% of the issued and outstanding Class B Investment Shares, Series 1, reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements. Notwithstanding any request for retraction, any redemption of Class B Investment Shares, Series 1, at the initiative of the holder is at the discretion of the Credit Union.
Class B Investment Shares, Series 4	Holders of the Class B Investment Shares, Series 4, may generally request retraction of the shares they hold at any time five (5) years or more after the shares are issued. Holders of the Class B Investment Shares, Series 4, who are expelled from membership in the Credit Union, or who have died, however, may require retraction at any time, regardless of the date on which the shares were issued. In no case shall the total number of Class B Investment Shares, Series 4, redeemed by the Credit Union in any fiscal year exceed 10.0% of the issued and outstanding Class B Investment Shares, Series 4, reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements. Notwithstanding any request for retraction, any redemption of Class B Investment Shares, Series 4, at the initiative of the holder is at the discretion of the Credit Union.

1.4) Redeemability at the Credit Union's initiative:

Membership Shares	Upon a member's death or withdrawal or expulsion from membership in the Credit Union, the Credit Union must redeem the Membership Shares held at the amount paid up for each such Membership Share, plus any declared but unpaid dividends thereon, unless such redemption would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements.
Class A Shares, Series 1	The Credit Union may at its initiative redeem, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Class A Shares, Series 1, outstanding at any time five (5) years or more after the shares are issued.
Class B Investment Shares, Series 1	The Credit Union may at its initiative redeem, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Class B Investment Shares, Series 1, outstanding at any time five (5) years or more after the shares are issued.
Class B Investment Shares, Series 4	The Credit Union may at its initiative redeem, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Class B Investment Shares, Series 4, outstanding at any time five (5) years or more after the shares are issued.

1.5) Voting:

Membership Shares	Each member of the Credit Union in full compliance with the Credit Union's Membership Share requirement has one (1) vote on any matter considered by a meeting of the members of the Credit Union, regardless of the number of Membership Shares held.
Class A Shares, Series 1	Class A Shares, Series 1, do not carry any voting rights, except when the Act requires that these shares carry voting rights. The Act requires that these shares have voting rights at a meeting of the holders of the Class A Shares, Series 1, when the Credit Union is seeking the approval of those shareholders for a fundamental change (i.e., the sale of 15% or more of the Credit Union's assets, the purchase of assets valued at 15% or more of the Credit Union's assets, the amalgamation of the Credit Union with another credit union, the dissolution of the Credit Union, an amendment to the Credit Union's articles of incorporation that directly affect the terms and conditions of the Class A Shares, Series 1, or the continuance of the Credit Union under the laws of another jurisdiction or under another Ontario statute). Each Class A Share, Series 1, has one (1) vote in those circumstances.

Class B Investment Shares, Series 1	Class B Investment Shares, Series 1, do not carry any voting rights, except when the Act requires that these shares carry voting rights. The Act requires that these shares have voting rights when the Credit Union is seeking the approval of those shareholders for a fundamental change (i.e., the sale of 15% or more of the Credit Union's assets, the purchase of assets valued at 15% or more of the Credit Union's assets, the amalgamation of the Credit Union with another credit union, the dissolution of the Credit Union, an amendment to the Credit Union's articles of incorporation that directly affect the terms and conditions of the Class B Investment Shares, Series 1, or the continuance of the Credit Union under the laws of another jurisdiction or under another Ontario statute). Each Class B Investment Share, Series 1, has one (1) vote in these circumstances.
Class B Investment Shares, Series 4	Class B Investment Shares, Series 4, do not carry any voting rights, except when the Act requires that these shares carry voting rights. The Act requires that these shares have voting rights when the Credit Union is seeking the approval of those shareholders for a fundamental change (i.e., the sale of 15% or more of the Credit Union's assets, the purchase of assets valued at 15% or more of the Credit Union's assets, the amalgamation of the Credit Union with another credit union, the dissolution of the Credit Union, an amendment to the Credit Union's articles of incorporation that directly affect the terms and conditions of the Class B Investment Shares, Series 4, or the continuance of the Credit Union under the laws of another jurisdiction or under another Ontario statute). Each Class B Investment Share, Series 4, has one (1) vote in these circumstances.

1.6) <u>Treatment as Regulatory Capital:</u>

Membership Shares	The Credit Union includes all of its Membership Shares as Tier 1 Regulatory Capital.
Class A Shares, Series 1	The Credit Union includes the Class A Shares, Series 1, not eligible for redemption at the shareholder's option in its current fiscal year as Tier 1 Regulatory Capital. The Credit Union includes the remaining Class A Shares, Series 1 as Tier 2 Regulatory Capital.
Class B Investment Shares, Series 1	The Credit Union includes the Class B Investment Shares, Series 1, not eligible for redemption at the shareholder's option in its current fiscal year, as Tier 1 Regulatory Capital. The Credit Union includes the remaining Class B Investment Shares, Series 1, as Tier 2 Regulatory Capital.
Class B Investment Shares, Series 4	The Credit Union includes the Class B Investment Shares, Series 4, not eligible for redemption at the shareholder's option in its current fiscal year, as Tier 1 Regulatory Capital. The Credit Union includes the remaining Class B Investment Shares, Series 4, as Tier 2 Regulatory Capital.

Capital is defined by its relative permanence (*i.e.*, inability to be redeemed quickly), freedom from mandatory fixed charges against the earnings of the Credit Union *(e.g.*, cumulative dividends), and subordinate position to the rights of depositors and other creditors of the Credit Union, who are paid the sums they are due before the holders of capital receive any funds. Tier 1 Regulatory Capital qualifies as capital under all three definitions. Tier 2 Regulatory Capital, in general, meets only two of the three definitions. The Credit Union's membership shares and retained earnings qualify as Tier 1 Regulatory Capital.

1.7) Amendment of Class A Shares

The Credit Union intends to amend its Articles to modify the rights, privileges, restrictions and conditions attaching to the Class A Shares (which are separate and apart, and distinct, from the Class B Investment Shares, Series 5) to cause them to more closely meet the definition of patronage shares under the Act. Namely, such amendments will include the following:

- Any reference to dividends will be removed;
- The language regarding transferability will be revised to prohibit transfers under any conditions, except as specifically permitted by the Act; and
- Various other incidental amendments to ensure compliance with the definition of patronage shares under the Regulatory Capital Adequacy Requirements of the Act.

The foregoing proposed amendments to the Class A Shares will not affect the rights, privileges, restrictions and conditions to be attached to the Class B Investment Shares, Series 5 or any other series of Class B Investment Shares.

DESCRIPTION OF SECURITIES BEING OFFERED

1) Issue

Class B Investment Shares, Series 5, issuable at $1.00 each, will only be issued to members of the Credit Union. If the purchaser is a natural person (*i.e.*, an individual), he or she must be at least eighteen (18) years of age to purchase Class B Investment Shares, Series 5. Legal persons (*e.g.*, corporations, partnerships, and trusts) may purchase Class B Investment Shares, Series 5. The subscription or purchase price for Class B Investment Shares, Series 5, shall be paid in full by the subscriber upon issuance, and the source of funds therefore shall not, directly or indirectly, be funding provided by the Credit Union.

2) Subscription Cancellation

The purchaser may reverse their decision to purchase investment shares if notice is provided within two (2) business days which excludes weekends and holidays, of having signed a subscription form. Initial notice within such period is acceptable in the following format:

- Via email to the Credit Union employee who sold the investment shares;

- In person at the branch or via phone speaking directly with the Credit Union employee who sold the investment shares; or

- Speaking directly with a Member Connect (telephone banking) representative at 1-866-900-3822.

In all cases, a 'Cancellation of Share Subscription Form' in the form provided along with the purchaser's Subscription Form must thereafter be completed and submitted to DUCA, including where notice of cancellation was initially provided verbally as above, and will be retained by DUCA with a copy provided to the purchaser for their records.

3) Dividends

The holders of Class B Investment Shares, Series 5, are entitled, in preference to holders of the Class A Shares, Series 1, issued and outstanding, and of the Membership Shares, but equally with the holders of the Class B Investment Shares, Series 1, and Class B Investment Shares, Series 4, to receive dividends if, as and when declared by the Board. The dividend policy of the Credit Union's Board, as it relates to Class B Investment Shares, Series 5, shall be to pay a dividend or dividends in every year in which there are sufficient profits to do so while still fulfilling all other Regulatory Capital, liquidity, and operational requirements. The dividend rate shall be established by the Board, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations, and, in particular, on the Credit Union's earnings. The Board shall consider whether or not a dividend shall be declared, the rate of that dividend and the manner in which it is paid, including whether in the form of additional Class B Investment Shares, Series 5, in cash, or partly in shares and partly in cash. There can be no guarantee that a dividend will be paid each year. Dividends not declared or paid for one fiscal year are not carried forward or added to the dividend of a following year but are forever extinguished.

Holders of the Class B Investment Shares may, however, by majority vote separately as a class at a special meeting, consent to the prior payment of dividends to holders of a junior class of shares.

For a discussion of the Credit Union's dividend policy regarding Class B Investment Shares, Series 5, see page 5.

4) Canadian Federal Income Tax Considerations

The following summary has been prepared by management of the principal Canadian federal income tax consequences applicable to a holder of a Class B Investment Share, Series 5, who acquires the share pursuant to this offering and who, for the purposes of the *Income Tax Act* (Canada) (the "Tax Act"), is resident in Canada and holds the share as capital property.

This summary is based on the facts contained in this offering statement and based upon managements' understanding of the provisions of the Tax Act and the regulations thereunder as they currently exist and current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"). This summary takes into account specific proposals to amend the Tax Act and the regulations thereunder that have been publicly announced by the Minister of Finance (Canada) prior to the date hereof. There can be no assurance that these proposals will be enacted in their current form or at all, or that the CRA will not change its administrative and assessing practices.

This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action. This summary does not also take into account provincial, territorial or foreign tax legislation or considerations. No advance income tax ruling has been requested or obtained in connection with this offering statement, and there is a risk that the CRA may have a different view of the income tax consequences to holders from that described herein. INVESTORS ARE CAUTIONED THAT THIS COMMENTARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO CONSTITUTE ADVICE TO ANY PARTICULAR INVESTOR. INVESTORS SHOULD SEEK INDEPENDENT ADVICE FROM THEIR OWN TAX ADVISORS.

4.1) Dividends

A holder of a Class B Investment Share, Series 5, will be required to include in computing income the dividends paid on the shares, whether paid in cash or in the form of additional shares. Dividends paid to a holder of a Class B Investment Share, Series 5 are deemed to be interest for Canadian income tax purposes. This income will be subject to income tax in the same manner as other interest income.

4.2) Redemption

On a redemption of a Class B Investment Share, Series 5, to the extent that the redemption proceeds exceed the paid-up capital of the share, the excess is deemed to be interest received by the holder of the Class B Investment Share, Series 5. This interest must be included in computing the income of the holder in the year of redemption. The proceeds of disposition under these circumstances are reduced by the amount of deemed interest. To the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base and reasonable disposition costs, a capital gain (or capital loss) may be realized and taxed as described below.

4.3) Other Dispositions

The disposition of a Class B Investment Share, Series 5, to another member, may give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of the Class B Investment Share, Series 5, and reasonable disposition costs. One-half of the capital gain is included in computing the income of the holder of the Class B Investment Share, Series 5, and one-half of any capital loss may be deducted but only against capital gains of the holder. Unused capital losses may be carried back to the three preceding taxation years to offset capital gains in those years, and they may be carried forward indefinitely. Under certain specific circumstances, the capital loss may be denied and therefore not available to offset capital gains of the holder. In addition, if certain criteria are met, an allowable capital loss may be considered a business investment loss and may be applied to reduce other income of the holder. This loss or a portion thereof may be carried back to the three preceding taxation years to reduce income in those years and may be carried forward for ten (10) taxation years before reverting to the net capital loss.

The Class B Investment Shares, Series 5, will be a qualified investment for registered plans (*i.e.*, RRSP, TFSA). The transfer of any shares by a holder to a registered plan constitutes a disposition of the shares by the holder for income tax purposes. In such circumstances, the holder is deemed to receive the proceeds of disposition for the shares equal to their fair market value at that time of such transfer, and this amount is included in computing the capital gain or loss from the disposition. Any capital loss arising on such disposition is denied to the shareholder. Interest expense related to shares transferred to an RRSP is not deductible for income tax purposes.

5) RRSP, RRIF and TFSA-Eligible

Concentra Trust will accept Class B Investment Shares, Series 5, purchased in this offering to be contributed to a member's RRSP, RRIF or TFSA. The proceeds of redemption or transfer of Class B Investment Shares, Series 5, held in a RRSP, RRIF or TFSA will remain inside that RRSP, RRIF or TFSA, as applicable, unless the annuitant specifically requests otherwise in writing.

Note, however, that the Credit Union will permit purchasers to hold Class B Investment Shares, Series 5, inside a RRIF only if they acknowledge in writing that the Credit Union will satisfy the minimum annual payment requirement from the RRIF by transferring an amount of Class B Investment Shares, Series 5, sufficient to satisfy that required payment in kind from the RRIF into a non-registered Class B, Series 5 account. Members intending to hold Class B Investment Shares, Series 5, in a RRSP or RRIF should carefully review the transfer and redemption restrictions of these shares.

6) Rights on Distributions of Capital

On liquidation or dissolution, holders of Class B Investment Shares, Series 5, will be paid the Redemption Amount for each such share held, in priority to holders of the Class A Shares, Series 1, and of the

Membership Shares, but rateably with the Class B Investment Shares, Series 1, and Class B Investment Shares, Series 4, and after provision for payment of all the Credit Union's other debts and obligations, including all subordinated indebtedness, deposits and all other liabilities of the Credit Union except those that, by their terms, rank equally with or are subordinated to the Class B Investment Shares, Series 5. Holders of Class B Investment Shares, Series 5, shall not thereafter be entitled, as holders of Class B Investment Shares, Series 5, to participate in the distribution of the Credit Union's assets then remaining, but will retain any rights they may have to such a distribution as holders of Class A Shares, Series 1, or of Membership Shares. Distributions regarding Class B Investment Shares, Series 5, held in an RRSP or RRIF will remain in that RRSP or RRIF unless the annuitant specifically requests otherwise in writing.

7) Voting Rights

Class B Investment Shares, Series 5, do not carry any voting rights, except when the Act requires that these shares carry voting rights. The Act requires that these shares have voting rights when the Credit Union is seeking the approval of those shareholders for a fundamental change (i.e., the sale of 15% or more of the Credit Union's assets, the purchase of assets valued at 15% or more of the Credit Union's assets, the amalgamation of the Credit Union with another credit union, the dissolution of the Credit Union, an amendment to the Credit Union's articles of incorporation that directly affect the terms and conditions of the Class B Investment Shares, Series 5, or the continuance of the Credit Union under the laws of another jurisdiction or under another Ontario statute). Each Class B Investment Share, Series 5, has one (1) vote in these circumstances.

8) Redemption Provisions and Restrictions

Holders of Class B Investment Shares, Series 5, may not request that the Credit Union redeem the shares they hold until five (5) years after the Issue Date of those shares as defined in this offering statement, which definition is incorporated into the articles of amendment with respect to those shares, except where the holder dies or is expelled from membership in the Credit Union. Redemptions are subject to the aggregate limits detailed below, and, if the approval of the Authority or any other regulatory body having jurisdiction over the Credit Union of that redemption is required by any applicable law, are subject to obtaining that regulatory approval.

All redemption requests will be tracked centrally and logged on a first come, first served basis. Approval of any redemption request is in the sole and absolute discretion of the Board. The Board may not approve a request if, in the opinion of the Board, honouring such redemption request will cause the Credit Union to be unable to comply with the Regulatory Capital and liquidity requirements of section 77 of the Act. Without limiting the foregoing, in no case shall the Board be required to approve total redemptions for holders of Class B, Series 5 shares in any one (1) year period that exceed a maximum of 10.0% of the total Class B Investment Shares of all series outstanding during such period.

The Credit Union has the option of redeeming, at the Redemption Amount, all or any portion of the Class B Investment Shares, Series 5, then outstanding, subject to restrictions in the Act and to the approval of any regulatory body having jurisdiction over the Credit Union if any applicable law

requires the obtaining of such approval, after giving at least twenty-one (21) days' notice of its intent to redeem, at any time after the fifth (5^{th}) anniversary of the Issue Date. The proceeds of any redemption of Class B Investment Shares, Series 5, held inside an RRSP or RRIF will remain inside the RRSP or RRIF unless the annuitant specifically requests otherwise in writing.

Note that an Authority rule permits redemption or purchase of shares for cancellation only if the shares are replaced with capital of at least the same quality as the shares being replaced without using a significant amount of the Credit Union's retained earnings given its income capacity, or the Credit Union can demonstrate to the Authority that its Regulatory Capital will remain substantially above regulatory minimum requirements.

Purchasers of Class B Investment Shares, Series 5, who are intending to include such shares in an RRSP or RRIF contract should carefully review the above redemption provisions and restrictions before proceeding. The Credit Union will only permit shareholders who purchase Class B Investment Shares, Series 5, in this offering to hold those shares in a RRIF contract only if they acknowledge in writing that the Credit Union will satisfy the minimum annual payment requirement from the RRIF by transferring an amount of Class B Investment Shares, Series 5, sufficient to satisfy that required payment in kind from the RRIF into a non-registered account.

9) Restrictions on Transfer

Class B Investment Shares, Series 5, may not be transferred except to another member of the Credit Union. Transfers will be subject to the approval of the Board. Transfer requests must be in writing, using a form approved by the Board. Transfer requests will be tendered to the registered office of the Credit Union. Class B Investment Shares, Series 5, will be transferred to other members at a price equal to the current Redemption Amount. The proceeds of disposition of Class B Investment Shares, Series 5, held inside an RRSP or RRIF will remain inside that RRSP or RRIF unless the annuitant specifically requests otherwise in writing.

No member, through transfers of Class B Investment Shares, Series 5, from other members, will be allowed to hold more Class B Investment Shares, Series 5, than the member would otherwise have been able to subscribe for in this initial offering (1,000,000 shares). **There is no market for the Class B Investment Shares, Series 5, issued by the Credit Union.** The Credit Union may, however, choose to maintain a list of willing buyers, and attempt to facilitate a transfer to a willing buyer rather than process a redemption when a holder of Class B Investment Shares, Series 5, requests redemption; this procedure will not apply when a holder of Class B Investment Shares, Series 5, or his or her estate, is required by law to transfer the shares to another member of the Credit Union (*e.g.*, by the Will of a deceased shareholder), or has already located a purchaser for their Class B Investment Shares, Series 5.

10) Other Material Characteristics

Class B Investment Shares, Series 5, are not convertible into shares of any other class or series.

There are no sinking fund provisions applicable to the Class B Investment Shares, Series 5.

The rights or provisions of the Class B Investment Shares, Series 5, may not be modified, amended or varied except by way of Articles of Amendment duly approved in accordance with the Act and the by-laws of the Credit Union by the Board, the members and the holders of the Class B Investment Shares, Series 5, voting separately as a series.

11) Articles of the Credit Union

Prospective purchasers of Class B Investment Shares, Series 5, may obtain, on request at the registered office of the Credit Union, a copy of the certificate of amalgamation forming the Credit Union, and the amendments thereto, including the amendment creating the Class B Investment Shares, Series 5. These documents define its share capital structure, including the full terms and conditions of the Class B Investment Shares, Series 5.

RISK FACTORS

Providing financial services inherently involves the assumption of risk. On this basis, the Credit Union's business strategy, the effective management and acceptance of risk, and its related risk appetite are closely linked and integral components in business decision making. Business strategy choices serve to determine overall risk appetite; a new strategic initiative may result in a change to risk appetite (up or down) to the extent the choice provides the merits of an appropriate risk/return trade-off, the serving of the member's best interests and satisfying needs of stakeholders. At the same time, strategic choices are shaped by, and must fit within, the Credit Union's risk appetite, which is ultimately determined by balancing the taking of manageable risk, serving its members and satisfying the needs of stakeholders. With this context, risk management and risk appetite will be integral in the development of business strategy and ongoing decision making. The Credit Union's enterprise risk management policy sets qualitative and quantitative aggregate risk management thresholds, as well as quantitative risk appetite statements in certain areas, and sets out the Credit Union's enterprise risk management framework.

The following risk factors should be considered in making a decision to purchase Class B Investment Shares, Series 5.

1) Transfer and Redemption Restrictions

There is no market through which the Class B Investment Shares, Series 5, may be sold. Further, it is not expected that any market will develop. These securities may only be transferred to another member of the Credit Union. Note that such a transfer is not treated as redemption and is therefore not limited as outlined below. See "Restrictions on Transfer", on page 36, for a further discussion of transfers of Class B Investment Shares, Series 5.

The Act prohibits redemption of shares if the Board of the Credit Union has reasonable grounds to believe that the Credit Union is, or the payment would cause it to be, in contravention of prescribed liquidity and Regulatory Capital adequacy tests for credit unions.

Redemptions of Class B Investment Shares, Series 5, are permitted at the sole and absolute discretion of the Board and are not permitted during the five (5) years following their Issue Date as defined herein, except when a shareholder dies or is expelled from membership in the Credit Union. Without limiting the foregoing, the Credit Union shall not be required to redeem in any one (1) year period more than 10.0% of the Class B Investment Shares of all series outstanding during such period. If the approval of any redemption by the Authority or any other regulatory body having jurisdiction over the Credit Union is required by applicable law, redemption will be subject to that approval having been obtained. Consequently, holders of Class B Investment Shares, Series 5, may not be able to sell or redeem their securities when they wish to do so.

Note that an Authority rule permits redemption or purchase of shares for cancellation only if the shares are replaced with capital of at least the same quality as the shares being replaced without using a significant amount of the Credit Union's retained earnings given its income capacity, or the Credit Union can demonstrate to the Authority that its Regulatory Capital will remain substantially above regulatory minimum requirements.

Members who intend to hold Class B Investment Shares, Series 5, within an RRSP or RRIF contract should carefully review this risk factor before proceeding. The Credit Union will only permit shareholders who purchase Class B Investment Shares, Series 5, in this offering to hold those shares in a RRIF contract if they acknowledge in writing that the Credit Union will satisfy the minimum annual payment requirement from the RRIF by transferring an amount of Class B Investment Shares, Series 5, sufficient to satisfy that required payment in kind from the RRIF into a non-registered account.

2) Capital Adequacy

The Act requires the Credit Union to maintain a Leverage Ratio, Total Supervisory Capital Ratio, Tier 1 Capital Ratio, Capital Conservation Buffer Ratio, Retained Earnings to Risk-Weighted Capital Ratio and Total Supervisory Capital Ratio above certain minimums set out the in the Authority rule regarding capital adequacy. As of April 30, 2025, the Credit Union was in full compliance with these regulatory requirements as well as board policy limits on these ratios which exceed minimum regulatory requirements.

For further information regarding the Credit Union's Regulatory Capital adequacy, see "Capital Adequacy" on page 24.

3) Payment of Dividends

The Credit Union has no dividend record for the Class B Investment Shares, Series 5, because none of these shares are issued and outstanding. The Credit Union has, however, established a record for the payment of dividends on its Class B Investment Shares, Series 1, and Class B Investment Shares, Series 4, in its last five fiscal years, as detailed on page 48.

Past payment of dividends or other distributions in no way indicates the likelihood of future payments of dividends. The payment of dividends to the holders of Class B Investment Shares, Series 5 is dependent on the ability of the Credit Union to meet the Regulatory Capital requirements of the Act, and on the availability of earnings.

Dividends on Class B Investment Shares, Series 5, are taxed as interest and not as dividends, and are therefore not eligible for the tax treatment given to dividends from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

The Board has stated a dividend policy for Class B Investment Shares, Series 5, as outlined on page 5 hereof; this policy may be changed at any time, at the discretion of the Board, and the Board may at any time approve exceptions to this policy. Dividends paid may therefore not be in accordance with this policy.

4) Credit Risk

The major activity of the Credit Union is the lending of money to members and, as a result, there exists the risk of loss from uncollectible loans. The lending policies and guidelines of the Credit Union, the care and attention of staff and management in applying such policies and guidelines to loan applications and loans granted, and the security taken in connection with such applications, will affect the future profitability of the Credit Union and impact on its ability to pay dividends and redeem Class B Investment Shares, Series 5, when the members wish it to do so.

A discussion of the Credit Union's accounting policies regarding its loans to its members is found in note 4(d) to the audited financial statements included in Schedule A of this offering statement.

Discussion of the composition of the Credit Union's loan portfolio, its allowance and provision for impaired loans and the Credit Union's credit risk management policy, appears in notes 8, 9 and 21 to the audited financial statements included in Schedule A hereto and notes 7, 8 and 18 to the interim financial statements included in Schedule B hereto.

5) Investment and Market Risk

Market risk emanates from the investment activities of the Credit Union and is represented by the risk of changes to the market value of these investments and foreign exchange. The market risk management policy of the Credit Union, approved by its Board, permits the Credit Union to invest in the following:

- Shares in a credit union central or league
- Investments in residential mortgages or pools of residential mortgages. This includes insured and uninsured residential mortgages which are consistent with the Credit Union's underwriting standards and its credit risk management policy.

Under conditions set out in the policy, the Credit Union may also invest in the following:

- Deposits in a brokerage account
- High quality dividend paying stocks with an equivalent credit rating of P3 by Moody's or higher
- Mutual funds
- Other fixed income investment notes

The policy also imposes limits on the amount which can be invested in any one type of investment or in any one issuer, and the term for which investments can be made. As of April 30, 2025, the Credit Union complied with this investment policy.

6) Liquidity Risk

Liquidity risk arises from a credit union's potential inability to meet both expected and unexpected current and future cash flow and collateral needs causing an adverse effect on its operations or its financial condition. The Credit Union is required to establish and maintain prudent levels and forms of liquidity that are sufficient to meet its cash flow needs.

The Credit Union's liquidity risk management policy requires it to establish a pool of high-quality liquid assets, which shall not be encumbered. The policy then stresses the cash flows to ensure there is sufficient liquidity to meet the needs of the Credit Union over the short and longer time horizon using a number of liquidity measurements.

The Liquidity Coverage Ratio ("LCR") is a liquidity metric that measures the Credit Union's stock (holdings) of unencumbered High-Quality Liquid Assets ("HQLA") that can be converted into cash at little or no loss of value, to meet its liquidity needs for a 30-calendar day liquidity stress scenario.

At a minimum, the stock of unencumbered HQLA should enable the institution to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken by management.

The Net Stable Funding Ratio ("NSFR") is a liquidity metric that will require the Credit Union to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to the Credit Union's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress.

The NSFR aims to limit over-reliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability.

The Net Cumulative Cash Flow ("NCCF") is a liquidity metric that measures the Credit Union's survival horizon based on its net cumulative cash flows. It identifies potential future funding mismatches between contractual inflows and outflows for various time bands over and up to a 12-month time horizon. It measures the Credit Union's detailed cash flows, in order to capture the risk posed by funding mismatches between assets and liabilities, after the application of assumptions around the functioning of assets and modified liabilities.

During 2022, FSRA adopted Rule 2021-003, Liquidity Adequacy Requirements for Credit Unions and Caisses Populaires. The Credit Union's liquidity policy complies with this rule.

The regulatory limit on LCR is 100.0%, but the Credit Union's policy requires 125.0%. The regulatory limit on NSFR is again 100.0%, but the Credit Union's policy requires 110.0%. The Credit Union's NCCF limit is 100.0% coverage over 6 months. As of April 30, 2025, the Credit Union is in full compliance with these limits.

Assets which may be purchased or invested in as part of the liquidity portfolio are as follows:

- Deposits in a Schedule I or II Bank;
- Treasury bills issued by Canadian governments;
- Bonds and debentures unconditionally guaranteed by Canadian governments (including provinces);

- Deposits with or acceptances issued by Schedule I or Schedule II Banks with a Dominion Bond Rating Service (DBRS) rating of R-1 mid or better;
- Commercial paper issued by corporations with a DBRS rating (or equivalent S&P, Moody's or Fitch credit rating) of R-1 mid or better;
- Deposits in a credit union central or league; and
- Mortgage-backed securities.

The policy also requires the monitoring of large deposits. For retail deposits, defined as deposits from individuals or business members where the accounts are held under the member's name or the depositor group's name and not sourced through a broker. Exposure to any one deposit member or connected deposit group cannot be more than 5.0% of total deposits. The Credit Union also sources deposits through brokers which are limited to 30.0% of total deposits.

DUCA's credit facilities to support its operations include access to a line of credit of $300.3 million with Central 1, of which $90.0 million is prescribed for the guarantee of payment on third party municipalities, universities, school boards and hospitals deposits with the Credit Union as agreed to by Central 1 and $25.0 million is prescribed towards letters of credit issued on behalf of the Credit Union. The line of credit is secured by a general security agreement covering all the assets of the Credit Union.

A line of credit facility is maintained with Fédération des Caisses Desjardins du Québec and Desjardins Capital Markets up to a maximum of $250.0 million and is secured by a pledge of Mortgage Loans.

The Credit Union has access to a $14.0 million comprehensive credit facility with Bank of Montreal, which is secured by $10.5 million in bank deposit notes.

On March 4, 2019 the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with National Bank Financial Inc. which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that they are holding for liquidity.

On May 29, 2020, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with Bank of Montreal, which gives the Credit Union access to an uncommitted $400.0 million credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity.

On July 28, 2020, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with Central 1, which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity.

On June 17, 2022, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with Royal Bank of Canada, which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity.

On January 19, 2024, the Credit Union entered into the Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with CIBC, which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity.

For further information, see "Senior Debt", beginning on page 55.

7) Structural Risk

Structural risk emanates from the asset liability components of the business of the Credit Union and is represented by interest rate risk, liquidity risk and foreign currency risk.

The Credit Union has developed and implemented the following metrics for structural risk.

- Earnings at Risk ("EaR"): The Credit Union's key metric for measuring short-term interest rate risk is the Earnings at Risk measurement. The EaR is a measure that aims to ensure that the Credit Union does not have a material risk to earnings over the next 12 months. At a maximum, a limit is set to ensure that forecasted net interest income would not decrease by more than 7% over the next 12 months. EaR exposure is calculated based on the variance observed in forecasted net interest income given an immediate parallel 100 Basis Point shock to interest rates.

- Duration Gap: The duration gap is a measure of the difference in the duration of assets versus the duration of liabilities. It is a major component in long-term interest rate risk. The Credit Union has established a limit of +/-7 months for the gap between the duration of assets and the duration of liabilities.

- Economic Value at Risk ("EVaR"): The Credit Union's key metric for measuring long- term interest rate risk is the Economic Value at Risk measurement. This metric measures the exposure the Credit Union has to both rising and falling interest rates and the long- term effects those movements would have on the current market value of equity. The Credit Union has established a limit which would not allow a change that would decrease market value of equity by more than 6.0%. EVaR exposure is calculated based on the variance observed in forecasted Net Interest Income given an immediate parallel 100 Basis Point shock to interest rates.

- Regulatory Parallel Rate Shock Tests: The Credit Union will undertake a stressed parallel rate shock test to the portfolio with both upward and downward parallel rate shocks of the yield curve to measure impact on earnings at 50 Basis Points, 100 Basis Points, and 200 Basis Points shocks. The results of these shocks are reported to the appropriate Credit Union committee each quarter and are incorporated into the annual regulatory Internal Capital Adequacy Assessment ("ICAAP") process.

- The Credit Union's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure to the lesser of $1.0 million or 5% of total Member foreign currency deposits in Canadian funds.

The Credit Union is permitted to use derivative instruments to manage and control various risks.

The policy also imposes ranges, expressed as percentages of total assets, in which major asset and liability classes must be maintained. As of April 30, 2025, the Credit Union was in full compliance with these limits.

The Credit Union has retained an outside consultant to provide it with assistance and reporting regarding its interest rate risk.

As of April 30, 2025, the Credit Union's Earnings at Risk was negative $4.1 million for a 100 Basis Points downward shock in interest rates, and $5.8 million for a 100 Basis Points upward shock in interest rates. As of April 30, 2025, the Economic Value at Risk was negative $3.8 million or negative 0.8% for a 100 Basis Points downward shock in interest rates and $4.1 million or 0.8% for a 100 Basis Points upward shock in interest rates. These exposures were in compliance with the Board's policy in this regard.

In the event that the Credit Union's exposure to interest rate risk were to exceed the policy limits described above, future profitability could become seriously eroded should interest rates move in the direction where the Credit Union has an exposure, with a resulting negative impact on the ability of the Credit Union to pay dividends or redeem shares. Management, however, could employ one or more of several techniques to mitigate the potential risk.

8) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, and external events. The Credit Union is exposed to a broad range of operational risks including talent acquisition, retention, performance and succession, technology and systems failures, fraud, theft and misappropriation of assets, business disruption, information, privacy, and fiduciary breaches or failed transaction processing. The failure to manage operational risk can result in direct or indirect financial loss, reputational impact, regulatory censure and penalties, or failure in the management of other risks.

The Credit Union manages operational risk including operational resilience through the Operational Risk Management and Resilience Policy including the Operational Risk Management Framework. The Credit Union has in place a number of programs that manage specific risks under the operational risk framework, including business resilience planning, disaster recovery planning, anti-money laundering and anti-terrorist financing procedures, employee hiring and retention measures and vendor and third-party relationship risk management.

Any amalgamation or asset purchase or sale transaction in which the Credit Union becomes involved may increase the complexity of the Credit Union's operations.

9) Regulatory Action

Under the Act, FSRA has the authority to place a credit union under Supervision or Administration should it believe that there is a potential for that credit union or caisse populaire to encounter financial or management problems which could affect its financial well-being or which could tend to increase the risk of claims by that credit union or caisse populaire against the deposit insurance fund.

10) Reliance on Key Management

The success of the Credit Union's business strategy is linked to the ability of the Credit Union to retain its senior management employees. The inability to retain such persons, or replace them with individuals of equal competence, could adversely affect the Credit Union's financial performance.

The Credit Union has an employment contract with its Chief Executive Officer that requires him to provide the Credit Union with notice, longer than that which would be ordinarily required by law, of the termination of his employment with the Credit Union. No such contracts exist with the Credit Union's other senior managers.

The Credit Union has created a succession plan for its senior managers.

11) Geographic, Economic and Competitive Risk

Geographic, Economic and Competitive Risk

Like most financial institutions, the Credit Union is affected by periods of economic downturn that result in a lack of consumer confidence, a drop in demand for loans and mortgages, or a reduction in the level of savings. The Credit Union is dependent to a significant degree on the economic performance of the communities that it serves.

The financial services industry continues to be extremely competitive. The major banks have expanded their traditional core banking business into other financial services, where they now dominate the brokerage and trust industries. As a result, the sheer size and increasing scope of their diversified operations represent both a challenge and an opportunity to credit unions. The success of credit unions depends largely on their ability to differentiate themselves from large banks, and on their ability to provide personal service while providing new products and services to meet their members' needs, thereby ensuring to earn sufficient profits to continue to grow and prosper. The Credit Union offers a full range of products and services.

Economic Outlook - Canada

Despite solid growth in late 2024, the economic outlook for the Canadian economy remains uncertain due trade tensions. According to TD Economics' March 2025 Quarterly Economic Forecast dated March 18, 2025, the Canadian economy is expected to experience a shallow recession, mitigated in part by government support. Ontario, as the country's economic engine, is not immune to these pressures.

Canada's economy grew by 2.6% in the fourth quarter of 2024 as past cuts to interest rates have boosted economic activity. As of early 2025, the Canadian economy is facing renewed headwinds amid escalating trade tensions with the United States.

In the first quarter of 2025, the economy grew by 2.2% (annualized), surpassing expectations, though the growth was driven mainly by inventory building and strong exports, not domestic demand by households and businesses. Consumer spending slowed, residential investment dropped, and final domestic demand was flat, signaling underlying economic weakness.

Canadian exporters faced a sharp rise in U.S. tariffs. To cushion the economic blow, the Canadian government increased spending and introduced targeted support programs. Housing and business investment were hit hard by trade tensions and higher costs. Consumer and business spending are projected to decline, though the downturn is milder than past recessions. Job losses are anticipated in the third quarter of 2025, but a slower-growing labor force will limit the rise in unemployment, which is forecast to peak at 7% - lower than typical recession levels. Meanwhile, population growth slowed significantly due to reduced immigration and fewer non-permanent residents, contributing to a weaker labor force outlook.

Overall, the economy is expected to grow by 1.8% through 2025 and 2026, i.e. below its long-term trend, reflecting the lingering effects of global trade tensions, elevated tariffs, and slowing population growth, before finding greater balance in 2027.

Inflation and Interest Rates

CPI inflation ended the fiscal year 2024 at 2.4%. In Q1 2025, whilst the temporary suspension of the GST/HST lowered some consumer prices, Canada's CPI inflation is expected to remain above the Bank of Canada's 2% target through 2025 primarily due to persistent trade and tariffs tensions with the U.S. and elevated shelter price inflation.

In response, the Bank of Canada was anticipated to gradually reduce its policy rate to support economic activity. In fact, the central bank reduced its policy rate from 3.25% to 2.75% in Q1 2025 through two 25-basis-point cuts to further support a slowing economy and address continued weakness in the labor market and consumer spending. These cuts followed earlier reductions in 2024 as inflation eased, giving the Bank room to stimulate growth without significantly risking a resurgence in price pressures. Looking ahead, forecasts suggest the Bank may deliver two more cuts by the end of the year, potentially lowering the rate to 2.25%, depending on inflation trends and economic momentum.

Economic Outlook – Ontario

In Ontario, the economic outlook has been notably impacted by its exposure to the U.S. through manufacturing exports. TD Economics' Provincial Economic Forecast report dated March 19, 2025, highlights that Ontario's real GDP growth has been revised downward to just 1% for 2025, reflecting the province's vulnerability to the Canada-U.S. trade conflict.

In response to these challenges, the Ontario government has been active and announced a plan targeting approximately $40 billion in new investments, loans, and other financial supports. This includes a $5 billion

Protect Ontario Account for large-scale industrial sectors and $10 billion through a six-month deferral of provincial business taxes. However, the effectiveness of these measures remains uncertain.

The housing market in Ontario remains under pressure. Home sales are expected to decline by 7.6% in 2025 and average prices by 6.4% largely driven by economic uncertainty, supply/demand imbalance and winter storms, before stabilizing in 2026. However, housing starts remain elevated, indicating continued confidence among builders in the province’s long-term fundamentals.

DIVIDEND RECORD AND POLICY

The Credit Union has paid the following dividends on Class B Investment Shares in the last five fiscal years:

	Class B Investment Shares, Series 1*		Class B Investment Shares, Series 4**	
Fiscal Year Ended/Ending	Dividend Rate	Amount (in thousands)	Dividend Rate	Amount (in thousands)
December 31, 2025	3.53%	$936	4.25%	$6,641
December 31, 2024	3.53%	$1,039	4.25%	$6,764
December 31, 2023	3.53%	$1,154	4.25%	$6,855
December 31, 2022	3.00%	$1,090	4.25%	$6,885
December 31, 2021	3.00%	$1,200	4.25%	$7,305

* The dividend rate for Class B Series 1 Investment Share offering statement was 3.00% for the first five years after issuance date.
** The dividend rate for Class B Series 4 Investment Share offering statement was 4.25% for the first five years after issuance date.

For a discussion of the priority of the various classes of shares in the payment of dividends, and the restrictions placed on the Board in the declaration of dividends, see discussions beginning on page 26.

The dividend policy of the Credit Union's Board for Class B Investment Shares, Series 5, shall be to pay a dividend or dividends in every year in which there are sufficient profits to do so while still fulfilling all Regulatory Capital, liquidity, and operational requirements. The dividend rate shall be established by the Board, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations. The Board shall consider whether or not a dividend shall be declared, and at what rate and in which manner, including whether in the form of additional Class B Investment Shares, Series 5, in cash, or partly in shares and partly in cash. Fractional shares will not be issued; dividends paid in the form of shares will be rounded down to the closest whole dollar amount before payment. The Board shall consider this at least annually, and any declared dividend will be paid following each fiscal year end and before each annual general meeting of members. There can be no guarantee that a dividend will be paid each year. If the Board declares a dividend in any year, the Board intends to declare a dividend of not less than 4.50% on Class B Investment Shares, Series 5, for its fiscal years ending on or before December 31, 2030. For fiscal years ending after that date, the Board intends to, from time to time, set the rate to be between 4.50% and the rate which exceeds by 125 Basis Points the simple average of the yields on the monthly series of the Government of Canada five-year bonds (CANSIM Identifier V122540) as published by the Bank of Canada on its website, www.bank-banques-canada.ca during the Credit Union's fiscal year. Such rates are Non-Cumulative from year-to-year. The dividend, in the fiscal year Class B Investment Shares, Series 5, sold pursuant to this offering statement are issued, shall be pro-rated for the number of days after the Issue Date in that fiscal year.

Dividends paid on Class B Investment Shares, Series 5, will be taxed as interest and not as dividends, and are therefore not eligible for the tax treatment given to dividends received from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

The dividend policy followed by the Credit Union is at the discretion of the Board and is subject to change or exception at any time. Dividends paid may therefore not be in accordance with the policy outlined above.

USE OF PROCEEDS FROM SALE OF SECURITIES

The principal uses of the net proceeds and purpose of this offering will be to enable the Credit Union to add to its Regulatory Capital to provide for the Credit Union's future growth, development and stability, while maintaining a prudent cushion in the amount of Regulatory Capital above regulatory requirements.

PLAN OF DISTRIBUTION

1. The subscription price to members for each Class B Investment Share, Series 5 will be $1.00.

2. There will be no discounts or commissions paid to anyone for the sale of these securities.

3. 100.0% of the proceeds of the sale of these securities will go to the Credit Union, which will then be responsible for the payment of the costs associated with this offering statement.

It is intended that the Class B Investment Shares, Series 5, will be issued on multiple closing dates (each a "Closing Date"). Subscriptions for each closing of Class B Investment Shares, Series 5, shall be accepted from the offer date for that offer noted in the table below (the "Offer Date") until the earlier of (1) the corresponding Closing Date noted in the table below, provided that the Credit Union may accelerate any such Closing Date at its sole discretion; (2) the time that the aggregate amount of subscriptions received for Class B Investment Shares, Series 5, is equal to the maximum amount of $20,000,000; and (3) the date on which the Board, having not received subscriptions for the maximum $20,000,000 Class B Investment Shares, Series 5, resolves to close the offering notwithstanding that six (6) months may not yet have passed since the date of this offering statement. The shares subscribed for shall be actually issued on the issuance dates noted in the table below, notwithstanding the fact that, for purposes of calculating the periods of non-redeemability outlined above, the "Issue Date" shall be defined as the latest date on which Class B Investment Shares, Series 5, are actually issued pursuant to this offering statement. This deemed Issue Date will apply to all Class B Investment Shares, Series 5, regardless of the dates on which any particular such shares were subscribed for, paid for or their Closing Date, and, for greater clarity, such date shall be the Issue Date for any Class B Investment Shares, Series 5 subsequently issued as dividend shares on previously issued Class B Investment Shares, Series 5 (including previously issued dividend shares), as well as Class B Investment Shares, Series 5 subsequently recorded on the books of the Credit Union to document the transfer of Class B Investment Shares, Series 5 from another member of the Credit Union pursuant to an approved transfer of shares:

Closing No.	Offer Date	Closing Date	Issuance Date
1	Offering Statement Date	24-Sep-25	29-Sep-25
2	25-Sep-25	21-Oct-25	31-Oct-25
3	22-Oct-25	19-Nov-25	28-Nov-25
4	20-Nov-25	19-Dec-25	31-Dec-25
5	20-Dec-25	23-Jan-26	30-Jan-26

Subscriptions will be accepted on a first come, first served basis, and subscription forms will be marked with the time and date accepted. The Credit Union will closely monitor subscriptions being received as total subscriptions approach the maximum. Potential purchasers making subscription requests at that time may not be allowed to subscribe for the full number or amount of shares they desire, or their subscription request may be refused. This offering may not be over-subscribed, and subscriptions will not be pro-rated.

If the funds to be used by a subscriber to pay for shares subscribed are on deposit at the Credit Union, the subscriber will authorize the Credit Union to place these funds "on hold" to guarantee payment of these shares. If the offering is completed, such hold will be released, and the authorized amount will be used to pay for the shares for which the member subscribed. If the offering is withdrawn, or if the decision to buy is reversed by the subscriber (as described on the cover of this offering statement), the hold on the funds will be released immediately thereafter.

If the funds to be used by a subscriber to pay for shares subscribed are coming from outside the Credit Union, such funds will be held in Escrow, in accounts to be trusteed by Concentra Trust, until the offering is completed or withdrawn, or until the subscriber exercises the right to reverse the decision to purchase the securities (as described on the cover of this offering statement). If the offering is completed, the proceeds will be released from Escrow and used to pay for the shares for which the member subscribed. If the offering is withdrawn, or if the subscriber reverses the decision to buy, the proceeds will be refunded in full, plus interest calculated at a rate equal to the Credit Union's 30-day term deposit rate, pro-rated for the number of days the funds were in Escrow, to those who subscribed.

The above-noted terms and conditions regarding holds on subscribers' deposit accounts and regarding Escrow accounts are detailed on the Credit Union's subscription form for Class B Investment Shares, Series 5 and on separate agreements, to be signed by subscribers, authorizing transfers and holds on deposit accounts and/or placement of proceeds in Escrow accounts. Copies of the subscription form and the forms for authorization of a hold on funds in deposit accounts and/or placement of funds in Escrow accounts are printed on page 78.

If fully subscribed, the gross proceeds to be derived by the Credit Union from the sale of the Class B Investment Shares, Series 5 shall be $20,000,000. The costs of issuing these securities are expected to be approximately $300,000 after applicable tax savings, will be deducted from the gross proceeds in arriving at the amount to be reported as share capital outstanding. The estimated maximum net proceeds of this offering of securities are $19,700,000.

No Class B Investment Shares, Series 5, will be issued until the minimum aggregate subscription amount received in respect of such shares is equal to at least $5,000,000. Should the minimum subscription amount of $5,000,000 not be received by a particular Closing Date, then subscriptions for Class B Investment Shares, Series 5, received will be deferred until the next Closing Date, and the Class B Investment Shares, Series 5, subscribed for will be issued at the next applicable issuance date outlined above, subject to the minimum subscription amount of $5,000,000 having been met by the next Closing Date. If the aggregate subscription amount received by the final Closing Date of January 23, 2026 is less than $5,000,000, then this offering for Class B Investment Shares, Series 5, will be cancelled and withdrawn without shares being issued (in which case all funds "frozen" or held in Escrow to support subscriptions will be returned to the applicable members within thirty (30) days thereof, with applicable interest) unless this offering has been renewed with the approval of the Chief Executive Officer of FSRA.

The Class B Investment Shares, Series 5, will not be sold by underwriters or other dealers in securities. The minimum subscription per member shall be $1,000 for 1,000 Class B Investment Shares, Series 5. The maximum subscription per member shall be $1,000,000 for 1,000,000.

MARKET FOR THE SECURITIES

There is no market for the Class B Investment Shares, Series 5. <u>These securities may only be transferred to another member of the Credit Union</u>.

SENIOR DEBT (RANKING AHEAD OF CLASS B INVESTMENT SHARES, SERIES 5)

On March 29, 2022, the Credit Union issued $75.0 million principal amount of subordinated debt with term to maturity of ten years, redeemable after five years. The interest rate on the facility is fixed at issue date under specified conditions for five years (the "base rate"), with the potential for an additional interest rate being applied to the base rate where such conditions are not met during the five year period. Thereafter if the subordinated debt is not redeemed, a floating rate is applicable. As of April 30, 2025, $75.0 million principal amount remains outstanding.

DUCA's credit facilities to support its operations include access to a line of credit of $300.3 million with Central 1, of which $90.0 million is prescribed for the guarantee of payment on third party municipalities, universities, school boards and hospitals deposits with the Credit Union as agreed to by Central 1 and $25.0 million is prescribed towards letters of credit issued on behalf of the Credit Union. The line of credit is secured by a general security agreement covering all the assets of the Credit Union.

The period end balance, outstanding on the Central 1 credit facilities of the Credit Union during the four-months period ended April 30, 2025, and during its fiscal years ended December 31, 2024, 2023, and 2022 is outlined below. In addition, high and low month end balances outstanding are also shown.

$ millions	Operating Line			Term Loan		
Period Ended	**Period Ending Balance**	**High Balance**	**Low Balance**	**Period Ending Balance**	**High Balance**	**Low Balance**
April 30, 2025	$10.0	$32.0	$10.0	$0	$0	$0
December 31, 2024	$0	$32.0	$0	$0	$115.0	$0
December 31, 2023	$7.0	$32.0	$0	$115.0	$115.0	$0
December 31, 2022	$0	$110.0	$0	$110.0	$110.0	$0

$ millions	Standby Letter of Credit Line			Financial Guarantee Line			Capital Market Line		
Period Ended	**Period Ending Balance**	**High Balance**	**Low Balance**	**Period Ending Balance**	**High Balance**	**Low Balance**	**Period Ending Balance**	**High Balance**	**Low Balance**
April 30, 2025	$10.0	$20.0	$10.0	$74.0	$74.0	$59.0	$0	$0	$0
December 31, 2024	$12.0	$12.0	$8.0	$41.0	$64.0	$17.0	$0	$0	$0

December 31, 2023	$8.4	$10.8	$8.4	$26.2	$45.0	$0	$0	$0	$0
December 31, 2022	$10.8	$16.7	$10.8	$45.0	$45.0	$41.3	$0	$0	$0

A line of credit facility is maintained with Fédération des Caisses Desjardins du Québec and Desjardins Capital Markets up to a maximum of $250.0 million and is secured by a pledge of residential mortgages. As of April 30, 2025, this credit facility was unused.

The period end balance on its Fédération des Caisses Desjardins du Québec and Desjardins Capital Markets credit facilities during the 4 months period ended April 30, 2025 and during its fiscal years ended December 31, 2024, 2023 and 2022 as well as high and low month end balances outstanding are also shown.

$ millions	**Canadian-Dollar Operating Line**		
Period Ended	**Period Ending Balance**	**High Balance**	**Low Balance**
April 30, 2025	$0	$30.0	$0
December 31, 2024	$0	$180.0	$0
December 31, 2023	$250.0	$250.0	$100.0
December 31, 2022	$250.0	$250.0	$0

On March 4, 2019 the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with National Bank Financial Inc., which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that they are holding for liquidity. As of April 30, 2025, this credit facility was unused.

On May 29, 2020, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with Bank of Montreal, which gives the Credit Union access to an uncommitted $400.0 million credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity. As of April 30, 2025, this credit facility was unused.

On July 28, 2020, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with Central 1, which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity. As of April 30, 2025, this credit facility was unused.

On June 17, 2022, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with Royal Bank of Canada, which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity. As of April 30, 2025, the credit facility was unused.

On January 19, 2024, the Credit Union entered into the Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with CIBC, which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity. Since inception and as of April 30, 2025, the credit facility was unused.

The period end balance on various credit facilities associated with Global Master Repurchase Agreements during the four-months period ended April 30, 2025 and during its fiscal years ended December 31, 2024, 2023, and 2022 as well as high and low balances outstanding are also shown.

$ millions	**National Bank**			**Bank of Montreal**			**Royal Bank of Canada**			**Central 1**		
Period Ended	**Period Ending Balance**	**High Balance**	**Low Balance**	**Period Ending Balance**	**High Balance**	**Low Balance**	**Period Ending Balance**	**High Balance**	**Low Balance**	**Period Ending Balance**	**High Balance**	**Low Balance**
30-Apr-25	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
31-Dec-24	$0	$78.2	$0	$0	$0	$0	$0	$81.3	$0	$0	$0	$0
31-Dec-23	$0	$297.1	$0	$0	$200.0	$0	$0	$189.2	$0	$0	$0	$0
31-Dec-22	$0	$333.5	$0	$31.3	$309.4	$0	$0	$0	$0	$0	$0	$0

The Credit Union securitizes and sells certain uninsured residential mortgages into a Schedule I bank's conduit (Banner Trust) under an asset backed securitization program with an outstanding securitization liability balance of $302.6 million as of April 30, 2025 [December 31, 2024 - $330.0 million, December 31, 2023 - $330.0 million, 2022 - $125.0 million].

The Credit Union securitizes and sells certain uninsured residential mortgages into a Schedule I bank's conduit (Safe, Sound Sure and Stable Trust) under an asset back securitization program with an outstanding securitization liability balance of $132.0 million as of April 30, 2025 [December 31, 2024 - $132.0 million, December 31, 2023 - $132.0 million, 2022 – not applicable].

Members' deposits in the Credit Union, as well as its other liabilities, including the securitization liabilities set out on the audited financial statements and interim financial statements attached to this offering statement as Schedules A and B rank prior to the Credit Union's obligations to the holders of any class or series of its shares, including the Class B Investment Shares, Series 5.

Auditors, Registrar and Transfer Agent

The auditors of the Credit Union are Ernst & Young LLP, Chartered Professional Accountants, Licensed Public Accountants, Ernst & Young Tower, 100 Adelaide Street West, Toronto, ON M5H 0B3 (phone: 416 864 1234, fax: 416 864 1174, website www.ey.com). The auditor is independent with respect to the Credit Union within the meaning of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

The registrars and transfer agents for the Class B Investment Shares, Series 5 are designated staff of the Credit Union.

DIRECTORS AND SENIOR MANAGEMENT

1) Board of Directors

The following table sets forth the Board of Directors of the Credit Union:

Name/Municipality of Residence	Principal Occupation	Position/Office
Lee Bennett Toronto, Ontario	Board Director	Independent Director & Chair of Nominations Committee
Janet Cloud Etobicoke, Ontario	Consultant	Independent Director
Carlo Crozzoli Toronto, Ontario	Chartered Professional Accountant (CPA)	Independent Director & Chair of HR & Compensation Committee
Steve Dobronyi Toronto, Ontario	Board Director	Independent Director, Board Vice-Chair & Chair of Governance Committee
Jennifer Fang Richmond Hill, Ontario	Board Director	Independent Director
Bruce Schouten Huntsville, Ontario	Board Director	Independent Director & Chair of Risk Committee
Anita Stefan. Mississauga, Ontario	Board Director	Independent Director, Chair of Audit Committee
Tom Vandeloo Richmond Hill, Ontario	Board Director	Independent Director
Michelle Wassenaar Toronto, Ontario	Lawyer/Founder, Method Law Professional Corporation	Independent Director & Board Chair

2) Senior Management

The following table sets forth the senior management of the Credit Union:

Name/Municipality of Residence	Position/Title
Doug Conick Burlington, Ontario	President and Chief Executive Officer
Mo Mauri Hamilton, Ontario	Chief Commercial Banking Officer

Karey Carson Toronto, Ontario	Chief People and Culture Officer
Jonathan Goodman Burlington, Ontario	Chief Risk Officer
Yan Xu Pickering, Ontario	Chief Financial Officer
Afzal Hussain Richmond Hill, Ontario	Vice President, Internal Audit
Keith Taylor Hamilton, Ontario	Executive Director, DUCA Impact Lab
Phillip Taylor Toronto, Ontario	Chief Member Experience Officer
Aron Rogers Toronto, Ontario	Chief Technology Officer
Tom Robertson Toronto, Ontario	CEO of Continental Currency Exchange
Michael Creasor Barrie, Ontario	Treasurer
Pippa Nutt Toronto, Ontario	Chief Marketing and Member Solutions Officer

Mr. Conick joined the Credit Union in November 2016. Prior to joining the Credit Union Mr. Conick held a range of professional and leadership roles at PricewaterhouseCoopers, BMO and RBC and over 15 years at Manulife Financial, which included the role of President and CEO of Manulife Bank & Trust Canada.

Mr. Mauri joined the Credit Union in June 2018. Prior to joining the Credit Union, Mr. Mauri worked at RBC, HSBC, Meridian Credit Union and FirstOntario Credit Union.

Ms. Carson joined the Credit Union in August 2017. Prior to joining the Credit Union, Ms. Carson worked at Travelers Insurance and held senior leadership positions there, including Interim Chief Risk Officer, and Vice President, Human Resources. Before coming to the Credit Union, Ms. Carson was Chief Operating Officer at SCM Health Solutions, and worked as a consultant in human resource transformation at the Ontario public service.

Mr. Goodman joined the Credit Union in November 2018. Prior to joining the Credit Union, Mr. Goodman led a boutique consulting firm focused on businesses in the financial technology, telecommunication, insurance, and finance industries. Mr. Goodman also has over 17 years of experience at CIBC where he led risk management, credit, collections, product and operations functions at an executive level.

Mr. Hussain joined the Credit Union in August 2011. Prior to joining the Credit Union, Mr. Hussain worked at Deloitte and other industries including high-tech, pharmaceuticals and the banking sector including RBC and TD Bank. Mr. Hussain holds a CA, CPA, CISA, CAMS, CPDSE and CISM.

Ms. Xu joined the Credit Union in September 2020 as Chief Financial Officer. Prior to the Credit Union, Ms. Xu held progressively senior finance roles at TD Bank and Home Capital Group, after obtaining her CPA designation with PricewaterhouseCoopers earlier in her career. Ms. Xu is also a CFA charter holder.

Mr. Keith Taylor joined the Credit Union in October 2014. Prior to the Credit Union, Mr. Keith Taylor was a Director with the Simpact Strategy Group, with responsibility for the London Benchmarking Group in Canada, advising a group of 46 companies on corporate community investment of approximately $500 million annually.

Mr. Phillip Taylor joined the Credit Union in September 2017. Prior to the Credit Union, Mr. Phillip Taylor was employed by ING Direct/Tangerine for 13 years. Mr. Phillip Taylor held a variety of progressing roles at ING Direct/Tangerine, and most recently served as its Vice President Service, Sales & Retail Experience.

Mr. Rogers joined the Credit Union in 2018 to lead a core banking conversion program and most rejoined the Credit Union in November 2021 as the CTO. Mr. Rogers has extensive technology experience in the financial services sector, having led digital transformation initiatives at Tangerine, BMO, and Aviva.

Ms. Nutt joined the Credit Union in March 2020. Prior to the Credit Union, Ms. Nutt was a Managing Partner in a mid-size North-American performance marketing agency, Northern Lights Direct, now known as GainShare where she led the Digital Marketing team.

Mr. Creasor started with DUCA in November 1985 and held progressively more senior roles throughout the Credit Union over the past 39 years.

Mr. Robertson joined the Credit Union leadership team when the Credit Union acquired CCE in March 2022. Mr. Robertson started with CCE in June 2020, prior to that holding progressively senior roles in the financial services sector, including SunLife Financial and TD Bank Group.

LAWSUITS AND OTHER MATERIAL OR REGULATORY ACTIONS

As of April 30, 2025, except for actions that may be used to recover delinquent loans where the Credit Union is the plaintiff, the Credit Union is not aware of any pending or contemplated material legal proceedings to which it is a party.

The Credit Union is not aware of any regulatory actions pending or contemplated against the Credit Union.

MATERIAL INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES

All loans to the directors, officers and employees of the Credit Union and their spouses and immediate dependent family members are made in the normal course of business, using standard credit granting criteria. The loans are made to these individuals on the same terms and conditions as loans are made to the general membership except as to a rate discount available to full-time and benefit-eligible part-time employees of the Credit Union and subsidiaries pursuant to the Credit Union's employee mortgage and loan discount policy.

The aggregate value of loans and line of credit advanced in all categories to restricted parties of the Credit Union, as of April 30, 2025, amounted to $3.1 million. No allowance was required in respect of these loans.

As members of the Credit Union, directors, officers and employees of the Credit Union each hold Membership Shares in the number required to maintain membership in the Credit Union. Accordingly, each director, officer and employee may subscribe for the Class B Investment Shares, Series 5, should any of such persons wish to do so.

MATERIAL CONTRACTS

The following material contracts have been entered into by, or have bound, the Credit Union during the last three (3) years.

1) **General Security Agreement with Central 1 Credit Union, dated October 1, 2012**

The Credit Union has granted to Central 1 a general security interest in all of its assets to secure its obligations under the credit facility. This security interest does not extend to assets which the Credit Union is holding to meet its regulatory liquidity requirements. The agreement outlines certain defaults; when a default has occurred, Central 1 is permitted to withhold further advances and demand repayment of all sums owing.

2) **Master Banking Services Agreement with Central 1, dated June 19, 2023**

This agreement regulates all aspects of the Credit Union's relationship with Central 1 including banking services, credit facilities, clearing and settlement services, bill payment services, direct deposit services, pre-authorized debit services, among other services. The agreement may be terminated by Central 1 without notice at any time if any of the Credit Union's representations or warranties are untrue, or if the Credit Union breaches any term of this agreement and such breach is not cured within 30 days after notice. The Credit Union also has the right to terminate the agreement without notice if Central 1 breaches any term of this agreement and such a breach is not cured within 30 days after notice. The Credit Union also has the right to terminate the agreement by paying its indebtedness, terminating any other lending or credit agreement it has with Central 1, paying in full the amount of any guarantee it has given of the indebtedness of another person, and performing its obligations under any security agreement granted by the Credit Union in favour of Central 1.

3) **Forge Master Agreement with Intellect Design Arena Inc., dated January 16, 2023**

This agreement provides access to digital banking services for the Credit Union's members on both web and mobile devices. It also provides public website services. The agreement was initially signed with Central 1 but was assigned to Intellect Design effective March 1, 2025. The agreement ends on January 5, 2028, but has provisions for early termination by the Credit Union.

4) **Second Amended and Restated Credit Agreement with Fédération des Caisses Desjardins du Québec and Desjardins Capital Markets, dated June 29, 2018**

This agreement provides the Credit Union with its credit facility with Fédération des Caisses Desjardins du Québec and Desjardins Capital Markets up to a maximum of $250.0 million and is secured by a pledge of residential mortgages. With each borrowing, the Credit Union has the opportunity to choose the assets securing that advance, which determines the margin percentage applicable to that loan.

5) **The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with National Bank Financial Inc., Bank of Montreal, Central 1,**

Royal Bank of Canada and CIBC dated March 4, 2019, May 29, 2020, July 28, 2020 June 17, 2022 and January 19, 2024 respectively

These agreements provide the Credit Union access to uncommitted credit facilities where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity.

6) **Mortgage Loan Co-ownership and Servicing Agreement with Banner Trust, dated April 16, 2019 and with Safe, Sound, Sure and Stable Trust, dated December 21, 2023**

These agreements allow the Credit Union to securitize and sell eligible uninsured residential mortgages into two Schedule I banks' conduits (Banner Trust and Safe, Sound, Sure and Stable Trust) under the Schedule 1 banks' asset backed securitization program. See note 10 in audited financial statements of the Credit Union in Schedule A and note 9 in the interim financial statements in Schedule B of this offering statement for additional details.

7) **ISDA Master Agreement and Schedule with Caisse Centrale Desjardins, dated June 21, 2024**

This agreement enables the Credit Union to enter into derivative contracts with Caisse Centrale Desjardins. The Credit Union, as of April 30, 2025, had option contracts in place under this master agreement and schedule, with an aggregate notional value of $45 million, maturing between June 5, 2025 and April 11, 2030. Entering into these contracts reduces the market risk to the Credit Union in offering its members the index-linked term deposit product offered by Desjardins Investments Inc., outlined below.

8) **Financial Services Agreement with Desjardins Investments Inc., dated June 13, 2013**

This agreement allows the Credit Union to offer to its members branded index-linked term deposit products based on those marketed by Desjardins Investments Inc. The market risk of these products is hedged through derivative contracts entered into pursuant to the ISDA Master Agreement and Schedule discussed above. The agreement continues indefinitely unless terminated by either party while no sales campaign is ongoing. The Credit Union pays fees to Desjardins Investments Inc. as required by the agreement. Neither party may assign this agreement to another person except as permitted by the agreement.

9) **ISDA Master Agreement and Schedule with Central 1, dated October 1, 2012**

This agreement enables the Credit Union to enter into derivative contracts with Central 1. The Credit Union, as of April 30, 2025, had 3 foreign exchange contracts under this master agreement and schedule, with an aggregate notional value of $98 million USD, maturing between May 8, 2025 and May 23, 2025. Entering into these contracts reduces foreign exchange risk to the Credit Union.

10) **ISDA Master Agreement and Schedule with Bank of Montreal, National Bank of Canada and CIBC dated October 27, 2021, October 29, 2021 and December 13, 2023**

These agreements enable the Credit Union to enter into derivative contracts with these counterparties. The Credit Union, as of April 30, 2025, had 9 interest rate swap contracts under the various master agreements and schedules, with an aggregate notional value of $325 million, maturing between March 28, 2028 and April 14, 2035. Entering into these contracts reduces interest rate risk to the Credit Union.

11) Investment Management Agreement with Credential Asset Management Inc. and Credential Securities Inc. (AVISO), dated September 16, 2023

This agreement enables the Credit Union to offer online and full brokerage, and mutual fund products to its members. Credential Securities Inc. provides staffing, operational processes, and infrastructure necessary to provide services at an industry-competitive standard that meets or exceeds the service level requirements agreed to by the parties. Credential pays the Credit Union compensation for its efforts in accordance with a schedule to the agreement. The agreement is for 12 months and then continues perpetually, unless terminated in accordance with its terms. The Credit Union is a limited partner in the limited partnership which owns a 50% interest in Aviso Wealth Inc., which now wholly owns Credential Securities Inc. and Credential Asset Management Inc.

12) Mortgage Origination and Servicing Agreements with Community Trust, dated March 9, 2020

This agreement allows the Credit Union to purchase certain eligible Mortgage Loans from Community Trust on a fully serviced basis. The agreement can be terminated for cause in accordance with its terms. The agreement can generally be assigned only with the prior written consent of the other party.

13) Mortgage Transfer and Servicing Agreements with Various Financial Institutions for Insured Commercial Multi-Family Residential Mortgage Loans dated July 3, 2019, February 29, 2020, Nov 2, 2020, and August 18, 2021

These agreements allow the Credit Union to purchase certain eligible insured Multi-Family Residential Mortgage Loans from the counterparty financial institutions on a fully serviced basis. The Credit Union may sell such loans to Canada Mortgage and Housing Corporation or CMHC, the MBS Investors or Canada Housing Trust for purposes of issuing Canada Mortgage Bond or CMB or to other investors. The Credit Union is not under any obligation to acquire any loans from any of the financial institutions. The agreement can be terminated for cause in accordance with its terms. The agreements can generally be assigned on the prior written consent of the other party.

14) Agreement with Open Solutions DTS, Inc. (Fiserv Inc.), dated January 3, 2019

This agreement provides the Credit Union with core banking software and various modules including deposit services, lending services, loan related interface, marketing, finance, operations, ATM network related interface and internet banking interface. The agreement also provides custom modifications, enhancements and programming services related to Fiserv's proprietary products. The agreement is valid till January 3, 2029.

15) Master Service Agreement with Celero Solutions Inc., dated February 4, 2019

This agreement provides license and support to the Credit Union's core banking system for service, delivery management, operations, server hardware and software support, multi-point integrator, network architecture and support, security architecture and administration and disaster recovery. The agreement commenced on

February 4, 2019 and continues until terminated. The agreement may be terminated by either party with written notice of one hundred eighty days.

16) Master Agreement with ASAPP Financial Technology Inc. dated September 1, 2022

This agreement provides access to account opening system for new applications and other functional and technical support related to that. Services provided by ASAPP includes digital agency services and platform support services. The agreement is valid for five years and thereafter until terminated the agreement will be renewed for five year terms.

17) Master Agreement with Lodestar Technologies Inc. dated August 16, 2022

This agreement provides DUCA with access to software license, annual support, maintenance, installation, and implementation services. Lodestar enables DUCA to generate reports from reporting data as contained on the reporting database. The agreement is effective until terminated. The agreement will also terminate if either party materially breaches any term or condition of the agreement and fails to cure such breach upon thirty days written notice of such breach.

18) Master Agreement with Doxim Solutions ULC dated March 30, 2021

This agreement provides services related to statements generated by the Credit Union's core banking system through the Doxim ECM module. The agreement continues until terminated in writing by either party upon thirty days prior written notice.

19) Master Agreement with Fiserv Inc. dated June 26, 2015

The agreement provides access to Fiserv's product modules that enable the Credit Union to perform various back-office functions including general ledgers, accounts payable, investments and budgeting and forecasting activities. The agreement was amended on July 31, 2018 for an eight year term ending July 31, 2026 after which the term automatically renews for 1 year.

20) Agreement with Equinix Canada Ltd. dated September 21, 2017

This agreement provides data centre, co-location services and networking services. The initial service term is valid until March 31, 2026, after which services are automatically converted to a month-to-month basis. Services can be terminated with a written notice of thirty days.

21) Agreement with Factiva Limited dated July 30, 2019

The agreement provides the Credit Union with access to its risk and compliance database search platform containing web content and information licensed from third parties including newswires, articles, journals and newspapers which allows the Credit Union to carry out batch name screening against the risk & compliance data.

22) Agreement with CMLS Financial Ltd. dated March 10, 2020

The agreement provides mortgage underwriting services to the Credit Union through broker and Credit Union originated mortgages. The agreement also provides credit bureau checks, digital signature capability, identity verification, bank statement download, and employment verification checks. The agreement can be terminated upon eleven months' written notice.

23) Master Communications Agreement with Bell Canada, dated September 21, 2017

This agreement provides the Credit Union with all its required telecommunication services. The agreement continues until the term of the last remaining schedule expires or terminates. Bell provides network and telecommunication services including business internet, business phones, multiprotocol label switching, on demand contact center and toll-free number. Fees may be changed for the renewal term by providing notice of the changed fees at least 90 days before the term of the schedule expires.

24) Master Agreement for Switching Services with CGI dated May 1, 2024

This agreement is for the provision of connectivity services for shared-cash dispensing and point-of-sale services through automated teller machines. CGI who purchased Celero Solutions Inc. acts as the group processor while Everlink provides the underlying services. The agreement expires on May 1, 2031, after which the Credit Union can extend the agreement to May 1, 2034. If a termination is based on a non-monetary breach of the agreement, the defaulting party must be given at least 30 days' prior notice of termination. If a termination is based on a monetary breach, the termination can occur immediately after notice of the default and a remedial period lasting thirty days.

MANAGEMENT'S DISCUSSION & ANALYSIS

The purpose of this report is to provide the readers of this offering statement with Management's insights of the Credit Union's financial results for the fiscal year ended December 31, 2024, 2023 and 2022 and for the four-months period ended April 30, 2025. The audited financial statements and interim financial statements are attached hereto as Schedule A and B respectively. This report will provide an overview of growth and profitability of the Credit Union.

Four-months Period Ended April 30, 2025

Compared to December 31, 2024, assets declined by $425 million (6%) primarily as a result of decline in the loan portfolio of $267 million (4%) due to portfolio maturity as the Credit Union exercised prudence in adding new business in order to optimize profitability, capital and liquidity. The Credit Union's members' deposits decreased by $340 million (5%). The Credit Union's leverage ratio increased to 5.81% from 5.74% due primarily to lower assets.

The Credit Union's net interest income increased to 0.94% (annualized) of average assets held during the four-months period ended April 30, 2025, from 0.73% (annualized) of average assets held during the same period in 2024. The increase reflects improving margin as the inverted interest rate yield curve which reduced margin continued to normalize during the year as well as timing of loan prepayment interest income realized year to date. The Credit Union's non-interest income increased to 0.53% (annualized) of average assets during the period ended April 30, 2025, from 0.44% (annualized) of average assets held during the same period in 2024, primarily driven by lower average assets. The Credit Union's non-interest expenses increased to 1.24% (annualized) of average assets held during the period ended April 30, 2025, from 1.10% (annualized) of average assets held during the same period in 2024, primarily driven by lower average assets. The Credit Union's comprehensive income increased to 0.23% (annualized) of average assets held during the period ended April 30, 2025, compared to comprehensive income of 0.08% (annualized) of average assets held during the same period in 2024, driven by unrealized gains on derivatives designated as cash flow hedges.

Fiscal Year Ended December 31, 2024

Compared to December 31, 2023, assets declined by $192 million (3%) primarily as a result of decline in the Credit Union's loan portfolio of $360 million (5%) as the Credit Union prioritized profitability over asset growth. The Credit Union's members' deposits increased by $273 million (5%) as the Credit Union increased its liquidity position in order to be better prepared to operate under the uncertain macro-economic environment. The Credit Union's leverage ratio decreased to 5.74% from 5.80% due to lower earnings contribution year over year.

The Credit Union's net interest income increased to 0.75% of average assets held during the fiscal year ended December 31, 2024, slightly higher from 0.73% of average assets held during the fiscal period ended December 31, 2023 as interest margin continued to stabilize as the inverted interest rate yield curve which reduced margin in the prior year continued to normalize. The Credit Union's non-interest income decreased to 0.52% of average assets during the fiscal year ended December 31, 2024, from 0.79% of average assets held for the fiscal period ended December 31, 2023, driven by a number of one-time gain realized in 2023 which did not repeat in 2024. The Credit Union's non-interest expenses decreased to 1.16% of average assets held during the fiscal year ended December 31, 2024, from 1.21% of average assets held during fiscal year ended December 31, 2023, driven by lower average assets. The Credit Union's comprehensive income decreased to 0.06% of average assets held during the fiscal year ended December 31, 2024, compared to comprehensive income of 0.17% of average assets held during the fiscal year ended December 31, 2023.

Fiscal Year Ended December 31, 2023

Compared to December 31, 2022, assets increased by $736 million (11%) primarily as a result of increase in the Credit Union's loan portfolio of $520 million (8%). The Credit Union's members' deposits increased by $367 million (7%). The Credit Union's leverage ratio decreased to 5.80% from 6.34% due to higher assets year over year.

The Credit Union's net interest income decreased to 0.73% of average assets held during the fiscal year ended December 31, 2023, from 1.24% of average assets held during the fiscal period ended December 31, 2022. The decrease reflects higher funding costs which outpaced asset yield during a period of steeply inverted interest rate yield curve. The Credit Union's non-interest income increased to 0.79% of average assets during the fiscal year ended December 31, 2023, from 0.45% of average assets held for the fiscal period ended December 31, 2022, driven by derivatives gains and gains related to the merger with United Employees Credit Union. The Credit Union's non-interest expenses decreased to 1.21% of average assets held during the fiscal year ended December 31, 2023, from 1.38% of average assets held during fiscal year ended December 31, 2022, driven by prudent management of expenses. The Credit Union's comprehensive income decreased to 0.17% of average assets held during the fiscal year ended December 31, 2023, compared to comprehensive income of 0.25% of average assets held during the fiscal year ended December 31, 2022.

Fiscal Year Ended December 31, 2022

Compared to December 31, 2021, assets increased by $1.4 billion (26%) primarily as a result of increase in the Credit Union's loan portfolio of $1.5 billion (32%). The Credit Union's members' deposits increased by $1.05 billion (23%). The Credit Union's leverage ratio decreased to 6.34% from 6.77% a year ago due to higher assets year over year.

The Credit Union's net interest income decreased to 1.24% of average assets held during the fiscal year ended December 31, 2022, from 1.59% of average assets held during the fiscal period ended December 31, 2021. The decrease was driven by higher funding cost which began in 2022 after the Bank of Canada aggressively raised interest rates to combat high inflation which led to an inverted interest rate yield curve that negatively impacted margins. The Credit Union's non-interest income increased to 0.45% of average assets during the fiscal year ended December 31, 2022, from 0.27% of average assets held for the fiscal period ended December 31, 2021 driven by the addition of revenue from the acquisition of Continental Currency Exchange during 2022. The Credit Union's non-interest expenses increased for the year to 1.38% of average assets held during the fiscal year ended December 31, 2022, from 1.26% of average assets held during fiscal year ended December 31, 2021 driven by ongoing investment to support growth. The Credit Union's comprehensive income decreased to 0.25% of average assets held during the fiscal year ended December 31, 2022, compared to comprehensive income of 0.48% of average assets held during the fiscal year ended December 31, 2021.

The following table presents financial performance indicators for the fiscal years ended December 31, 2024, 2023, and 2022 and the four-months period ended April 30, 2025. These figures are based on the audited and interim financial statements as of each period-end. (Figures provided as Basis Points are calculated on the basis of average assets held during the period calculated using a simple average of the opening and closing total asset balance.)

Financial Performance Indicators	Four Months Ended April 30, 2025	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022
Profitability				
Total assets ($000's)[1]	7,054,678	7,479,809	7,672,141	6,936,460
Total average assets[1] ($000's)	7,267,244	7,575,975	7,304,301	6,229,058
Net income ($000's)	2,568	2,440	17,331	16,321
Comprehensive income ($000's)	5,489	4,550	12,680	15,279
Net income before taxes[2] (bp)	14	4	30	32
Net interest income[2] (bp)	94	75	73	124
Non-interest income[2] (bp)	53	52	79	45
Provision for (recovery of) credit Losses[2] (bp)	10	8	2	(1)
Non-interest expense[2] (bp)	124	116	121	138
Provision for (recovery of) income taxes[2] (bp)	3	0	6	6
Other comprehensive income[2] (bp)	12	3	(6)	(2)
Compliance with Capital Requirements				
Total supervisory capital ($000s)	410,874	434,554	446,549	443,108
Tier 1 Capital Ratio % - policy limit / regulatory minimum	7.00% / 6.50%	7.00% / 6.50%	7.00% / 6.50%	7.00% / 6.50%
Tier 1 Capital Ratio % - actual	9.53%	9.78%	9.79%	10.62%
Retained earnings to Risk Weighted Assets Ratio - policy limit / regulatory Minimum	3.25% / 3%	3.25% / 3%	3.25% / 3%	3.25% / 3%
Retained Earnings to Risk Weighted Capital Ratio - Actual	4.31%	4.22%	4.16%	4.23%
Capital Conservation Buffer Ratio % - policy limit/Regulatory Minimum	2.50% / 2.50%	2.50% / 2.50%	2.50% / 2.50%	2.50% / 2.50%
Capital Conservation Buffer Ratio % - Actual	3.03%	3.28%	3.29%	4.12%
Total Supervisory Capital Ratio % - Policy Limit/Regulatory Minimum	11.00% / 10.5%	11.00% / 10.5%	11.00% / 10.5%	11.00% / 10.5%

Total Supervisory Capital Ratio % - Actual	11.91%	12.02%	11.96%	13.01%
Leverage Ratio – Policy Limit/Regulatory Minimum	4.00% / 3.00%	4.00% / 3.00%	4.00% / 3.00%	4.00% / 3.00%
Leverage Ratio - Actual	5.81%	5.74%	5.80%	6.34%
<u>Loan Composition</u>				
Total gross loans outstanding ($000's)	6,270,488	6,537,862	6,897,717	6,377,601
Mortgage Loans (% of gross loans outstanding)	72%	72%	75%	76%
Personal Loans (% of gross loans outstanding)	4%	4%	2%	2%
Commercial Loans (% of gross loans outstanding)	24%	24%	23%	22%
<u>Loan Quality</u>				
Allowance for credit losses (% of gross loans outstanding)	0.20%	0.17%	0.10%	0.09%
Allowance for Mortgage Loans (% of Mortgage Loans)	0.11%	0.08%	0.06%	0.04%
Allowance for Personal Loans (% of Personal Loans)	0.17%	0.18%	0.18%	0.29%
Allowance for Commercial Loans (% of Commercial Loans)	0.50%	0.45%	0.24%	0.26%
Provision for credit losses[1] (bps)	10	8	2	(1)

[1] Comparative balances shown in the table above have been restated to be consistent with current period presentations.

[2] Numbers for the four-months ended April 30, 2025 are annualized for presentation purposes.

Further analysis is presented in the audited financial statements and interim financial statements that are attached hereto as Schedule A and Schedule B.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for the preparation, presentation and consistency of the financial statements. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. The preparation of the financial statements necessarily involves the use of estimates and approximations which are made using careful judgment. Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information and to ensure assets under the control of the Credit Union are safeguarded and accurate records are maintained.

The Audit Committee of the Board meets periodically with management and the external auditors to review the internal accounting controls and the quality of the financial reporting process. The committee reviews the financial statements and the management letter with management and the external auditors, and reports to the Board on its findings prior to the Board's approval of the audited financial statements. The committee then ensures that appropriate and timely action is taken to address any identified exposures in the management letter. The Audit Committee's role is discussed further at page 20. The internal and external auditors have full and unrestricted access to the Audit Committee with and without the presence of management.

The Board is responsible for ensuring that management fulfils its responsibilities for financial reporting and meets at least quarterly to review and approve management's financial reports.

The Financial Services Regulatory Authority of Ontario conducts assessments of the financial condition and affairs of credit unions under Part X of the Credit Unions and Caisses Populaires Act (Ontario) using the approach set out in FSRA Approach Guidance No. CU0083APP, Risk Based Supervisory Framework for Credit Unions. The primary focus of FSRA's supervisory work is on determining the impact of current and potential future internal and external events on the risk profile of the credit union.

Ernst & Young LLP, the external auditors, have audited the 2024 year-end financial statements attached hereto as Schedule A in accordance with Canadian generally accepted auditing standards and their report is shown as part of those statements.

Douglas S Conick

Doug Conick

President and Chief Executive Officer

Yan Xu

Chief Financial Officer

Ernst & Young LLP
Chartered Professional Accountants
Ernst & Young Tower
100 Adelaide Street West
Toronto, ON, M5H 0B3

Tel: 416 864 1234
Fax: 416 864 1174
www.ey.com

AUDITOR'S CONSENT

To the Board of Directors of DUCA Financial Services Credit Union Ltd.

We consent to the use of our report to the Members of DUCA Financial Services Credit Union Ltd. (the "Credit Union") on the consolidated statement of financial position of the Credit Union as at December 31st, 2024, and the consolidated statements of income, comprehensive income, changes in Members' equity and cash flows for the year ended December 31, 2024, and notes to the consolidated financial statements, including material accounting policy information in the offering statement of the Credit Union dated July 29, 2025 relating to the issuance and sale of Class B Investment Shares, Series 5 of the Credit Union. Our report is dated February 28, 2025.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
July 29, 2025

STATEMENT OF OTHER MATERIAL FACTS

There are no other material facts relating to the issues of securities in this offering statement which have not been suitably disclosed herein.

CERTIFIED COPY OF RESOLUTION OF THE BOARD OF DIRECTORS

OF

DUCA FINANCIAL SERVICES CREDIT UNION LTD.
(the "Credit Union")

"1. The Board of Directors of the Credit Union hereby approves the Offering Statement to be dated the 29th day of July, 2025 for the Credit Union's Class B, Series 5 shares, including all attachments, exhibits, schedules and enclosures thereto, in the form and content now presented to the Board of Directors (the "Offering Statement").

2. The Board of Directors of the Credit Union hereby approves the issue of Class B, Series 5 shares of the Credit Union, subject to the Articles of Amalgamation of the Credit Union, as amended, and as described in the Offering Statement.

3. The authorized signing officers of the Credit Union be and are hereby authorized and directed to accept subscriptions for the said Class B, Series 5 shares, to take such steps and make such entries in the Credit Union's books and records so as to issue such shares, and to otherwise carry out the offering of shares contemplated by the Offering Statement in accordance with the terms thereof, and such officers' signatures shall be conclusive evidence that the documents and instruments so executed are authorized by this resolution."

I CERTIFY the above to be a true copy of a resolution adopted by the Board of Directors of DUCA Financial Services Credit Union Ltd. at their meeting of the 23rd day of June 2025, which resolution remains in full force and effect, unamended as of the date hereof.

DATED the 24^{th} day of June 2025.

A. Kurowska

ALEKSANDRA KUROWSKA
Corporate Secretary

CERTIFICATE OF DISCLOSURE

Form 1

Credit Unions and Caisses Populaires Act, 2020

CERTIFICATE OF DISCLOSURE
(Subsection 70(4) of the Act)

The foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Offering Statement as required by Part IV of the Credit Unions and Caisses Populaires Act, 2020, and the regulations thereunder, and such other information as may be prescribed by regulation.

CERTIFIED at Toronto, Ontario, this 29th day of July, 2025.

Douglas S Conick

Doug Conick, President and Chief Executive Officer

Michelle Wassenaar, Chair of the Board

Serial No.
(for office use only)

Subscription

TO: DUCA FINANCIAL SERVICES CREDIT UNION LTD. (the "Credit Union")

Please accept my subscription herein for the following number of **Class B Special shares, Series 5** of the Credit Union (the "**Purchased Shares**") at a price of **CAD$1.00 per share**, for the following aggregate subscription price (the "**Total Payment Amount**"), which shares I hereby direct be registered or recorded to me in the books and records of the Credit Union as follows:

<u>Subscription Details</u>:

______________________________	CAD$ ______________________
Number of Purchased Shares	Total Payment Amount

<u>Subscriber Details</u>:

Subscriber Name	SIN/BN
Joint Subscriber Name (*if any*)	SIN/BN
Signatory Name (*if subscriber is an organization*)	DUCA Member No.
Signatory Title (*if subscriber is an organization*)	Tel No.
Street Address	City
Street Address (cont'd)	Province
Email Address	Postal Code

<u>Source of Funds</u>:

I hereby represent, warrant and declare that the source of funds for the Total Payment is not, in whole or in part, directly or indirectly, a loan, overdraft facility or other form of credit facility provided by the Credit Union, and confirm, agree and direct that the Total Payment amount will be paid as follows (*check and complete all that apply*):

☐ $ ______________ Amount — is already on deposit with the Credit Union. I have signed a separate **Authorization to Place Funds on Hold form** to set aside such funds **with the Credit Union** until this offering is completed or withdrawn.

☐ $ ______________ Amount — is coming from outside of the Credit Union. I have signed a separate **Authorization to Place Funds in Escrow form** to set aside such funds **with the Escrow Agent** named therein until this offering is completed or withdrawn.

<u>Type of Ownership</u>:

I direct that the Purchased Shares be added and allocated to the following account types (*check and complete all that apply*):

☐ ______________ Number of Shares — of the Purchased Shares are to be put into my RRSP or RRIF at the Credit Union

☐ ______________ Number of Shares — of the Purchased Shares are to be put into my TFSA at the Credit Union

☐ ______________ Number of Shares — of the Purchased Shares are to be held by me outside of any RRSPs, RRIFs or TFSAs I may have

Serial No.
(for office use only)

Terms of Subscription:

By signing this form, I/we hereby subscribe for and agree to purchase the Purchased Shares on the basis above, and I/we hereby acknowledge and agree as follows, which the Credit Union and its directors, officers, employees and advisors are entitled to rely upon:

1. I am a member / we are members of the Credit Union;
2. I/we have received and read in its entirety a copy of the **offering statement (serial no. ____________)** attached hereto as Schedule A dated July 29, 2025 for the Credit Union's Class B Special shares, Series 5, including the audited financial statements (the "**Offering Statement**"). The subscription herein is subject to, and will be on the terms and conditions set out in, the Offering Statement, which are incorporated by reference herein;
3. I/we have noted in particular the Description of Securities Being Offered as set out on pages 32 to 37 and the Risk Factors starting on page 38 of the Offering Statement. I/we also understand that the securities being purchased are NOT deposits and are NOT insured by the Deposit Insurance Reserve Fund (DIRF), and that dividends on these securities are NOT guaranteed. I/we have noted in particular the commentary on the Dividend Policy on pages 5 and 48, and the summary regarding dividends on pages 32 and 39 of the Offering Statement;
4. I/we have considered whether or not I/we should obtain independent advice on the suitability of this investment to my/our particular financial situation, have been afforded the opportunity to obtain such advice, and have either obtained such advice or determined that I/we do not require such advice;
5. I/we understand that I/we may reverse my/our decision to purchase the Purchased Shares if notice is provided **within two (2) business days which excludes weekends and holidays, of having signed this Subscription form**. Initial notice within such period can be delivered in person or via phone call or email to the Credit Union employee who sold the Purchased Shares, or speaking directly with a Member Connect (telephone banking) representative. In all cases, a completed and signed **Cancellation of Share Subscription form** in the form attached hereto, must be delivered to the Credit Union in writing following the initial notice to be retained by the Credit Union with a copy provided to the purchaser for their records.
6. This Subscription form and any attachments hereto may require me/us to provide certain personal information (which includes 'personal information' as that term is defined under applicable privacy legislation, including without limitation, the *Personal Information Protection and Electronic Documents Act* (Canada)), and I/we understand that such information is being collected for the purposes of completing the subscription herein, administering my/our relationship with the Credit Union, and completing filings required with applicable regulatory authorities, and I/we hereby consent(s) to the collection, use and disclosure of such personal information in such manner, and acknowledge that I/we have been referred to the Credit Union's privacy policies for more information on this topic; and
7. The Credit Union may rely upon an electronically signed and/or delivered copy of this Subscription and any attachments hereto, in accordance with the *Electronic Commerce Act, 2000* (Ontario). All costs incurred by me/us (including legal costs for any independent legal advice) relating to this subscription shall be borne solely by me/us. This Subscription and all documents relating hereto shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. This Subscription shall be binding upon and enure to the benefit of me/us, and my/our respective heirs, executors, administrators, successors and assigns. The invalidity, illegality or unenforceability of any provision of this Subscription shall not affect the validity, legality or enforceability of any other provision hereof. The headings used in this Subscription have been inserted for convenience of reference only and shall not affect the meaning or interpretation hereof. This Subscription may be executed and delivered in counterpart.

SIGNED:

______________________	______________	______________
Subscriber's Signature	Date Signed	Time Signed (a.m./p.m.)
______________________	______________	______________
Joint Subscriber's Signature (*if any*)	Date Signed	Time Signed (a.m./p.m.)

FOR OFFICE USE ONLY:

The Credit Union hereby accepts the subscription set forth above on the terms and conditions set out above and in the Offering Statement:

______________________	______________	______________
Credit Union Representative Signature	Date Signed	Time Signed (a.m./p.m.)
______________________	______________	______________
Print Name	Title	Branch No.

Authorization to Place Funds on Hold

TO: DUCA FINANCIAL SERVICES CREDIT UNION LTD. (the "Credit Union")

Subscriber Details:

Subscriber Name	Email Address
Joint Subscriber Name (*if any*)	Tel No.

I/we have subscribed today to purchase certain **Class B Special shares, Series 5** of the Credit Union (the "**Purchased Shares**") pursuant to a Subscription form dated as of the date hereof (the "**Subscription**"), as more particularly described therein. By signing this form below, I/we hereby authorize and direct the Credit Union to place the following funds, as contained in the corresponding account(s) with the Credit Union indicated below, on hold to be applied to and guarantee payment for the corresponding portion of the Total Payment Amount for the Purchased Shares (as defined in the Subscription):

Amount	Branch No.	Account No.	Account Type	Serial No.
CAD$				
CAD$				
CAD$				
CAD$				
CAD$				

This Authorization to Place Funds on Hold is on and subject to the terms and conditions of the offering for the Purchased Shares as contained in the Offering Statement, as defined in the Subscription (the "**Offering**"), and in the event of conflict or inconsistency with this document, the Offering Statement will prevail. Without limitation, this hold will be released only in one of the following ways:

1. Upon the Offering being closed, the Credit Union will release the hold and then debit the accounts to pay for the corresponding shares on the Issue Date (as defined in the Offering Statement);
2. If the Offering is withdrawn or cancelled for any reason, the Credit Union will release the hold immediately; or
3. If I/we exercise my/our right to reverse my/our decision to purchase the Purchased Shares by completing and delivering a signed **Cancellation of Share Subscription form** in accordance with the Subscription and the Offering Statement, the Credit Union will release the hold on funds immediately.

This Authorization to Place Funds on Hold form is a part of, is governed by and is subject to the terms of the Subscription with which it is delivered.

SIGNED:

Subscriber's Signature	Date Signed	Time Signed (a.m./p.m.)
Joint Subscriber's Signature (*if any*)	Date Signed	Time Signed (a.m./p.m.)

Authorization to Place Funds in Escrow

TO: **DUCA FINANCIAL SERVICES CREDIT UNION LTD. (the "Credit Union")**

AND TO: **CONCENTRA TRUST (the "Escrow Agent")**

Subscriber Details:

Subscriber Name	Email Address
Joint Subscriber Name (*if any*)	Tel No.

I/we have subscribed today to purchase certain **Class B Special shares, Series 5** of the Credit Union (the "**Purchased Shares**") pursuant to a Subscription form dated as of the date hereof (the "**Subscription**"), as more particularly described therein. By signing this form below, I/we hereby authorize and direct the Credit Union and the Escrow Agent to coordinate the placement of the following funds from the following sources in escrow with the Escrow Agent, to hold in escrow pursuant to the terms of the escrow agreement between the Credit Union and the Escrow Agent dated June 6, 2025 (the "**Escrow Agreement**"), to be applied to and guarantee payment for the corresponding portion of the Total Payment Amount for the Purchased Shares (as defined in the Subscription):

CAD$		
Amount	Source of Funds	Serial No.
CAD$		
Amount	Source of Funds	Serial No.

If all or part of such funds are identified above as being part of an Registered Retirement Savings Plan (RRSP), such RRSP funds will be transferred directly into an RRSP contract held in escrow at the Credit Union under the control of the Escrow Agent, and to the extent such funds are not used to pay for Purchased Shares pursuant to paragraphs 2, 3 and/or 4 below, such funds will remain in such RRSP contract until I/we have given the Escrow Agent direction as to their disposition.

The said holding of such funds in escrow is on and subject to the terms and conditions of the offering for the Purchased Shares as contained in the Offering Statement, as defined in the Subscription (the "**Offering**"), and the Escrow Agreement, and in the event of conflict or inconsistency with this document, the Offering Statement will prevail, followed by the Escrow Agreement. Without limitation, the said funds will be released from escrow only in one of the following ways:

1. Upon the Offering being closed, the Escrow Agent will release the funds from escrow to the Credit Union to pay for the corresponding shares on the Issue Date (as defined in the Offering Statement);
2. If the Offering is withdrawn or cancelled for any reason, the Escrow Agent will release the funds from escrow and return them to me/us immediately, together with interest calculated at the Credit Union's 30-day term deposit rate, prorated for the number of days such funds were in escrow; or
3. If I/we exercise my/our right to reverse my/our decision to purchase the Purchased Shares by completing and delivering a signed **Cancellation of Share Subscription form** in accordance with the Subscription and the Offering Statement, the Escrow Agent will release the funds from escrow and return them to me/us immediately, together with interest calculated at the Credit Union's 30-day term deposit rate, prorated for the number of days such funds were in escrow.

This Authorization to Place Funds in Escrow form is a part of, is governed by and is subject to the terms of the Subscription with which it is delivered.

SIGNED:

Subscriber's Signature	Date Signed	Time Signed (a.m./p.m.)
Joint Subscriber's Signature (*if any*)	Date Signed	Time Signed (a.m./p.m.)

Cancellation of Share Subscription

TO: DUCA FINANCIAL SERVICES CREDIT UNION LTD. (the "Credit Union")

Subscriber Details:

Subscriber Name	DUCA Member No.
Joint Subscriber Name (*if any*)	Tel No.
Signatory Name (*if subscriber is an organization*)	City
Signatory Title (*if subscriber is an organization*)	Province
Street Address	Postal Code
Street Address (cont'd)	Email Address

I/we have, **not earlier than the second (2nd) business day (which excludes weekends and holidays) prior to the date of this Cancellation of Share Subscription form**, subscribed to purchase certain **Class B Special shares, Series 5** of the Credit Union pursuant to a Subscription form previously submitted to the Credit Union by me/us (the "**Subscription**"), as more particularly described therein. After consideration, I/we have decided to reverse my/our decision and rescind the Subscription. By signing this form below, I/we hereby authorize and direct the Credit Union to cancel and disregard the Subscription, which I/we confirm was as follows:

Subscription Details:

	CAD$	
Number of Purchased Shares	Total Payment Amount	Serial No.

I/we acknowledge and understand that any amount paid by me/us in connection with the Subscription will be dealt with in accordance with the **Authorization to Place Funds on Hold form** and/or the **Authorization to Place Funds in Escrow form** which I/we previously submitted.

SIGNED:

Subscriber's Signature	Date Signed	Time Signed (a.m./p.m.)
Joint Subscriber's Signature (*if any*)	Date Signed	Time Signed (a.m./p.m.)

FOR OFFICE USE ONLY:

The Credit Union hereby acknowledges receipt of the Cancellation of Share Subscription set forth above:

Credit Union Representative Signature	Date Signed	Time Signed (a.m./p.m.)
Print Name	Title	Branch No.

SCHEDULE A
AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2024

DUCA Financial Services Credit Union Ltd.

Consolidated financial statements
December 31, 2024

Independent auditor's report

To the Members of
DUCA Financial Services Credit Union Ltd.

Opinion

We have audited the consolidated financial statements of **DUCA Financial Services Credit Union Ltd.** [the "Credit Union"], which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in Members' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Credit Union as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

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

Responsibilities of management and the Audit Committee of the Board of Directors for the consolidated financial statements

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

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

The Audit Committee of the Board of Directors is responsible for overseeing the Credit Union's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

We communicate with the Audit Committee of the Board of Directors 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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 28, 2025

DUCA Financial Services Credit Union Ltd.

Consolidated statement of financial position

[In thousands of Canadian dollars]

As at December 31

	Note	2024 $	2023 $
Assets			
Cash and cash equivalents	6	**128,670**	60,201
Investments	7	**585,755**	480,251
Loans	8, 9	**6,565,239**	6,929,362
Other assets	11	**156,954**	145,416
Derivative financial instruments	16	**75,865**	22,806
Property and equipment, net	13	**10,889**	10,817
Intangible assets, net	26	**14,409**	13,797
Goodwill	27	**9,491**	9,491
Total assets		**7,547,272**	7,672,141
Liabilities and Members' equity			
Liabilities			
Deposits	14	**6,236,168**	5,962,973
Securitization liabilities	10	**770,671**	823,910
Borrowings	23	**—**	379,319
Accounts payable and other liabilities	25	**25,299**	32,346
Derivative financial instruments	16	**75,450**	22,697
Deferred tax liability	15	**6,049**	6,636
Members' shares	17	**802**	861
Subordinated debt	24	**74,665**	74,516
Total liabilities		**7,189,104**	7,303,258
Members' equity			
Members' shares	17	**210,014**	218,995
Contributed surplus		**640**	626
Retained earnings		**151,097**	154,955
Accumulated other comprehensive loss		**(3,583)**	(5,693)
Total Members' equity		**358,168**	368,883
Total liabilities and Members' equity		**7,547,272**	7,672,141

See accompanying notes

Approved by the Board:

Director

Director

DUCA Financial Services Credit Union Ltd.

Consolidated statement of income

[In thousands of Canadian dollars]

Year ended December 31

	Note	2024	2023
		$	$
Interest income			
Interest on loans		**362,413**	307,043
Investment income		**31,865**	23,511
		394,278	330,554
Interest expense			
Interest on deposits		**287,751**	226,718
Borrowings, securitizations and other interest expense		**49,606**	50,320
		337,357	277,038
Net interest income		**56,921**	53,516
Non-interest income	18	**39,441**	57,953
Total revenue		**96,362**	111,469
Provision for credit losses	9	**5,808**	1,448
Non-interest expense			
Salaries and benefits		**48,246**	48,723
Occupancy		**4,698**	4,248
Technology		**6,376**	6,143
Other general and administrative		**28,559**	29,182
		87,879	88,296
Income before income taxes		**2,675**	21,725
Income tax expense	15	**235**	4,394
Net income for the year		**2,440**	17,331

See accompanying notes

DUCA Financial Services Credit Union Ltd.

Consolidated statement of comprehensive income

[In thousands of Canadian dollars]

Year ended December 31

	Note	2024	2023
		$	$
Net income for the year		**2,440**	17,331
Other comprehensive income (loss)			
Items that will be subsequently reclassified to net income for the year			
Loans classified at fair value through other comprehensive income			
Net unrealized gains (losses) from change in fair value		**487**	(313)
Fixed income securities classified at fair value through other comprehensive income			
Net unrealized gains from change in fair value		**207**	—
Cash flow hedges			
Net losses on derivatives designated as cash flow hedges	16	**—**	(6,821)
Net losses reclassified to net income	16	**1,670**	1,270
Items that will not be subsequently reclassified to net income for the year			
Equity and other securities designated at fair value through other comprehensive income			
Net unrealized gains from change in fair value		**215**	157
		2,579	(5,707)
Income tax recovery (expense)		**(469)**	1,056
Total other comprehensive income (loss)		**2,110**	(4,651)
Comprehensive income		**4,550**	12,680

See accompanying notes

Consolidated statement of changes in Members' equity

[In thousands of Canadian dollars]

	Note	Class A shares $	Class B shares Series 1 $	Class B shares Series 4 $	Contributed surplus $	Retained earnings $	Accumulated other comprehensive loss, net of tax $	Total Members' equity $
Balance, December 31, 2022		35,202	32,069	160,657	—	144,152	(1,042)	371,038
Net income for the year		—	—	—	—	17,331	—	17,331
Dividends to Members, net of tax	17	—	—	—	—	(6,528)	—	(6,528)
Business combination		—	—	—	626	—	—	626
Redemption of shares		(3,520)	(3,270)	(2,143)	—	—	—	(8,933)
Net losses on derivatives designated as cash flow hedges		—	—	—	—	—	(6,821)	(6,821)
Net losses reclassified to net income		—	—	—	—	—	1,270	1,270
Net unrealized losses from change in fair value on loans		—	—	—	—	—	(313)	(313)
Net unrealized gains from change in fair value on equity and other securities		—	—	—	—	—	157	157
Income tax recovery on other comprehensive income		—	—	—	—	—	1,056	1,056
Balance, December 31, 2023		31,682	28,799	158,514	626	154,955	(5,693)	368,883
Net income for the year		**—**	**—**	**—**	**—**	**2,440**	**—**	**2,440**
Dividends to Members, net of tax	17	**—**	**—**	**—**	**—**	**(6,383)**	**—**	**(6,383)**
Business combination		**—**	**—**	**—**	**14**	**—**	**—**	**14**
Redemption of shares		**(3,167)**	**(2,919)**	**(2,895)**	**—**	**—**	**—**	**(8,981)**
Net losses reclassified to net income		**—**	**—**	**—**	**—**	**—**	**1,670**	**1,670**
Net unrealized gains from change in fair value on loans		**—**	**—**	**—**	**—**	**—**	**487**	**487**
Net unrealized gains from change in fair value on fixed income securities							**207**	**207**
Unrealized gains from change in fair value on equity and other securities		**—**	**—**	**—**	**—**	**—**	**300**	**300**
Realized gain on equity and other securities designated at fair value through other comprehensive income reclassified to retained earnings		**—**	**—**	**—**	**—**	**85**	**(85)**	**—**
Income tax expense on other comprehensive income		**—**	**—**	**—**	**—**	**—**	**(469)**	**(469)**
Balance, December 31, 2024		**28,515**	**25,880**	**155,619**	**640**	**151,097**	**(3,583)**	**358,168**

See accompanying notes

DUCA Financial Services Credit Union Ltd.

Consolidated statement of cash flows

[In thousands of Canadian dollars]

Year ended December 31

	Note	2024 $	2023 $
Operating activities			
Net income for the year		**2,440**	17,331
Add (deduct) non-cash items:			
Depreciation and amortization	11, 13, 26	**5,168**	6,508
Provision for (recovery of) credit losses on loans and third-party mortgages	7, 9	**5,808**	1,448
Current income taxes	15	**(3,077)**	3,096
Deferred income taxes	15	**3,312**	1,298
Unrealized loss (gain) on derivative instruments	16	**(305)**	172
Cash flow hedges net losses reclassified to net income	16	**1,670**	—
Interest paid on lease liabilities	25	**712**	565
Change in fair value of loans and investments, net		**364**	—
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	8	**(3,231)**	(261)
Increase in income taxes paid		**(60)**	(100)
Increase in other assets	11, 26	**(9,603)**	(59,675)
Decrease (increase) in loans, net of write-offs and recoveries	8, 9	**361,622**	(496,129)
Increase in deposits	14	**232,580**	276,386
Increase in accrued interest payable	14	**40,616**	46,781
Increase (decrease) in accounts payable and other liabilities	25	**(7,478)**	8,106
Increase (decrease) in securitization liabilities	10	**(53,239)**	370,305
Realized gain on derivative instruments designated as cash flow hedges	16	**—**	3,949
Other		**13**	(19)
Cash provided by operating activities		**577,312**	179,761
Financing activities			
Decrease in securities lent or sold under repurchase agreements		**—**	(31,315)
Increase (decrease) in borrowings		**(379,319)**	17,289
Repayment of lease liabilities	25	**(3,594)**	(3,494)
Redemption of Membership shares		**(59)**	(83)
Redemption of Class A shares		**(3,167)**	(3,520)
Redemption of Class B shares		**(5,814)**	(5,413)
Dividend on Class B shares		**(7,803)**	(8,009)
Realized gain on equity and other securities designated at FVOCI		**85**	—
Cash used in financing activities		**(399,671)**	(34,545)
Investing activities			
Acquisition of subsidiary, net of cash acquired		**—**	5,294
Net change in investments and third-party mortgages	7	**(105,000)**	(122,683)
Purchase of property and equipment	13	**(1,754)**	(1,302)
Purchase of intangible assets	26	**(2,418)**	(4,569)
Cash used in investing activities		**(109,172)**	(123,260)
Net increase in cash and cash equivalents during the year		**68,469**	21,956
Cash and cash equivalents, beginning of year		**60,201**	38,245
Cash and cash equivalents, end of year		**128,670**	60,201

See accompanying notes

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

1. Corporate information

DUCA Financial Services Credit Union Ltd. [the "Credit Union" or "DUCA"] is incorporated under the *Credit Unions and Caisses Populaires Act, 2020* [the "Act"] of Ontario and is a Member of Central 1 Credit Union ["Central 1"].

The Credit Union is primarily involved in providing a full range of retail and commercial services to its Members in Ontario. The activities of the Credit Union are regulated by the Financial Services Regulatory Authority of Ontario ["FSRA"]. The Credit Union has 19 branches in Ontario.

On April 1, 2022, the Credit Union acquired Continental Currency Exchange Canada Ltd. ["CCE"], which is a foreign currency exchange and money transfer business offering services to customers via a network of 19 branches in Ontario. CCE is a wholly owned subsidiary of the Credit Union.

On December 21, 2023, DUCA completed the merger of operations with United Employees Credit Union Limited ["United"], which was a credit union with two branches that served over 3,000 Members across the GTA region, Ontario. The merger was accounted for as a business combination as described in note 28. All assets and liabilities of United were acquired by the Credit Union, and post December 21, 2023, both branches of United began operating as DUCA branches. United was dissolved by virtue of a dissolution order issued by FSRA on November 15, 2024.

2. Basis of presentation

[a] Statement of compliance

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

These consolidated financial statements for the year ended December 31, 2024, were approved and authorized for issue by the Board of Directors on February 28, 2025.

[b] Use of judgments and estimates

Management has exercised judgments in the process of applying the Credit Union's accounting policies.

The preparation of consolidated financial statements in accordance with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the consolidated statement of financial position date and the reported amounts of revenue and expenses during the year. Key areas where Management has made estimates, include allowance for expected credit losses, fair values and impairment of financial instruments, gain on acquisition, goodwill and intangible assets, income taxes, deferred income taxes, effectiveness of financial hedges for accounting purposes and useful lives of fixed assets. Actual results could differ from those estimates. Management has applied judgments in the classification of financial instruments within the consolidated financial statements.

In making estimates and judgments, Management uses external information and observable market inputs where possible, supplemented by internal analysis as required. These estimates and judgments have been made taking into consideration the economic impact of the current market volatility and uncertainty due to geopolitical environment in the U.S. and internationally, the current interest rate environment, and inflationary pressures. The full extent of the impact of the heightened economic situation in 2024 on the Canadian economy and the Credit Union's business remains uncertain and difficult to predict and has been incorporated into the forward-looking indicators. Updated forward-looking macroeconomic assumptions have been incorporated into the models used in the Credit Union's expected credit loss ["ECL"] estimation process for 2024.

[c] Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following items that are measured at fair value:

- Derivative financial instruments;
- Financial instruments at fair value through profit or loss ["FVTPL"]; and
- Financial instruments at fair value through other comprehensive income ["FVOCI"].

[d] Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Credit Union's functional currency. Financial information presented in Canadian dollars has been rounded to the nearest thousand, except where otherwise indicated.

[e] Basis of consolidation

The consolidated financial statements include the financial statements of the Credit Union and its wholly owned subsidiaries. Subsidiaries are entities controlled by the Credit Union through ownership of the majority of the voting shares, power to govern, exposure to the rights and variable returns, and ability to exercise influence by exercising power to affect the returns.

The results of subsidiaries acquired during the year are included in these consolidated financial statements from the effective date of acquisition.

All intercompany balances and transactions have been eliminated on consolidation.

[f] Business combinations

Business combinations are accounted for using the acquisition method. As at the acquisition date, which is the date on which control is transferred to the Credit Union, the consideration transferred related to a business combination is measured at the fair value of the consideration transferred, which would include the fair value of any contingent consideration. Direct transaction costs of acquisition are recognized as an expense in the period in which they are incurred. Identifiable assets [including previously unrecognized intangible assets] and liabilities of the acquired business are measured at their fair value and recognized on the Credit Union's consolidated statement of financial position. Goodwill is measured as the excess of the consideration transferred over the net of the fair value amounts of identifiable assets acquired and liabilities assumed. To the extent the net fair value of the purchased assets and assumed liabilities exceeds the consideration transferred, the excess is recognized as a gain on acquisition in the consolidated statement of income. The results of operations of acquired businesses are included in the Credit Union's consolidated financial statements beginning on the date of acquisition.

3. Changes to accounting policies

Interest Rate Benchmark Reform

As a part of the interest rate benchmark reform, the publication of all remaining Canadian Dollar Offered Rate [CDOR] settings ceased on June 28, 2024. The Credit Union's exposure to non-derivative financial assets and non-derivative financial liabilities, referencing CDOR is no longer significant to its consolidated financial statements as at December 31, 2024 [2023 – $408,149].

4. Material accounting policy information

[a] Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks, other short-term highly liquid investments with original maturities of three months or less, and, for the purpose of the consolidated statement of cash flows, bank overdrafts that are repayable on demand.

[b] Financial instruments

[i] Recognition and initial measurement

The Credit Union initially recognizes loans and advances, deposits and mortgage securitization liabilities on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date on which the Credit Union becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

[ii] Classification

[1] Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized cost only if it meets both of the following conditions and is not designated as measured 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 [“SPPI”] on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as measured 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 SPPI on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Credit Union may irrevocably elect to present subsequent changes in fair value in other comprehensive income (loss) [“OCI”]. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Credit Union may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

[a] Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Credit Union’s Management;
- The risks that affect the performance of the business model, the financial assets held within that business model and how those risks are managed;
- How managers of the business are compensated; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and the Credit Union’s expectations about future sales activity.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

[b] Assessment whether contractual cash flows are solely payments of principal and interest

In assessing whether the contractual cash flows are SPPI, the Credit Union considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Credit Union considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Credit Union’s claim to cash flows from specified assets [e.g., non-recourse asset arrangements]; and
- Features that modify consideration of the time value of money – e.g., periodical reset of interest rates.

[c] Reclassifications

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

[2] Financial liabilities

The Credit Union classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.

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

[iii] Derecognition

[1] Financial assets

The Credit Union 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 the Credit Union neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset [or the carrying amount allocated to the portion of the asset derecognized] and the sum of [i] the consideration received [including any new asset obtained less any new liability assumed] and [ii] any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

In transactions in which the Credit Union neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Credit Union continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Credit Union 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 (CMHC), an agency of the Government of Canada, that issue bonds to third-party investors. This includes securitization of insured residential mortgages by participating in the National Housing Act mortgage-backed securities (NHA MBS) program and Canada Mortgage Bond ["CMB"] program. Through the programs, the Credit Union issues securities backed by residential mortgages that are insured against borrowers' default. All securitization transactions are reviewed and assessed based on the above-noted derecognition criteria. In instances where the Credit Union's securitizations do not qualify for derecognition based on the above criteria, the Credit Union does not derecognize the transferred financial assets but records a secured borrowing with respect to any consideration received.

[2] Financial liabilities

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

[iv] Modifications of financial assets and financial liabilities

[1] Financial assets

If the terms of a financial asset are modified, the Credit Union evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Credit Union recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

[2] Financial liabilities

The Credit Union derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

[v] Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Credit Union has access at that date. The fair value of a liability reflects its non-performance risk. For assets and liabilities carried at fair value, the Credit Union measures such value using the procedures set out below, irrespective of whether these assets and liabilities are carried at fair value as a result of an election.

When available, the Credit Union uses quoted market prices to determine fair value and classifies such items as Level 1. In some cases where a market price is not available, the Credit Union uses quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets to calculate fair value, in which case the items are classified as Level 2.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, option volatilities, etc. Items valued using such internally generated valuation techniques are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

[vi] Impairment

The Credit Union recognizes ECL allowances on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments [loans and advances and certain investment securities]; and
- Loan commitments issued.

The Credit Union measures loss allowances at an amount equal to lifetime ECL or 12-month ECL. 12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

Stage 1: When a financial asset has not shown a significant increase in credit risk ["SICR"] since origination, the Credit Union records a 12-month ECL. Interest income is calculated on the gross carrying amount.

Stage 2: When a financial asset has shown a SICR since origination, the Credit Union records a lifetime ECL. Interest income is calculated on the gross carrying amount.

Stage 3: When a financial asset is credit-impaired, the Credit Union records a lifetime ECL. Interest income is calculated on the gross carrying amount net of impairment allowance.

[1] Measurement of ECL

IFRS 9, Financial Instruments ["IFRS 9"] requires consideration of past events, current market conditions and reasonable supportable information about future economic conditions in determining whether there has been a SICR and in calculating the amount of expected losses. The standard also requires future economic conditions be based on an unbiased, probability-weighted assessment of possible future outcomes. In considering the lifetime of an instrument, IFRS 9 generally requires the use of the contractual period, including pre-payment, extension and other options.

[2] Significant increase in credit risk

The determination of a SICR considers many different factors and will vary by product and risk segment. The main factors considered in making this determination are relative changes in probability-weighted probability of default since origination and certain other criteria such as 30-day past due and watchlist status.

[3] Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect ECLs over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life.

[4] Forward-looking information

The Credit Union incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Credit Union formulates a “base case” view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two more additional economic scenarios and considering the relative probabilities of each outcome. External information includes forecasts by large Canadian banks and financial institutions. The base case represents a most-likely outcome and is aligned with information used by the Credit Union for other purposes such as strategic planning and budgeting.

[5] Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing 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 ECL is measured as follows:

- 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; and
- 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 from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

[6] Credit-impaired financial assets

At each reporting date, the Credit Union assesses whether financial assets carried at amortized cost and debt financial assets carried at 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer, including delinquency;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

[7] Write-off

Loans and debt securities are written off, either partially or in full, when there is no realistic prospect of recovery. This is generally the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Credit Union's procedures for recovery of amounts due.

[vii] Designation of fair value through profit or loss

[1] Financial assets

At initial recognition, the Credit Union has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

[2] Financial liabilities

The Credit Union may designate certain financial liabilities as at FVTPL in either of the following circumstances:

- The liabilities are managed, evaluated and reported internally on a fair value basis; or
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

[c] Derivatives held for risk management

Derivatives held for risk management purposes are measured at fair value in the consolidated statement of financial position and reported as assets where they have a positive fair value and as liabilities where they have a negative fair value.

The Credit Union may utilize bond forwards or interest rate swaps to manage interest rate risks and may utilize forward contracts or cross-currency swaps to manage risk of foreign currency fluctuations.

Hedge accounting

The Credit Union elected to apply hedge accounting to derivatives that meet the criteria for hedge accounting in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* ["IAS 39"]. The Credit Union utilizes two types of hedge relationships for accounting purposes, fair value hedges and cash flow hedges. If derivative instruments do not meet all of the criteria for hedge accounting or are managed as economic hedges, the changes in fair value of such derivatives are recognized in non-interest income.

In order to qualify for hedge accounting, a hedge relationship must be designated and formally documented in accordance with IAS 39. The Credit Union's documentation, in accordance with the requirements, includes the specific risk management objective and strategy being applied, the specific financial asset or liability or cash flow being hedged and how hedge effectiveness is assessed. To qualify for hedge accounting, there must be a correlation of between 80% and 125% in the changes in fair values or cash flows between the hedged and hedging items. Hedge effectiveness is assessed at the inception of the hedging relationship and on an ongoing basis.

Hedge ineffectiveness occurs when the changes in the fair value of the hedging item [derivative] differ from the fair value changes in the hedged risk in the hedged item. Hedge ineffectiveness is recognized immediately in non-interest income.

Fair value hedges

The Credit Union's fair value hedges generally use interest rate swaps to hedge changes in the fair value of fixed-rate assets or liabilities [the hedged items] attributable to interest rate risk. Changes in the fair value of the hedged items are recorded as part of the carrying value of the hedged items and are recognized in net realized and unrealized gain or loss on derivatives. Changes in the fair value of the hedging item [interest rate swap] are also recognized in net realized and unrealized gain or loss on derivatives. If the hedging instrument expires, or is settled or sold, or if the hedge no longer meets the criteria for hedge accounting under IAS 39, the hedge relationship is terminated and the fair value adjustment on the hedged item is then amortized over the remaining term of the hedged item. If the hedged item is settled, the unamortized fair value adjustment is recognized in non-interest income immediately.

Cash flow hedges

The Credit Union's cash flow hedges use bond forwards or interest rate swaps to hedge changes in future cash flows attributable to interest rate fluctuations arising on highly probable forecasted issuances of fixed-rate loans and liabilities. The effective portion of the change in fair value of the derivative instrument is recognized in OCI until the forecasted cash flows being hedged are recognized in income in future accounting periods. When the forecasted cash flows are recognized in income, the accumulated other comprehensive income (loss) ["AOCI"] related to those cash flows is reclassified from AOCI into income. Any hedge ineffectiveness is immediately recognized in non-interest income. If the forecasted transaction is no longer expected to occur, the related cumulative gain or loss in AOCI is immediately recognized in non-interest income. If the hedging instrument expires, or is settled or sold, or if the hedge no longer meets the criteria for hedge accounting under IAS 39, the hedge relationship is terminated. Any cumulative gain or loss recognized at that time remains in AOCI until the forecasted transaction impacts the consolidated statement of income.

Embedded derivatives

When derivatives are embedded in other financial instruments or host contracts, such combinations are known as hybrid instruments. Derivatives embedded in financial assets are not separated from the host contract. Derivatives embedded in financial liabilities are separated from the host contract [bifurcated] and accounted for as a derivative when their economic characteristics and risks are not closely related to those of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract is not measured at FVTPL.

These embedded derivatives are separately accounted for at fair value with changes in fair market value recognized as part of other income in the consolidated statement of income.

The Credit Union has embedded derivatives that require bifurcation in its equity index-linked term deposits products offered to Members, with respect to which the host deposits are carried at amortized cost.

[d] Loans

Loans that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market have been classified as measured at amortized cost.

Loans that are non-derivative financial assets and for which the Credit Union has a dual business model to collect SPPI contractual cash flows and to sell have been classified as FVOCI.

Loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred, and subsequently measured at amortized cost, using the effective interest rate method net of an allowance for credit losses.

Deferred revenue consists primarily of commitment fee revenue received on commercial loans, renewal fee and lender fees from residential loans and is recognized using the effective interest rate method.

[e] Securitized loans and securitization liabilities

The Credit Union periodically securitizes mortgages and sells the securities to CMHC's sponsored entities as well as asset backed securitization programs of Schedule I banks. Mortgage loan securitization is part of the Credit Union's liquidity and funding strategy. In the absence of sales of retained interests, most transfers of pools of mortgages under the current programs do not result in derecognition of the mortgages from the Credit Union's consolidated statement of financial position. As such, these transactions result in the recognition of securitization liabilities when cash is received from the securitization entities. Such mortgages are recognized as securitized residential mortgages and continue to be accounted for as loans, as described above.

The securitization liabilities are recorded at amortized cost using the effective interest rate method. Interest expense is allocated over the expected term of the borrowing by applying the effective interest rate to the carrying amount of the liability. The effective interest rate is the rate that exactly discounts estimated future cash outflows over the expected life of the liability. Transaction costs and premiums or discounts are applied to the carrying amount of the liability.

[f] Property, equipment and right-of-use assets

Property and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and amortization and any accumulated impairment losses, with the exception of land, which is not depreciated.

Asset	Basis	Rate
Buildings	Straight-line	20 years
Computer hardware	Straight-line	3–5 years
Equipment, furniture and fixtures	Straight-line	5 years
Leasehold improvements	Straight-line	Term of lease
Right-of-use assets – buildings	Straight-line	5-10 years

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments [including in-substance fixed payments], less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantee;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

[g] Impairment of non-financial assets

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

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit ["CGU"], which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows. The Credit Union has two CGUs for which impairment testing is performed.

[h] Income taxes

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in net income, except to the extent that they relate to a business combination or items recognized directly in equity.

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

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

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

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

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

[i] Deposits

All deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument, and have been classified as financial liabilities.

Deposits are subsequently measured at amortized cost, using the effective interest rate method.

[j] Subordinated debt

Subordinated debt is accounted for at amortized cost and has been classified as a financial liability. Accrued interest on subordinated debt is included in other liabilities on the consolidated statement of financial position. Interest, including capitalized transaction costs, is recognized on an accrual basis as interest expense on the consolidated statement of income.

[k] Pension plan

The Credit Union accrues its obligations under the supplementary executive retirement plan [“SERP”] and the related costs, net of plan assets, and has adopted the following policies:

[i] The cost of the SERP is valued using the projected benefit method based on service and Management’s best estimate of expected plan investment performance, salary escalation and retirement ages of employees; and
[ii] For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

The Credit Union has a defined contribution pension plan. Contributions to this plan are expensed as incurred.

[l] Provisions

A provision is recognized if, as a result of a past event, the Credit Union 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.

[m] Members' shares

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. Membership shares are redeemable at par when the Member withdraws from Membership in DUCA and are accounted for as liabilities on the consolidated balance sheet.

Shares that contain redemption features subject to the Credit Union maintaining adequate regulatory capital are accounted for using the requirements of International Financial Reporting Interpretations Committee ["IFRIC"] 2, *Members' Shares in Cooperative Entities and Similar Instruments* ["IFRIC 2"].

[n] Revenue recognition

Revenue from the provision of services to Members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured.

[o] Intangible assets

The Credit Union capitalizes costs relating to the development of internal-use software. Costs incurred during the application development phase are capitalized when it is probable that the development will result in new or additional functionality. The types of costs capitalized during the application development phase include employee salaries and benefits as well as professional and other vendor costs arising directly from bringing the asset to its working condition. Costs related to the preliminary project stage and post-implementation activities are expensed as incurred.

The core deposit intangible asset was acquired through business combination. It represents the fair market value of the cost savings inherent in acquiring a portfolio of deposits with a lower cost of funding versus attracting funds in the open market.

Intangible assets are amortized over their estimated useful life on the following basis:

Asset	Basis	Rate
Computer software	Straight-line	1–3 years
Banking system software	Straight-line	5–10 years
Core deposit intangible asset	Straight-line	7 years

[p] Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

The carrying amounts of the Credit Union's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of the CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit [group of units] on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other intangible assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

[q] Foreign currency translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. As at the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined, and the related translation differences are recognized in net income.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

5. Future changes in accounting policies

There were no new accounting pronouncements applicable to the Credit Union as at December 31, 2024.

6. Cash and cash equivalents

	2024 $	2023 $
Cash	**48,757**	54,246
Short-term deposits and investments maturing within three months	**79,913**	5,955
	128,670	60,201

Cash includes cash collateral accounts for $12,939 [$13,211 – 2023] supporting DUCA's securitization programs and assets restricted from use for legal or other reasons.

Short-term deposits and investments include $74,079 [2023 – 241] securities issued or guaranteed by the Canadian federal government, $1,582 [2023 – nil] issued by Canadian provincial and municipal governments, and $2,500 [2023 – $5,549] issued regulated and major Canadian financial institutions. They bear interest rates ranging from 0.05% [2023 – 0.05%] to 5.15% [2023 – 5.10%].

7. Investments

The following table provides information on the Credit Union's investments. The maximum exposure to credit risk would be the fair value as detailed below:

	2024 $	2023 $
Investment securities measured at FVTPL	**2,127**	2,024
Investment securities measured at FVOCI	**39,162**	11,924
Investment securities measured at amortized cost	**174,053**	71,886
Investment in third-party mortgages at amortized cost	**321,796**	394,417
Investment in third-party mortgages at FVOCI	**48,617**	–
	585,755	480,251

Investment securities measured at FVTPL

	2024 $	2023 $
Central 1 Class A shares	**2,021**	1,918
Central 1 Class E shares	**106**	106
	2,127	2,024

[In thousands of Canadian dollars]

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

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

Central 1 Class E shares were acquired as part of the Credit Union's transaction with United and these shares are not subject to annual rebalancing. There is no separately quoted market value for these shares, and these shares are carried at fair value, which approximate their cost basis, as the fair value cannot be reliably measured until such time as a transaction occurs.

The Credit Union is not intending to dispose of Central 1 Class A or E shares as the services supplied by Central 1 are relevant to the day-to-day activities of the Credit Union. Dividends on these shares are at the discretion of the Board of Directors of Central 1.

Investment securities measured at FVOCI

	2024 $	**2023** $
Fixed income securities measured at FVOCI		
Canadian federal government issued or guaranteed bonds	**14,904**	—
Canadian provincial and municipal governments bonds	**16,952**	—
Corporate bonds	**4,831**	4,971
Other	**41**	42
	36,728	5,013
Equity and other securities designated at FVOCI	**2,434**	6,911
	39,162	11,924

The fixed income securities are issued or guaranteed by the Canadian federal government, Canadian provincial and municipal governments and different institutions. They bear interest rates ranging from 1.05% to 10.75% [2023 – 1.87% to 10.75%] and mature between June 2025 and October 2042. The Credit Union classified these securities at FVOCI as it intends to hold them to both collect their contractual cash flows and to sell them.

The equity and other securities are issued by various corporations and Schedule 1 banks. An irrevocable election was made at initial recognition to classify them at FVOCI, with all subsequent changes in fair value being recognized in OCI. The net realized gain of $85 [2023 – nil] on disposal of equity and other securities designated at FVOCI during the year was reclassified from AOCI to retained earnings.

[In thousands of Canadian dollars]

Investment securities measured at amortized cost

	2024 $	2023 $
Fixed income securities		
Canadian federal government issued or guaranteed bonds	**25,042**	855
Canadian provincial and municipal governments bonds	**580**	771
Corporate bonds	**231**	955
	25,853	2,581
Interest-bearing deposits	**80,596**	69,305
Mortgage-backed securities	**67,604**	—
	174,053	71,886

The fixed income securities are issued or guaranteed by the Canadian federal government, Canadian provincial and municipal governments and different institutions. They bear interest rates ranging from 0.95% to 3.41% [2023 – 0.95% to 3.75%] and mature between April 2025 and December 2028. The Credit Union classified these securities at amortized cost as it intends to hold them to collect their contractual cash flows. The majority of these securities qualify as high-quality liquid assets ["HQLA"] for regulatory purposes.

The Credit Union holds interest-bearing deposits with regulated and major Canadian financial institutions. The Credit Union classified these securities at amortized cost as it intends to hold them to collect their contractual cash flows. They bear interest rates ranging from 1.40% to 6.34% [2023 – 1.40% to 5.95%] and mature between April 2025 and August 2032. The majority of these securities qualify as HQLA for regulatory purposes.

The Credit Union has pledged $10,141 [2023 – $10,141] of deposits with BMO Nesbitt Burns to secure its comprehensive credit facility.

The mortgage-backed securities represent securities backed by mortgages insured by CMHC. They bear an average interest rate of 2.81% [2023 – nil] and mature between July and October 2027.

Investment in third-party mortgages

As part of its investment program, the Credit Union invests in third-party mortgages originated by other financial institutions. The weighted average interest rate for third-party mortgages as at December 31, 2024 was 6.02% [2023 – 5.54%].

As at December 31, 2024, the Credit Union's investment in third-party mortgages was presented net of ECL allowances of $287 [2023 – $211], and the related provision for credit losses ["PCL"] was $76 [2023 – $68]. The Credit Union's ECL allowance and related PCL on loans are included in note 9.

[In thousands of Canadian dollars]

8. Loans

	2024	2023
	$	$
Residential mortgages		
Uninsured	**4,240,055**	4,523,468
Insured by CMHC	**99,617**	139,415
Insured by Sagen or Canada Guaranty Corp.	**396,283**	492,697
	4,735,955	5,155,580
Personal loans	**244,569**	160,542
Commercial loans	**1,557,338**	1,581,595
	6,537,862	6,897,717
Unamortized mortgage fees	**20,015**	25,709
Deferred loan revenue	**(1,624)**	(3,590)
Unrealized gains on loans at FVOCI	**176**	—
Accrued interest receivable	**19,898**	16,667
Allowance for credit losses	**(11,088)**	(7,141)
Net loans	**6,565,239**	6,929,362

[a] Terms and conditions

Loans can have either a variable or fixed rate of interest and they generally mature within five years. Variable rate loans are based on a prime rate formula, ranging from prime plus 0.05% to prime plus 9.50% [2023 – 0.05% to prime plus 9.5%]. The rate is determined by the type of security offered and the borrower's creditworthiness. The Credit Union's prime rate as at December 31, 2024 was 5.45% [2023 – 7.20%].

The interest rate offered on fixed rate loans being advanced as at December 31, 2024 ranges from 4.59% to 18.00%. The rate offered to a borrower varies with the type of security offered and the borrower's creditworthiness.

Residential mortgages are loans and lines of credit secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Personal loans consist of term loans and lines of credit that are not secured by real estate and, as such, have various repayment terms. Some of the personal loans are secured by personal property or investments.

Commercial loans consist primarily of term loans and operating lines of credit to partnerships and corporations and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, and charges on specific equipment, investments and personal guarantees.

[In thousands of Canadian dollars]

[b] Average rate

Loans bear interest at both variable and fixed rates, with the following rates as at December 31:

	2024		2023	
	Principal	**Weighted average rate**	**Principal**	**Weighted average rate**
	$	%	$	%
Variable rate	**1,335,339**	**6.55%**	1,165,995	8.27
Fixed rate due less than 1 year	**2,282,624**	**5.97%**	1,743,846	5.76
Fixed rate due between 1 and 5 years	**2,919,899**	**4.34%**	3,987,876	4.17
	6,537,862		6,897,717	

[c] Concentration of risk

The Credit Union has no exposure to groupings of individual loans, which concentrate risk and create exposure, as no individual or related groups of loans exceed 25% of regulatory capital of the Credit Union. All loans with secured assets as collateral are located in Ontario, except for syndicated loans amount of $29,816 and $27,906 as at December 31, 2024 and 2023, respectively.

[d] Credit risk

The determination of impairment losses follows an ECL model under IFRS 9 where provisions are taken upon the initial recognition of the financial asset, based on expectations of potential credit losses at the time of initial recognition. IFRS 9 introduces a three-stage approach to impairment of financial assets that are performing at the date of origination or purchase as follows:

Stage 1: A credit loss allowance is recognized at an amount equal to 12-month ECL.

Stage 2: A credit loss allowance is recognized at an amount equal to lifetime ECL. This requires the computation of ECL based on lifetime probability of default that represents the probability of default occurring over the remaining lifetime of the financial asset. The credit loss allowance is higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3: A credit loss allowance is recognized based at an amount equal to a lifetime ECL, reflecting a probability of default of 100%.

The determination of a SICR considers many different factors and will vary by product and risk segment. The main factors considered in making this determination are relative changes in probability-weighted probability of default since origination and certain other criteria such as 30-day past due and watchlist status. The allowance for assets in Stage 2 will be higher than for those in Stage 1 as a result of the longer time horizon associated with this stage. Stage 3 requires the recognition of lifetime losses for all credit-impaired assets.

IFRS 9 requires consideration of past events, current market conditions and reasonable supportable information about future economic conditions, in determining whether there has been a SICR and in calculating the amount of expected losses. The standard also requires future economic conditions be based on an unbiased, probability-weighted assessment of possible future outcomes. In considering the lifetime of an instrument, IFRS 9 generally requires the use of the contractual period, including pre-payment, extension and other options.

Commercial risk rating

Risk rating involves the categorization of individual credit facilities based on credit analysis and both economic and market conditions, into a series of graded categories based on risk. A primary function of a risk rating model is to assist in the underwriting of new loans and assessment of existing loans. As well, risk ratings assist Management in predicting changes in portfolio quality and the subsequent financial impact. Risk rating can lead to earlier response to potential deteriorating trends and a wider choice of corrective action to decrease exposure to unexpected loan losses. Finally, risk ratings are useful for loan pricing and overseeing the commercial and related loan portfolio exposure within acceptable levels of risk as established in policy.

The Credit Union uses a 10-point risk rating scale to measure and manage its exposure on its commercial and related loan portfolio. This risk rating scale aligns with equivalent public debt ratings published by rating agencies. The 10-point rating scale ranges from Substantially Risk Free [1] to Unacceptable/Impaired Risk [10]. A risk rating in the range of 1 to 6 is deemed to be acceptable risk for new loans.

Retail risk rating

The Credit Union uses the borrower's credit score as one benchmark to manage the risk of the retail portfolio. A credit score is one measure on how likely a person is to repay a loan. DUCA's risk ratings range across four bands: very low risk, low risk, moderate risk and high risk. While DUCA generally originates retail loans with low to moderate risk, DUCA has lending programs that assist borrowers who are in need of credit, addressing the borrower's credit score factor. These loans are priced accordingly based on risk profile.

[e] Loan deferral

The Credit Union may permit payment deferrals to eligible borrowers due to loss of income. While payment of principal and interest for these borrowers is deferred, the Credit Union continues to accrue and recognize interest income on the loans. As at December 31, 2024, a total of 27 loans with a combined loan balance of $16,852 [2023 – a total of 24 loans with a combined loan balance of $14,631] are under a payment deferral arrangement. Substantially, all loans that were previously granted payment deferrals have resumed payment and remained current.

[In thousands of Canadian dollars]

9. Allowance for credit losses

The following table presents the carrying amount of loans by portfolio and the balance of their respective ECL allowance as at December 31, 2024:

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance
	$	$	$	$	$	$	$	$
Residential mortgages	**4,196,436**	**846**	**493,232**	**1,535**	**46,287**	**1,205**	**4,735,955**	**3,586**
Commercial loans	**1,475,840**	**2,786**	**40,670**	**341**	**40,828**	**3,942**	**1,557,338**	**7,069**
Personal loans	**239,355**	**232**	**5,156**	**171**	**58**	**30**	**244,569**	**433**
Total	**5,911,631**	**3,864**	**539,058**	**2,047**	**87,173**	**5,177**	**6,537,862**	**11,088**

The following table presents the carrying amount of loans by portfolio and the balance of their respective ECL allowance as at December 31, 2023:

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance
	$	$	$	$	$	$	$	$
Residential mortgages	4,842,622	1,102	288,640	748	24,318	1,138	5,155,580	2,988
Commercial loans	1,513,098	2,450	66,812	1,250	1,685	159	1,581,595	3,859
Personal loans	157,873	186	2,669	108	—	—	160,542	294
Total	6,513,593	3,738	358,121	2,106	26,003	1,297	6,897,717	7,141

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

The following tables show the continuity of the IFRS 9 ECL allowance for all portfolios:

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	$	$	$
Residential mortgages				
Balance, January 1, 2024	**1,102**	**748**	**1,138**	**2,988**
New loans originated	**288**	**—**	**—**	**288**
Financial assets derecognized	**(253)**	**(134)**	**(493)**	**(880)**
Net remeasurement	**(333)**	**858**	**2,047**	**2,572**
Transfers to Stage 1 ECL	**238**	**(213)**	**(25)**	**—**
Transfers to Stage 2 ECL	**(171)**	**309**	**(138)**	**—**
Transfers to Stage 3 ECL	**(25)**	**(33)**	**58**	**—**
Provision for (reversal of) credit losses	**(256)**	**787**	**1,449**	**1,980**
Write-offs	**—**	**—**	**(1,382)**	**(1,382)**
Recoveries on loans previously written off	**—**	**—**	**—**	**—**
Balance, December 31, 2024	**846**	**1,535**	**1,205**	**3,586**
Commercial loans				
Balance, January 1, 2024	**2,450**	**1,250**	**159**	**3,859**
New loans originated	**478**	**—**	**—**	**478**
Financial assets derecognized	**(504)**	**(353)**	**(159)**	**(1,016)**
Net remeasurement	**388**	**87**	**3,606**	**4,081**
Transfers to Stage 1 ECL	**24**	**(24)**	**—**	**—**
Transfers to Stage 2 ECL	**(37)**	**37**	**—**	**—**
Transfers to Stage 3 ECL	**(13)**	**(656)**	**669**	**—**
Provision for (reversal of) credit losses	**336**	**(909)**	**4,116**	**3,543**
Write-offs	**—**	**—**	**(339)**	**(339)**
Recoveries on loans previously written off	**—**	**—**	**6**	**6**
Balance, December 31, 2024	**2,786**	**341**	**3,942**	**7,069**
Personal loans				
Balance, January 1, 2024	**186**	**108**	—	**294**
New loans originated	**139**	—	—	**139**
Financial assets derecognized	**(19)**	**(90)**	**(1)**	**(110)**
Net remeasurement	**(84)**	**162**	**102**	**180**
Transfers to Stage 1 ECL	**(5)**	**5**	—	—
Transfers to Stage 2 ECL	**15**	**(15)**	—	—
Transfers to Stage 3 ECL	—	**1**	**(1)**	—
Provision for (reversal of) credit losses	**46**	**63**	**100**	**209**
Write-offs	—	—	**(76)**	**(76)**
Recoveries on loans previously written off	—	—	**6**	**6**
Balance, December 31, 2024	**232**	**171**	**30**	**433**
Total ECL allowance	**3,864**	**2,047**	**5,177**	**11,088**

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

	2023			
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Residential mortgages				
Balance, January 1, 2023	1,193	372	318	1,883
New loans originated	576	—	—	576
Financial assets derecognized	(233)	(83)	(146)	(462)
Net remeasurement	(438)	424	1092	1,078
Transfers to Stage 1 ECL	121	(121)	—	—
Transfers to Stage 2 ECL	(107)	164	(57)	—
Transfers to Stage 3 ECL	(10)	(8)	18	—
Provision for (reversal of) credit losses	(91)	376	907	1,192
Write-offs	—	—	(87)	(87)
Recoveries on loans previously written off	—	—	—	—
Balance, December 31, 2023	1,102	748	1,138	2,988
Commercial loans				
Balance, January 1, 2023	2,153	1,218	169	3,540
New loans originated	808	—	—	808
Financial assets derecognized	(418)	(698)	(169)	(1,285)
Net remeasurement	(376)	1,087	94	805
Transfers to Stage 1 ECL	445	(445)	—	—
Transfers to Stage 2 ECL	(162)	162	—	—
Transfers to Stage 3 ECL	—	(74)	74	—
Provision for (reversal of) credit losses	297	32	(1)	328
Write-offs	—	—	(15)	(15)
Recoveries on loans previously written off	—	—	6	6
Balance, December 31, 2023	2,450	1,250	159	3,859
Personal loans				
Balance, January 1, 2023	273	88	5	366
New loans originated	126	—	—	126
Financial assets derecognized	(24)	(4)	(5)	(33)
Net remeasurement	(157)	(8)	7	(158)
Transfers to Stage 1 ECL	(43)	43	—	—
Transfers to Stage 2 ECL	11	(11)	—	—
Transfers to Stage 3 ECL	—	—	—	—
Provision for (reversal of) credit losses	(87)	20	2	(65)
Write-offs	—	—	(11)	(11)
Recoveries on loans previously written off	—	—	4	4
Balance, December 31, 2023	186	108	—	294
Total ECL allowance	3,738	2,106	1,297	7,141

As at December 31, 2024, the Credit Union's ECL allowance for loans was $11,088 [2023 – $7,141] and the related PCL was $3,947 [2023 – $1,380]. As indicated in note 7, the Credit Union's investment in third-party mortgages was presented net of ECL allowances of $287 [2023 – $211] and the related PCL was $76 [2023 – $68].

Credit risk exposure

The internal risk ratings presented in the table below are defined as follows:

Very low risk: Loans that generally have substantially below average probability of credit default, which is within the Credit Union's risk appetite levels.

Low risk: Loans that generally have below average probability of credit default, which is within the Credit Union's risk appetite levels.

Moderate risk: Loans that generally have an average probability of credit default, which is within the Credit Union's risk appetite levels.

High risk: Loans that were originated within the Credit Union's risk appetite but have subsequently experienced an increase in risk of credit default, which is outside of the Credit Union's typical risk tolerance levels. The Credit Union will not originate loans in this category. DUCA has retail lending programs that assist borrowers who are in need of credit, notwithstanding the borrower's credit score. These loans are priced accordingly based on risk profile.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

The following table sets out the Credit Union's credit risk exposure for all loans carried at amortized cost as at December 31, 2024. Stage 1 represents those performing loans carried with a 12-month ECL, Stage 2 represents those performing loans carried with a lifetime ECL, and Stage 3 represents those loans with a lifetime ECL that are credit-impaired.

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Residential				
Very low risk	**2,110,243**	**—**	**—**	**2,110,243**
Low risk	**1,706,638**	**—**	**—**	**1,706,638**
Moderate risk	**378,829**	**365,823**	**—**	**744,652**
High risk	**726**	**127,409**	**46,287**	**174,422**
	4,196,436	**493,232**	**46,287**	**4,735,955**
Commercial				
Low risk	**272,631**	**—**	**—**	**272,631**
Moderate risk	**1,203,209**	**7,458**	**—**	**1,210,667**
High risk	**—**	**33,212**	**40,828**	**74,040**
	1,475,840	**40,670**	**40,828**	**1,557,338**
Personal				
Very low risk	**208,359**	**—**	**—**	**208,359**
Low risk	**28,238**	**—**	**—**	**28,238**
Moderate risk	**2,733**	**4,921**	**—**	**7,654**
High risk	**25**	**235**	**58**	**318**
	239,355	**5,156**	**58**	**244,569**
	5,911,631	**539,058**	**87,173**	**6,537,862**

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

The following table sets out the Credit Union's credit risk exposure for all loans carried at amortized cost as at December 31, 2023. Stage 1 represents those performing loans carried with a 12-month ECL, Stage 2 represents those performing loans carried with a lifetime ECL, and Stage 3 represents those loans with a lifetime ECL that are credit-impaired.

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Residential				
Very low risk	2,526,120	—	—	2,526,120
Low risk	1,854,891	—	—	1,854,891
Moderate risk	458,023	222,017	15,616	695,656
High risk	3,588	66,623	8,702	78,913
	4,842,622	288,640	24,318	5,155,580
Commercial				
Low risk	297,388	—	—	297,388
Moderate risk	1,215,710	6,326	—	1,222,036
High risk	—	60,486	1,685	62,171
	1,513,098	66,812	1,685	1,581,595
Personal				
Very low risk	134,435	—	—	134,435
Low risk	22,836	—	—	22,836
Moderate risk	596	2,456	—	3,052
High risk	6	213	—	219
	157,873	2,669	—	160,542
	6,513,593	358,121	26,003	6,897,717

As at December 31, 2024, 95% of outstanding commercial loans are risk rated in the acceptable range of 6 or lower [2023 – 96%] based on the Credit Union's risk rating model.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

The following table shows the Credit Union's gross loan balances by security type:

	2024			
	Secured by real estate $	**Secured by other collateral** $	**Unsecured** $	**Total gross loans** $
Residential	**4,735,955**	**—**	**—**	**4,735,955**
Commercial	**1,393,864**	**163,220**	**254**	**1,557,338**
Personal	**—**	**240,035**	**4,534**	**244,569**
Total	**6,129,819**	**403,255**	**4,788**	**6,537,862**

	2023			
	Secured by real estate $	**Secured by other collateral** $	**Unsecured** $	**Total gross loans** $
Residential	5,155,580	—	—	5,155,580
Commercial	1,476,475	104,306	814	1,581,595
Personal	—	156,719	3,823	160,542
Total	6,632,055	261,025	4,637	6,897,717

The forward-looking macroeconomic scenarios described below reflect Management's best estimate of the forward-looking information as at December 31, 2024.

The base scenario assumes the following assumptions:

- Interest rate reduction is likely to continue into 2025, when inflation is believed to be manageable within a key government policy target range.
- The debt to income ratio continues to remain flat in the short term before growing with higher borrowing.
- Home prices likely to increase because of improving home sales activities due to more affordable interest rates as well as continued demand for housing as a result of immigration and population growth.
- Unemployment gradually declines as the economy slowly improves with declining interest rates.

These estimates and judgments have been made taking into consideration the economic impact of the current market volatility and uncertainty due to geopolitical environment in the U.S. and internationally, the current interest rate environment, and inflationary pressures. This has resulted in a direct impact on the forward-looking macroeconomic variables that Management uses as part of its underlying assumptions for calculating ECL. While these changing assumptions may result in current forward-looking scenarios that are different from those used by the Credit Union in its ECL measurement as at December 31, 2024, based on the information available at the end of the year, IFRS 9 does not permit the use of hindsight in measuring ECL. Accordingly, any changes in forward-looking information subsequent to December 31, 2024 will be reflected in the measurement of ECL in future periods as appropriate.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

The Credit Union's ECL methodology also requires the use of experienced credit judgment to incorporate the estimated impact of factors that are not captured in the modelled ECL results. Management applied experienced credit judgment to reflect the continuing impact of the uncertain environment on credit conditions and the economy.

The following table shows the key macroeconomic inputs the Credit Union uses to estimate its allowance on performing loans during the forecast period. The values shown represent the end-of-period average values for the first 12 months and then the average value for the remaining forecast period of four years.

	Benign scenario		**Base scenario**		**Adverse scenario**	
	Average value over the next 12 months	**Average value over the remaining forecast period**	**Average value over the next 12 months**	**Average value over the remaining forecast period**	**Average value over the next 12 months**	**Average value over the remaining forecast period**
	%	**%**	**%**	**%**	**%**	**%**
Canadian GDP year-over-year growth	4.3	2.2	1.9	1.9	(2.1)	1.4
Canadian unemployment rate	5.4	4.9	6.1	5.3	7.3	6.4
National Housing Price Index growth	3.7	3.7	1.9	2.7	(1.0)	2.1

The following table compares the probability-weighted ECL [determined as the reported allowance for credit losses] against the base case ECL to illustrate the impact of applying probability weights to each of the scenarios in the determination of allowance for credit losses.

	2024	**2023**
	$	$
Probability-weighted ECL [reported allowance for credit losses]	**11,088**	7,141
Base case ECL	**11,066**	7,128
Difference	**22**	13

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

Analysis of individual loans that are past due based on age is shown below:

	2024			
	Residential	Commercial	Personal	Total
	$	$	$	$
Less than 30 days	**130,165**	**14,432**	**679**	**145,276**
30–89 days	**64,411**	**45,560**	**195**	**110,166**
90–179 days	**24,423**	**15**	**58**	**24,496**
180–365 days	**12,482**	**31,546**	**—**	**44,028**
Over 365 days	**10,661**	**8,466**	**—**	**19,127**
Total loans in arrears	**242,142**	**100,019**	**932**	**343,093**
Total loans not in arrears	**4,493,813**	**1,457,319**	**243,637**	**6,194,769**
Balance, December 31, 2024	**4,735,955**	**1,557,338**	**244,569**	**6,537,862**

	2023			
	Residential	Commercial	Personal	Total
	$	$	$	$
Less than 30 days	94,758	13,405	460	108,623
30–89 days	23,196	22,640	51	45,887
90–179 days	6,200	—	—	6,200
180–365 days	8,337	—	—	8,337
Over 365 days	5,723	—	—	5,723
Total loans in arrears	138,214	36,045	511	174,770
Total loans not in arrears	5,017,366	1,545,550	160,031	6,722,947
Balance, December 31, 2023	5,155,580	1,581,595	160,542	6,897,717

10. Securitization activity

The Credit Union securitizes residential mortgages through the CMHC-sponsored NHA MBS program and CMB program and through Canadian bank-sponsored asset-backed commercial paper programs. These transactions do not meet the requirements for derecognition as the Credit Union retains prepayment risk and certain elements of credit risk. Accordingly, the Credit Union has retained these mortgages on its consolidated statement of financial position and has recorded offsetting liabilities for the net proceeds received as securitization liabilities, which are recorded at amortized cost. As a requirement of the various securitization programs, the Credit Union assigns all its interest in securitized mortgage pools to the securitization entities who may enforce the assignment of the mortgages should the Credit Union fail to make timely payment under the terms of the securitization programs.

[In thousands of Canadian dollars]

The following table summarizes DUCA's securitization activity:

	2024 $	2023 $
Mortgages securitized	**415,562**	644,945
Net cash proceeds received	**383,915**	445,026
Outstanding balances of securitized mortgages	**1,498,216**	1,215,940
Outstanding balances of securitization liabilities	**770,671**	823,910

The average yield on mortgage-backed securities pools outstanding as at December 31, 2024 was 1.66% [2023 – 1.63%]. The outstanding balance of mortgage-backed securities is net of fees.

In addition to the securitization activity noted in the table above, the Credit Union has securitized mortgages that are being held in NHA MBS for liquidity purposes. The balance of securitized mortgages held in NHA MBS for liquidity purposes as at December 31, 2024 was $160,660 [2023 – $255,800] and are recorded in the consolidated statement of financial position.

The Credit Union securitizes and sells mortgage-backed securities of certain insured multi-unit residential mortgages with no prepayment or credit risk associated with the sold mortgage-backed securities. The Credit Union enters into certain transactions that allow the transfer of the contractual right to receive the residual cash flows from the mortgages and transfer substantially all of the risks and rewards of ownership, including credit, interest rate, prepayment and other price risks. The present value of the future cash flows is recorded on the consolidated statement of financial position under other assets. The outstanding balance for these multi-unit residential mortgages totals $3,500,477 as at December 31, 2024 [2023 – $2,637,439].

The Credit Union securitizes and sells certain uninsured residential mortgages into a Schedule I bank's conduit under the Schedule 1 bank's asset-backed securitization program. The outstanding securitization liability as of December 31, 2024, is $330,000 [2023 – $330,000]. The uninsured residential mortgages mature from 2025 to 2027. The outstanding balance for these uninsured residential mortgages totals $341,477 as at December 31, 2024 [2023 – $356,608].

The Credit Union securitizes and sells certain uninsured residential mortgages into a second Schedule I bank's conduit under the Schedule 1 bank's asset-backed securitization program. The outstanding securitization liability as of December 31, 2024, is $132,000 [2023 – $132,000]. The uninsured residential mortgages mature from 2025 to 2027. The outstanding balance for these uninsured residential mortgages totals $185,279 as at December 31, 2024 [2023 –$246,015].

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

11. Other assets

	2024	2023
	$	$
Securitization receivables	**107,374**	95,051
Right-of-use assets, net	**11,667**	9,732
Prepaid expenses	**27,592**	30,063
Third-party mortgage and mortgage pool receivables	**9,018**	7,766
Other	**1,303**	2,804
	156,954	145,416

Set out below are the carrying amounts of right-of-use assets recognized and the movement during the year:

	2024	2023
	$	$
Balance as at January 1	**9,732**	10,296
Additions and adjustments	**5,147**	2,749
Depreciation and adjustments	**(3,212)**	(3,313)
Balance as at December 31	**11,667**	9,732

12. Pension plan

The Credit Union has a defined contribution pension plan and a SERP for a group of former senior executives, under which costs and obligations are determined using the projected benefit method of actuarial valuation prorated on service.

On December 31, 2012, the SERP was closed to new members. Included in other assets is a net pension amount of $159 [2023 – $114] relating to the SERP.

The Credit Union contributes a percentage of employee salaries to the defined contribution plan. The amount of the expense for the year was $1,596 [2023 – $1,488].

[In thousands of Canadian dollars]

13. Property and equipment

	Land $	Buildings $	Leasehold improvements $	Computer hardware $	Equipment, furniture and fixtures $	Total $
Cost						
Balance, December 31, 2023	5,215	864	13,724	9,872	12,114	41,789
Additions	**17**	—	**198**	**316**	**1,223**	**1,754**
Balance, December 31, 2024	**5,232**	**864**	**13,922**	**10,188**	**13,337**	**43,543**
Accumulated depreciation and amortization						
Balance, December 31, 2023	—	111	11,445	9,320	10,096	30,972
Depreciation and amortization	—	**43**	**659**	**286**	**694**	**1,682**
Balance, December 31, 2024	—	**154**	**12,104**	**9,606**	**10,790**	**32,654**
Net book value						
December 31, 2024	**5,232**	**710**	**1,818**	**582**	**2,547**	**10,889**

	Land $	Buildings $	Leasehold improvements $	Computer hardware $	Equipment, furniture and fixtures $	Total $
Cost						
Balance, December 31, 2022	190	408	13,711	9,531	11,102	34,942
Additions	5,025	456	13	341	1,012	6,847
Balance, December 31, 2023	5,215	864	13,724	9,872	12,114	41,789
Accumulated depreciation and amortization						
Balance, December 31, 2022	—	91	10,572	9,016	9,461	29,140
Depreciation and amortization	—	20	873	304	635	1,832
Balance, December 31, 2023	—	111	11,445	9,320	10,096	30,972
Net book value						
December 31, 2023	5,215	753	2,279	552	2,018	10,817

The additions to property and equipment, in fiscal year 2023, mostly relate to land and building and other equipment acquired from United at their fair value [$5,545] on the acquisition date *[note 28]*. Land and building were valued by a licensed appraiser.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

14. Deposits

	2024 $	2023 $
Demand deposit accounts	**906,269**	1,855,026
Term deposits	**4,218,620**	3,147,064
Registered deposits	**907,065**	852,065
Foreign currency accounts	**89,007**	36,090
	6,120,961	5,890,245
Accrued interest payable	**123,180**	82,565
Unamortized broker fees	**(7,973)**	(9,837)
	6,236,168	5,962,973

[a] Terms and conditions

Demand deposit accounts include chequing accounts, savings accounts, and daily interest accounts, are due on demand and bear interest at a variable rate up to 4.00% as at December 31, 2024 [2023 – 5.75%].

Term deposits bear fixed rates of interest for terms of up to seven years. Interest can be paid annually, semi-annually, monthly or upon maturity.

The registered retirement savings plans accounts can be fixed or variable rate. The fixed rate accounts have terms and rates similar to the term deposit accounts described above. The variable rate accounts bear interest at rates of 0.25% as at December 31, 2024 [2023 – 0.25%]. Registered retirement income funds consist of both fixed and variable rate products with terms and conditions similar to those of the registered retirement savings plans accounts described above. Depositors may make withdrawals from a registered retirement income fund account on a monthly, semi-annual, or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements. The tax-free savings accounts can be fixed or variable rate with terms and conditions similar to those of the registered retirement savings plans accounts described above.

Foreign currency accounts include accounts from all of the above balances.

[b] Average rate

Deposits bear interest at both variable and fixed rates with the following rates at December 31:

	2024		2023	
	Principal $	Weighted average rate %	Principal $	Weighted average rate %
Variable rate	**976,142**	**1.70**	1,949,479	3.69
Fixed rate due less than 1 year	**3,261,042**	**5.10**	1,963,293	4.91
Fixed rate due between 1 and 5 years	**1,883,777**	**4.90**	1,977,473	4.86
	6,120,961		5,890,245	

[In thousands of Canadian dollars]

[c] Concentration of risk

The Credit Union does not have an exposure to individual or related groups of deposits that exceed the Credit Union's policy of 5% of deposits.

15. Income taxes

The significant components of income tax expense included in net income are composed of the following:

	2024	**2023**
	$	$
Current tax expense	**822**	3,161
Deferred tax expense	**(587)**	1,233
Total income tax expense	**235**	4,394

The difference between income tax expense for the year and the expected income taxes based on the statutory tax rate of 26.5% [2023 – 26.5%] is as follows:

	2024	**2023**
	$	$
Income before income taxes	**2,675**	21,725
Expected taxes based on the statutory rate	**709**	5,757
Credit Union addition (deduction)	**227**	(1,414)
(Over) provision in prior years	**(786)**	(112)
Permanent difference	**(11)**	(503)
Other	**96**	666
Total income tax expense	**235**	4,394

[In thousands of Canadian dollars]

The tax effect of temporary differences that give rise to the deferred taxes is from differences between amounts deducted for accounting and income tax purposes for the below items.

The significant components of the deferred tax liability of the Credit Union are as follows:

	Balance, December 31, 2023 $	**Consolidated statement of income** $	**Other** $	**Balance, December 31, 2024** $
Allowance for credit losses	**1,087**	**718**	**—**	**1,805**
Broker fees	**(6,391)**	**1,373**	**—**	**(5,018)**
Property and equipment	**(1,867)**	**(1,257)**	**—**	**(3,124)**
Deferred revenue	**653**	**(358)**	**—**	**295**
Non-capital losses available for carryforward	**2,119**	**1,050**	**—**	**3,169**
Corporate Minimum Tax credit	**2,203**	**—**	**—**	**2,203**
Prepaid expenses	**(4,654)**	**(198)**	**—**	**(4,852)**
Fair value adjustments related to business combination	**(899)**	**92**	**—**	**(807)**
Other (including financing costs)	**1,113**	**(833)**	**—**	**280**
	(6,636)	**587**	**—**	**(6,049)**

	Balance, December 31, 2022 $	**Consolidated statement of income** $	**Other** $	**Balance, December 31, 2023** $
Allowance for credit losses	944	143	—	1,087
Broker fees	(4,356)	(2,035)	—	(6,391)
Property and equipment	(2,344)	(87)	564	(1,867)
Deferred revenue	907	(254)	—	653
Non-capital losses available for carryforward	—	2,119	—	2,119
Corporate Minimum Tax credit	1,744	459	—	2,203
Prepaid expenses	(3,116)	(1,538)	—	(4,654)
Fair value adjustments related to business combination	—	(899)	—	(899)
Other (including financing costs)	254	859	—	1,113
	(5,967)	(1,233)	564	(6,636)

The Credit Union has non-capital loss carryforwards as at December 31, 2024 of $17,410 [2023 – $11,641] expiring in 2043.

[In thousands of Canadian dollars]

16. Derivative financial instruments

The Credit Union enters into derivatives for risk management purposes, as explained in note 4. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the quantity of the derivative contracts' underlying instrument [being an equity instrument, commodity product, foreign currency, reference rate or index]. The notional amounts indicate the volume of transactions outstanding at the year-end and are not indicative of either the market or credit risk.

Total derivative financial instruments

There are no outstanding cash flow and fair value hedges as at December 31, 2024. The following are derivative positions outstanding as at December 31, 2024 and 2023.

	2024			2023		
	Assets $	Liabilities $	Notional amount $	Assets $	Liabilities $	Notional amount $
Derivatives not in qualifying hedging relationship						
Foreign exchange contracts	**67,556**	**(67,463)**	**47,000 USD**	17,214	(17,288)	13,000 USD
Index-linked call options	**8,309**	**—**	**43,463**	5,592	—	38,132
Embedded derivatives in index-linked term deposits		**(7,987)**	—	—	(5,409)	—
	75,865	**(75,450)**	—	22,806	(22,697)	—

The Credit Union designated cash flow hedges involving interest rate swaps and bond forwards that hedged interest rate risk related to certain loan and deposit products. Realized gains (losses) on these derivatives are deferred in consolidated AOCI and, subsequently, recognized in the consolidated statement of income consistent with the recognition of the hedged item. The amount remaining in consolidated AOCI related to cash flow hedges at the end of the year represents a loss of $4,023 pre-tax [2023 – $6,829]. The amount of the loss included in consolidated AOCI that is expected to be reclassified to the consolidated statement of income over the next 12 months is $1,663 pre-tax [2023 – $1,589].

Index-linked term deposits

DUCA has outstanding $38,987 in index-linked term deposits [registered and non-registered] to its members. These index-linked term deposits have maturities of three and five years and pay interest to the members at the end of the term, based on the performance of various market indices. The embedded derivative associated with these deposits is presented in liabilities and has a fair value of $7,987 as at December 31, 2024 [$5,409 – 2023].

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

DUCA has entered into [purchased] index-linked call options agreements with certain counterparties that have equivalent maturities to offset the exposure to the indices associated with these products. DUCA pays a premium amount based on the notional amount at the inception of the index-linked option contract. At the end of the term, the Credit Union receives from the counterparties an amount comparable to the amount that will be paid to the depositors based on the performance of the respective indices. The purpose of the options agreements is to provide an economic hedge against market fluctuations. These options agreements have fair values that vary based on changes in equity indices. As at December 31, 2024, DUCA has entered into such options contracts in the notional amount of $43,464, and their fair value is presented in assets and amounted to $8,309 [$5,592 – 2023]. Although hedge accounting is not applied, these agreements are used as economic hedges.

17. Members' shares

	2024			2023		
	Number of shares #	Equity $	Liability $	Number of shares #	Equity $	Liability $
Authorized						
Unlimited membership shares	**802**	**—**	**802**	861	—	861
Investment shares						
Unlimited Class A shares	**28,515**	**28,515**	**—**	31,682	31,682	—
Unlimited Class B shares Series 1	**26,512**	**26,512**	**—**	29,430	29,430	—
Class B shares Series 1 issuance costs	**—**	**(632)**	**—**	—	(632)	
Unlimited Class B shares Series 4	**156,251**	**156,251**	**—**	159,147	159,147	—
Class B shares Series 4 issuance costs	**—**	**(632)**	**—**	—	(632)	—
		210,014	**802**		218,995	861

Membership shares, Class A and Class B investment shares are recognized as a liability, equity or compound instrument based on the terms and in accordance with IAS 32, *Financial Instruments: Presentation* ["IAS 32"] and IFRIC 2. If they are classified as equity, they are recognized at cost. If they are classified as a liability, they are initially recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument, and subsequently carried at amortized cost using the effective interest rate method.

Terms and conditions

[a] Membership shares

As a condition of Membership, which is required to use the services of the Credit Union, each Member is required to hold one Membership share, which has a par value of $1. These Membership shares are redeemable at par only when a Membership is withdrawn.

Funds invested by Members in Membership shares are not insured by FSRA. The withdrawal of Membership shares is subject to the Credit Union maintaining adequate regulatory capital *[note 22]*, as is the payment of any dividends on these shares. Membership shares that are available for redemption are classified as a liability.

As a part of the transaction with United, 3,229 new Membership shares were issued on December 21, 2023.

[b] Class A shares

An unlimited number of Class A non-cumulative, non-voting, non-participating bonus shares are redeemable at the sole and absolute discretion of the Credit Union, up to a limit of 10% of the Class each year, at full face value at any time upon the death of the holder and ranging from 50% of face value in the second year after issue with annual increments in redemption value to 100% of face value in the seventh and subsequent years. The Credit Union may redeem the full amount of the shares at any point after five years from their date of issue. The par value of a Class A share is $1.

[c] Class B Series 1 investment shares

The Class B Series 1 investment shares are not redeemable for five years after the date of their issuance. The holders of Class B Series 1 investment shares may, at any time after the respective non-redeemable period, make a request in writing to the Board of Directors of the Credit Union to redeem their Class B investment shares. Approval of such request is the sole and absolute discretion of the Board of Directors. In no case shall total redemptions approved in any fiscal year exceed 10% of the total Class B investment shares outstanding at the end of the previous fiscal year. The Credit Union may, at any time, redeem the full amount of the shares outstanding at the discretion of the Board of the Directors after the non-redeemable term ended on January 1, 2021. The par value of a Class B share is $1.

[In thousands of Canadian dollars]

[d] Class B Series 4 investment shares

The Class B Series 4 investment shares are not redeemable for five years after the date of their issuance. The non-redeemable term will end on January 31, 2025. The holders of Class B Series 4 investment shares may, at any time after the respective non-redeemable period, make a request in writing to the Board of Directors of the Credit Union to redeem their Class B investment shares. Approval of such request is the sole and absolute discretion of the Board of Directors. In no case shall total redemptions approved in any fiscal year exceed 10% of the total Class B investment shares outstanding at the end of the previous fiscal year. Redemptions are subject to the aggregate limits detailed above, and, if the approval of any regulatory body having jurisdiction over the Credit Union of that redemption is required by any applicable law, are subject to obtaining that regulatory approval. The Credit Union may, at any time, redeem the full amount of the shares outstanding after the non-redeemable term has ended at the discretion of the Board of Directors. The par value of a Class B share is $1.

18. Non-interest income

	2024	**2023**
	$	$
Foreign exchange fee revenue	**20,953**	19,607
Gains on derivative financial instruments	**305**	12,777
Gain on acquisition *[note 28]*	**—**	9,303
Mortgage and loan fees	**3,018**	4,806
Wealth management	**4,121**	3,773
Securitization income	**5,726**	3,681
Service charges	**2,659**	2,491
Other	**2,659**	1,515
	39,441	57,953

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

19. Related party transactions

The Act requires disclosure of the five highest-paid officers and employees of the Credit Union where total remuneration paid during the year exceeds $150,000. Bonuses are reported on a lag basis and represent bonus paid during the year with respect to performance of the prior year. The names, positions and remuneration paid during 2024 and 2023 of those officers and employees are as follows:

2024

Name	Title	Salary $	Bonus* $	Pension and other post-retirement benefits $	Other $	Total $
Doug Conick	President and Chief Executive Officer	**508**	**182**	**51**	**31**	**772**
Karey Carson	Chief People and Culture Officer	**282**	**91**	**28**	**7**	**409**
Phillip Taylor	Chief Member Experience Officer	**282**	**89**	**28**	**7**	**407**
Yan Xu	Chief Financial Officer	**281**	**84**	**28**	**6**	**399**
Rizwan Ahmad	Chief Risk Officer	**281**	**78**	**28**	**5**	**393**

* Represents bonus paid in 2024 relating to financial performance of fiscal year ended December 31, 2023.

2023

Name	Title	Salary $	Bonus** $	Pension and other post-retirement benefits $	Other $	Total $
Doug Conick	President and Chief Executive Officer	489	—	49	49	587
Phillip Taylor	Chief Member Experience Officer	272	146	27	7	452
Karey Carson	Chief People and Culture Officer	272	130	27	7	436
Michael Creasor	Treasurer	272	129	27	4	432
Rizwan Ahmad	Chief Risk Officer	272	126	27	5	430

** Represents bonus paid in 2023 relating to financial performance of fiscal year ended December 31, 2022, of which the bonus of the CEO was voluntarily deferred to future years, subject to approval by the Credit Union's Board of Directors.

The Credit Union entered into the following transactions with key management personnel, which are defined by FSRA as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and Management.

[In thousands of Canadian dollars]

	2024 $	2023 $
Loans to key management personnel		
Aggregate value of loans advanced	**3,865**	5,860
Interest received on loans advanced	**106**	120
Total value of lines of credit advanced	**607**	168
Interest received on lines of credit advanced	**36**	12
Unused value of lines of credit	**1,275**	1,193
Deposits from key management personnel		
Aggregate value of term and savings deposits	**2,507**	1,596
Total interest paid on term and savings deposits	**29**	33

The Credit Union's policy for key management personnel is that the loans are approved and deposits accepted on the same terms and conditions that apply to Members for each class of loan or deposit with the exception of a policy approved by the Board of Directors, permitting up to a 2.00% interest rate discount on loans and residential first mortgages and an additional 0.25% interest rate premium on fixed term deposits granted to employees of the Credit Union.

The Directors of the Credit Union are remunerated at rates to be fixed annually at the beginning of each year by the Board of Directors, and are also entitled to be paid their travelling, director training and other expenses properly incurred by them in connection with the affairs of DUCA.

The following table outlines remuneration paid to the Directors of the Credit Union:

	2024 $	2023 $
Director remuneration paid	**368**	348

Deposit insurance

As at December 31, 2024, the net annual premium paid to FSRA for insuring deposits was $4,352 [2023 – $3,560].

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

20. Financial instrument classification and fair value

The following table represents the fair values of DUCA's financial instruments. The fair values disclosed do not include the value of assets that are not considered financial instruments.

While the fair value amounts are intended to represent estimates of the amounts at which these instruments could be exchanged in a current transaction between willing parties, some of DUCA's financial instruments lack an available trading market. Consequently, the fair values presented are estimates derived using present value and other valuation techniques and may not be indicative of the net realizable values.

Due to the judgment used in applying a wide range of acceptable valuation techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

	2024	
	Carrying value $	**Fair value** $
Assets		
Amortized cost		
Cash and cash equivalents	**128,670**	**128,670**
Investment securities	**174,053**	**175,145**
Third-party mortgages	**321,796**	**318,144**
Loans	**6,481,309**	**6,366,045**
Fair value through profit or loss		
Investment securities	**2,127**	**2,127**
Derivative financial instruments	**75,865**	**75,865**
Fair value through other comprehensive income		
Investment securities	**39,162**	**39,162**
Loans	**83,930**	**83,930**
Third-party mortgages	**48,617**	**48,617**
Total financial assets	**7,355,529**	**7,237,705**
Liabilities		
Amortized cost		
Deposits	**6,236,168**	**6,234,374**
Securitization liabilities	**770,671**	**766,372**
Accounts payable and other liabilities	**25,299**	**25,298**
Subordinated debt	**74,665**	**81,055**
Fair value through profit or loss		
Derivative financial instruments	**75,450**	**75,450**
Total financial liabilities	**7,182,253**	**7,182,549**

[In thousands of Canadian dollars]

	2023	
	Carrying value	**Fair value**
	$	$
Assets		
Amortized cost		
Cash and cash equivalents	60,201	60,201
Investment securities	71,886	72,442
Third-party mortgages	394,417	387,517
Loans	6,881,432	6,779,631
Fair value through profit or loss		
Investment securities	2,024	2,024
Derivative financial instruments	22,806	22,806
Fair value through other comprehensive income		
Investment securities	11,924	11,924
Loans	47,930	47,930
Total financial assets	7,492,306	7,384,475
Liabilities		
Amortized cost		
Deposits	5,962,973	5,860,091
Securitization liabilities	823,910	806,810
Borrowings	379,319	381,289
Accounts payable and other liabilities	32,346	32,346
Subordinated debt	74,516	83,948
Fair value through profit or loss		
Derivative financial instruments	22,697	22,697
Total financial liabilities	7,295,761	7,187,181

The following methods and assumptions were used to estimate the fair values noted above of on-balance sheet financial instruments, which should be read in conjunction with the fair value measurement basis described in the significant accounting policy in note 4[b][v]:

[a] Investments and third-party mortgages

The estimated fair values of investments in publicly listed securities are determined using quoted market prices. The estimated fair values of investments in third-party mortgages are determined by discounting the expected future cash flows of these investments at current market rates for products with similar terms and credit risks.

[b] Loans

The estimated fair values of loans are arrived at by discounting the expected future cash flows of the loans at market rates for loans with similar terms of credit risk. Loans are classified as either Level 2 or Level 3.

[c] Deposits

The fair values of deposits payable on demand, payable after notice and floating rate deposits are assumed to equal their carrying values. The estimated fair values for fixed rate term deposits are valued using the discounted cash flows discounted using market rates currently offered for deposits with similar terms and risks. Such deposit liabilities are classified as Level 3.

[d] Derivative financial instruments

The estimated fair values of derivative instruments are determined through valuation models on the derivative notional amounts, maturity dates and rates. Such instruments are classified as Level 2.

[e] Subordinated debt

The estimated fair values of subordinated debt are determined by discounting future repricing cash flows by the treasury bill or bond curve. Such instruments are classified as Level 2.

[f] Other assets and liabilities

The fair values of cash and cash equivalents and accounts payable and other liabilities are assumed to approximate their book values, due to their short-term nature.

Fair value measurements can be classified in a hierarchy in order to discern the significance of Management assumptions and the ability to observe inputs incorporated into the measurements, as follows:

Level 1 – Fair value measurements are those derived from quoted prices [unadjusted] in active markets for identical assets or liabilities using the last bid price;

Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly [i.e., as prices] or indirectly [i.e., derived from prices]; and

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data [unobservable inputs].

The level in the fair value hierarchy within which the financial asset or liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

[In thousands of Canadian dollars]

The following table summarizes the classification of the Credit Union's financial instruments within the fair value hierarchy as at December 31:

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Recorded at fair value				
Assets				
Investment securities measured at FVTPL	**—**	**—**	**2,127**	**2,127**
Investment securities measured at FVOCI	**2,434**	**36,728**	**—**	**39,162**
Loans	**—**	**83,930**	**—**	**83,930**
Third-party mortgages measured at FVOCI	**—**	**48,617**	**—**	**48,617**
Derivative financial instruments	**—**	**75,865**	**—**	**75,865**
Total assets held at fair value	**2,434**	**245,140**	**2,127**	**249,701**
Liabilities				
Derivative financial instruments	**—**	**75,450**	**—**	**75,450**
Total liabilities held at fair value	**—**	**75,450**	**—**	**75,450**
Fair value disclosed				
Assets				
Investment securities measured at amortized cost	**—**	**175,145**	**—**	**175,145**
Third-party mortgages measured at amortized cost	**—**	**—**	**318,144**	**318,144**
Loans	**—**	**—**	**6,366,045**	**6,366,045**
Total assets disclosed at fair value	**—**	**175,145**	**6,684,189**	**6,859,334**
Liabilities				
Deposits	**—**	**—**	**6,234,374**	**6,234,374**
Securitization liabilities	**—**	**—**	**766,372**	**766,372**
Subordinated debt	**—**	**81,055**	**—**	**81,055**
Total liabilities disclosed at fair value	**—**	**81,055**	**7,000,746**	**7,081,801**

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

	2023			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recorded at fair value				
Assets				
Investment securities measured at FVTPL	—	—	2,024	2,024
Investment securities measured at FVOCI	6,911	5,013	—	11,924
Loans	—	47,930	—	47,930
Derivative financial instruments	—	22,806	—	22,806
Total assets held at fair value	6,911	75,749	2,024	84,684
Liabilities				
Derivative financial instruments	—	22,697	—	22,697
Total liabilities held at fair value	—	22,697	—	22,697
Fair value disclosed				
Assets				
Investment securities measured at amortized cost	—	72,442	—	72,442
Third-party mortgages measured at amortized cost	—	—	387,517	387,517
Loans	—	—	6,779,631	6,779,631
Total assets disclosed at fair value	—	72,442	7,167,148	7,239,590
Liabilities				
Deposits	—	—	5,860,091	5,860,091
Securitization liabilities	—	—	806,810	806,810
Borrowings	—	381,289	—	381,289
Subordinated debt	—	83,948	—	83,948
Total liabilities disclosed at fair value	—	465,237	6,666,901	7,132,138

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2024 and 2023 and no changes or transfers in securities classified as Level 3.

Included in Level 3 are non-quoted equity investments, which are valued based on financial information provided by that entity. The valuation does not involve a valuation model and, as such, a sensitivity analysis is not disclosed.

21. Financial risk management

[a] General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies, and while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's Management. The Board of Directors receives regular reporting from the Credit Union through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

[b] Credit risk

Credit risk is the risk of financial loss to the Credit Union if a counterparty to a financial instrument fails to make payments of interest and principal when due. The Credit Union is exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

Credit risk assessments are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the Member's character, ability to pay and value of collateral or other support available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall enterprise risk management framework. The Board of Directors ensures that Management has a framework, policies and procedures in place to manage credit risk and that the overall credit risk policies are complied with at the business and transaction levels.

[i] Objectives, policies and processes

The Credit Union's credit risk policies and procedures set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies and procedures comprise the following:

- General loan policy statements, including risk appetite statements, approval of lending policies, eligibility for loans, exceptions to policy and loan administration;
- Loan lending limits, including Board of Directors' delegation of loan lending limits to management;
- Loan collateral security classifications;
- Procedures outlining loan overdrafts, release or substitution of collateral and loan renegotiations; and
- Loan delinquency controls regarding procedures followed for loans in arrears.

With respect to credit risk, the Board of Directors receives monthly reports summarizing loan portfolio quality including delinquent loan measures and loans that are on the watchlist. The Board of Directors also receives regular reporting of the allowance for credit losses.

[In thousands of Canadian dollars]

[ii] Exposure to credit risk

The following table indicates the Credit Union's maximum exposure to credit risk relating to its portfolios as at December 31, 2024 and 2023 without considering any collateral held or credit enhancements:

	2024		**2023**	
	Carrying value	**Maximum exposure**	**Carrying value**	**Maximum exposure**
	$	$	$	$
Cash and cash equivalents	**128,670**	**128,670**	60,201	60,201
Investments	**585,755**	**585,755**	480,251	480,251
Loans	**6,565,239**	**6,565,239**	6,929,362	6,929,362
Undisbursed loans	**—**	**370,189**	—	532,205
Unutilized lines of credit	**—**	**273,311**	—	273,954
Unutilized letters of credit	**—**	**10,809**	—	10,919
	7,279,664	**7,933,973**	7,469,814	8,286,892

A sizable portfolio of the loan book is secured by residential property in Southern Ontario. Therefore, the Credit Union is exposed to the risk of reduction in loan to value coverage should the property market be subject to a decline. The risk of losses from loans undertaken is primarily reduced by the nature and quality of the security taken.

[c] Liquidity risk

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates this risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

[i] Risk measurement

The assessment of the Credit Union's liquidity position reflects Management's estimates, assumptions and judgments pertaining to current and prospective firm-specific and market conditions and the related behaviours of its Members and counterparties.

[ii] Objectives, policies and procedures

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost-effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

Provisions of the Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet Member withdrawals, which includes the Liquidity Coverage Ratio ["LCR"], Net Cumulative Cash Flow ["NCCF"], and Net Stable Funding Ratio ["NSFR"].

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer-term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities; and
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities.

The LCR is a measure that aims to ensure that the Credit Union has an adequate stock of unencumbered HQLA that can be converted into cash at little or no loss of value, to meet its liquidity needs for a 30-calendar-day liquidity stress scenario. At a minimum, the stock of unencumbered HQLA should enable the institution to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken by Management. DUCA's LCR as at December 31, 2024 was 530% [2023 – 401%] compared with a regulatory minimum of 100% and a policy minimum of 125%.

The NCCF is a liquidity metric that measures the Credit Union's survival horizon based on its net cumulative cash flows. It identifies potential future funding mismatches between contractual inflows and outflows for various time bands over and up to a 12-month time horizon. DUCA's NCCF as at December 31, 2024 was coverage over 12 months [2023 – 12 months] compared with a policy minimum of coverage over 6 months.

The NSFR is a standard that will require credit unions to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a credit union's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR aims to limit over-reliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability. DUCA's NSFR as at December 31, 2024 was 147% [2023 – 141%] compared with a regulatory minimum of 100% and a policy minimum of 110%.

[In thousands of Canadian dollars]

The following tables demonstrate the Credit Union's ability to pay future obligations as financial assets and liabilities mature as at December 31, 2024 and 2023:

	2024							
	On demand $	Within 1 month $	2–12 months $	1–3 years $	3–5 years $	Over 5 years $	Not specified $	Total $
Assets								
Loans	**311,576**	**576,256**	**2,371,089**	**2,894,455**	**304,906**	**79,580**	**27,377**	**6,565,239**
Cash and cash equivalents	**50,507**	**49,460**	**28,703**	—	—	—	—	**128,670**
Investments	—	**90,933**	**229,267**	**230,454**	**5,480**	**20,537**	**9,084**	**585,755**
Other assets	—	—	—	—	—	—	**267,608**	**267,608**
	362,083	**716,649**	**2,629,059**	**3,124,909**	**310,386**	**100,117**	**304,069**	**7,547,272**
Liabilities and Members' equity								
Deposits	**976,142**	**683,523**	**2,582,408**	**1,221,993**	**620,937**	**35,958**	**115,207**	**6,236,168**
Securitization liabilities	—	—	**100,300**	**650,890**	**4,213**	—	**15,268**	**770,671**
Other liabilities	—	—	—	—	—	**75,000**	**107,265**	**182,265**
Equity	—	—	—	—	—	—	**358,168**	**358,168**
	976,142	**683,523**	**2,682,708**	**1,872,883**	**625,150**	**110,958**	**595,908**	**7,547,272**

	2023							
	On demand $	Within 1 month $	2–12 months $	1–3 years $	3–5 years $	Over 5 years $	Not specified $	Total $
Assets								
Loans	258,975	331,546	2,036,553	2,791,515	1,450,432	28,696	31,645	6,929,362
Cash and cash equivalents	54,408	5,236	557	—	—	—	—	60,201
Investments	—	14,158	205,430	94,547	80,721	5,699	79,696	480,251
Other assets	—	—	—	—	—	—	202,327	202,327
	313,383	350,940	2,242,540	2,886,062	1,531,153	34,395	313,668	7,672,141
Liabilities and Members' equity								
Deposits	1,949,234	197,257	1,776,516	1,300,673	545,629	120,936	72,728	5,962,973
Securitization liabilities	—	—	59,732	131,499	632,223	—	456	823,910
Borrowings		30,000	295,000	—	—	—	54,319	379,319
Other liabilities	—	—	—	—	—	75,000	62,056	137,056
Equity	—	—	—	—	—	—	368,883	368,883
	1,949,234	227,257	2,131,248	1,432,172	1,177,852	195,936	558,442	7,672,141

[In thousands of Canadian dollars]

[d] Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk.

[i] Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending and on its investments.

The Credit Union's goal is to manage the interest rate risk of the consolidated statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

[1] Risk measurement

The Credit Union's interest rate risk position is measured monthly. Measurement of risk is based on rates charged to borrowers, as well as rates paid to depositors.

[2] Objectives, policies and procedures

The Credit Union's major source of income is net interest margin, the difference between interest earned on investments and loans and interest paid on deposits. The objective of asset/liability management is to match interest-sensitive assets with interest-sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates. Management calculates and reports monthly the value-at-risk measure of net interest margin in accordance with the Credit Union's Structural Risk Management Policy. The Credit Union can enter into interest rate swaps in order to hedge against exposure to interest rate fluctuations in accordance with the Credit Union's Interest Rate Risk Management Policy.

Key metrics involved in management of interest rate risk include the use of Earnings at Risk ["EaR"] and Economic Value at Risk ["EVaR"]. EaR is defined as the change in the net interest income from a 100-basis point ["bps"] shock to interest rates. This exposure is measured over a 12-month period. EVaR is defined as the difference in the change in the present value of the asset portfolio and the change in the present value of the liability portfolio resulting from a 100-bps interest rate shock.

The following table summarizes the EaR and EVaR as follows:

	2024	**2023**
	$	$
EaR – up 100 bps	**3,061**	(190)
EaR – down 100 bps	**(620)**	5,929
EVaR – up 100 bps	**15,709**	(986)
EVaR – down 100 bps	**(16,484)**	1,190

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union Management and reported to FSRA in accordance with the Credit Union's policy. This policy has been approved by the Board of Directors and filed with FSRA by Credit Union regulations. For the year ended December 31, 2024, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts with floating rates or due or payable on demand are classified as maturing within three months, regardless of maturity. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity. Amounts that are not interest-sensitive have been grouped together, regardless of maturity.

	As at December 31, 2024				
	Assets	**Weighted average rate**	**Liabilities/ Members' equity**	**Weighted average rate**	**Asset/liability gap**
	$	%	$	%	$
Maturity dates					
Interest-sensitive:					
0–3 months	**1,432,217**	**6.38**	**2,503,259**	**3.88**	**(1,071,042)**
4–12 months	**2,101,698**	**6.04**	**1,839,113**	**4.72**	**262,585**
1–2 years	**1,619,494**	**4.40**	**929,449**	**4.95**	**690,045**
2–5 years	**2,089,794**	**4.66**	**1,679,542**	**4.43**	**410,252**
	7,243,203		**6,951,363**		**291,840**
Non-interest sensitive	**304,069**		**595,908**		
	7,547,272		**7,547,272**		

	As at December 31, 2023				
	Assets	**Weighted average rate**	**Liabilities/ Members' equity**	**Weighted average rate**	**Asset/liability gap**
	$	%	$	%	$
Maturity dates					
Interest-sensitive:					
0–3 months	893,725	6.86	2,698,527	4.08	(1,804,802)
4–12 months	1,897,683	6.21	1,609,217	5.07	288,466
1–2 years	1,502,285	4.94	875,540	4.48	626,745
2–5 years	3,064,780	4.27	1,930,415	4.04	1,134,365
	7,358,473		7,113,699		244,774
Non-interest sensitive	313,668		558,442		
	7,672,141		7,672,141		

Interest-sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The Credit Union may utilize interest rate swaps to assist in managing this rate gap. One of the roles of a credit union is to intermediate between the expectations of borrowers and depositors.

[ii] Currency risk

Currency risk relates to the Credit Union operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

[1] Risk measurement

The Credit Union's currency risk position is measured daily. Measurement of risk is based on rates charged to clients, as well as currency purchase costs.

[2] Objectives, policies and procedures

The Credit Union's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure to the lesser of $1,000 or 5% of total Member foreign currency deposits in Canadian funds.

For the year ended December 31, 2024, the Credit Union's exposure to foreign exchange risk is within policy.

[iii] Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Credit Union is exposed to this risk through its equity holdings.

The total investment in preferred shares and dividend-bearing equities cannot exceed the lesser of $15,000 or 1% of assets, excluding the Credit Union's investment in Central 1.

For the year ended December 31, 2024, the Credit Union's exposure to equity risk is within policy.

[e] Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, and external events. This includes responding to external events including legal or regulatory actions. The Credit Union has a number of programs that manage specific risks under the operational risk framework, including business resilience planning, disaster recovery planning, information technology risk management, anti-money laundering and anti-terrorist financing procedures, external fraud mitigation, employee hiring and retention measures and vendor and third-party relationship risk management.

[In thousands of Canadian dollars]

22. Capital management

The Credit Union's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations.

The Credit Union considers its capital to include Membership shares, Class A shares and Class B investment shares, retained earnings and subordinated debt.

The Credit Union establishes the risk-weighted equivalent value of its assets in accordance with the regulations of the Act, which establishes the applicable percentage for each class of assets. The Credit Union's risk-weighted equivalent value of its assets as at December 31, 2024 was $3,614,713 [2023 – $3,735,210].

Regulatory capital consists of the following:

	2024 $	2023 $
Tier I capital		
Members' shares – liability	**802**	861
Members' shares – equity		
Class A shares – non-redeemable portion	**28,515**	31,682
Class B shares Series 1 – non-redeemable portion	**25,880**	28,798
Class B shares Series 4 – non-redeemable portion	**155,619**	158,515
Retained earnings	**151,097**	154,955
Contributed surplus	**640**	626
Applicable portion of AOCI	**741**	(127)
Goodwill	**(9,491)**	(9,491)
Defined benefit pension plan assets	**(159)**	(114)
	353,644	365,705
Tier II capital		
Subordinated debt	**75,000**	75,000
Collective loan provision	**5,910**	5,844
	80,910	80,844
Total regulatory capital	**434,554**	446,549

Notes to consolidated financial statements

[In thousands of Canadian dollars]

December 31, 2024

	2024			2023		
	Actual %	**Regulatory policy minimum %**	**Internal policy minimum %**	**Actual %**	**Regulatory policy minimum %**	**Internal policy minimum %**
Leverage ratio	**5.74**	**3.00**	**4.00**	5.80	3.00	4.00
Retained earnings to risk weighted asset ratio	**4.22**	**3.00**	**3.25**	4.16	3.00	3.25
Tier 1 capital ratio	**9.78**	**6.50**	**7.00**	9.79	6.50	7.00
Capital conservation buffer ratio	**3.28**	**2.50**	**2.50**	3.29	2.50	2.50
Total supervisory capital ratio	**12.02**	**10.50**	**11.00**	11.96	10.50	11.00

As at December 31, 2024, the Credit Union met the capital requirements of the Act.

On February 28, 2024, the Board of Directors declared a dividend of 3.53% on the outstanding amount of the Class B Series 1 investment shares, and a dividend of 4.25% on the outstanding amount of the Class B Series 4 investment shares to the holders of record as at December 31, 2023. The dividends were paid on April 2, 2024.

23. Commitments

[a] Credit facilities

A comprehensive credit facility is maintained with Bank of Montreal up to a maximum of $14,000 [2023 – $14,000] and is secured by bank deposit notes amounting to $10,141 [2023 – $10,141] [notes 7]. The Credit Union has an unused credit facility of $14,000 [2023 – $14,000] as at year-end.

A line of credit is maintained with Central 1 up to a maximum of $300,377 [2023 – $300,152], of which $90,000 [2023 – $90,000] is prescribed for the guarantee of payment on third-party municipalities, universities, school boards and hospitals deposits with the Credit Union as agreed to by Central 1 and $25,000 [2023 – $25,000] is prescribed towards letters of credit issued on behalf of the Credit Union. The line of credit is secured by a general security agreement covering all the assets of the Credit Union. The unused credit facility as at December 31, 2024 is $247,191 [2023 – $143,544].

A line of credit facility is maintained with Desjardins up to a maximum of $250,000 [2023 – $250,000] and is secured by a pledge of residential mortgages. The Credit Union has an unused credit facility of $250,000 [2023 – nil] as at year-end.

[In thousands of Canadian dollars]

On March 4, 2019, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with National Bank Financial Inc., which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity. As at December 31, 2024 and 2023, the Credit Union has not drawn on this credit facility.

On May 29, 2020, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with Bank of Montreal, which gives the Credit Union access to an uncommitted $400,000 [2023 – $400,000] credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity. As at December 31, 2024 and 2023, the Credit Union has not drawn on this credit facility.

On July 28, 2020, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with Central 1, which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity. As at December 31, 2024 and 2023, the Credit Union has not drawn on this credit facility.

On June 17, 2022, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with Royal Bank of Canada, which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity. As at December 31, 2024 and 2023, the Credit Union has not drawn on this credit facility.

On January 19, 2024, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with CIBC, which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity. As at December 31, 2024, the Credit Union has not drawn on this credit facility.

[b] Loans

The Credit Union has the following loan commitments as at the year-end date on account of loans, unused lines of credit and letters of credit:

	2024 $	2023 $
Undisbursed loans	**370,189**	532,205
Unutilized lines of credit	**273,311**	273,954
Unutilized letters of credit	**10,809**	10,919
	654,309	817,078

[In thousands of Canadian dollars]

24. Subordinated debt

Subordinated debt consists of direct unsecured obligations of the Credit Union and is subordinated in right of payment to the claims of depositors and certain other creditors. Subordinated debt is presented net of unamortized issuance costs of $335 [2023 – $484] on the consolidated statement of financial position.

Maturity date	Interest rate	Earliest par redemption date	Balance, December 31, 2024	Balance, December 31, 2023
	%	$	$	$
March 29, 2032	**7.869**	**March 29, 2027**	**75,000**	75,000

25. Accounts payable and other liabilities

	2024	2023
	$	$
Lease liabilities	**12,498**	11,774
Accrued and other liabilities	**2,777**	5,798
Accounts payable	**10,024**	14,774
	25,299	32,346

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2024	2023
	$	$
Balance as at January 1	**11,774**	11,970
Additions and adjustments	**3,611**	2,760
Accretion of interest	**707**	538
Payments	**(3,594)**	(3,494)
Balance as at December 31	**12,498**	11,774

[In thousands of Canadian dollars]

26. Intangible assets

The Credit Union's intangible assets consist of [i] internally developed software from the implementation of systems and applications and [ii] core deposit intangible assets acquired through business combination (note 28). The balances are as follows:

	2024			2023		
	Software	Core deposit intangible asset	Total	Software	Core deposit intangible asset	Total
	$	$	$	$	$	$
Cost						
Balance as at January 1	**17,411**	**1,600**	**19,011**	12,843	—	12,843
Additions	**2,418**	**—**	**2,418**	4,568	1,600	6,168
Balance as at December 31	**19,829**	**1,600**	**21,429**	17,411	1,600	19,011
Amortization and impairment						
Balance as at January 1	**(5,214)**	**—**	**(5,214)**	(3,824)	—	(3,824)
Amortization	**(1,577)**	**(229)**	**(1,806)**	(1,390)	—	(1,390)
Balance as at December 31	**(6,791)**	**(229)**	**(7,020)**	(5,214)	—	(5,214)
Net book value						
Balance as at January 1	**12,197**	**1,600**	**13,797**	9,019	—	9,019
Balance as at December 31	**13,038**	**1,371**	**14,409**	12,197	1,600	13,797

27. Goodwill

Goodwill acquired on business combinations is assessed for impairment annually, or more frequently, if events or circumstances occur that may result in the recoverable amount of the CGU falling below its carrying value. Goodwill was assessed for annual impairment and no impairment was determined to exist.

	2024	2023
	$	$
Balance as at January 1	**9,491**	10,055
Adjustments: Deferred tax liability related to CCE acquisition	**—**	(564)
Balance as at December 31	**9,491**	9,491

Additional true-up adjustments related to the acquisition of CCE were recorded during 2023, which resulted in a reduction in goodwill of $564 with a corresponding reduction in deferred tax liability.

28. Business combinations

On December 21, 2023, DUCA completed the acquisition of all outstanding member shares and investment shares of United, and the results of its operations have been included in the consolidated financial statements since the acquisition date. At the acquisition date, the consideration transferred totalled $700, which included $70 in cash and 3,229 member shares issued with a fair value of $630. A contributed surplus of $626, representing the difference between fair value and par value of member shares, was recorded on the consolidated statement of financial position.

The transaction was accounted for as a business combination under the purchase method. DUCA recognized, in its consolidated statement of financial position, the identifiable acquired assets of $52,646 and assumed liabilities of $42,644 of United at their fair values as at the acquisition date. The identified assets consist primarily of cash and investments, loans, property and equipment and other assets which include a core deposits intangible asset of $1,600 that was previously not recognized. A gain on acquisition of $9,303, representing the excess of fair value of net assets acquired over consideration transferred, and a tax on acquisition gain of $1,246 were recognized in the consolidated statement of income.

29. Comparative figures

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

30. Subsequent events

Subsequent to December 31, 2024, the Credit Union received and processed redemption requests for Class B Series 1 investment shares, Class B Series 4 investment shares and Class A shares amounting to $2,596, $11,977 and $1,236, respectively.

SCHEDULE B
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) AS OF APRIL 30, 2025

DUCA Financial Services Credit Union Ltd.

Condensed interim consolidated financial statements (unaudited)

Four-months period ended April 30, 2025

DUCA Financial Services Credit Union Ltd.

Condensed consolidated statement of financial position (unaudited)

[In thousands of Canadian dollars]

As at April 30, 2025, with comparative information for December 31, 2024

	Note	April 30, 2025 unaudited $	December 31, 2024 $
Assets			
Cash and cash equivalents	5	**71,733**	128,670
Investments	6	**472,354**	585,755
Loans	7, 8	**6,295,292**	6,565,239
Other assets	10	**168,802**	156,954
Derivative financial instruments	13	**12,339**	8,402
Property and equipment, net		**11,294**	10,889
Intangible assets, net		**13,373**	14,409
Goodwill		**9,491**	9,491
Total assets		**7,054,678**	7,479,809
Liabilities and Members' equity			
Liabilities			
Deposits	11	**5,896,399**	6,236,168
Securitization liabilities	9	**687,843**	770,671
Borrowings	20	**10,002**	—
Accounts payable and other liabilities		**30,001**	25,299
Derivative financial instruments	13	**11,764**	7,987
Deferred tax liability	12	**6,292**	6,049
Members' shares	14	**785**	802
Subordinated debt	21	**74,715**	74,665
Total liabilities		**6,717,801**	7,121,641
Members' equity			
Members' shares	14	**189,409**	210,014
Contributed surplus		**640**	640
Retained earnings		**147,490**	151,097
Accumulated other comprehensive loss		**(662)**	(3,583)
Total Members' equity		**336,877**	358,168
Total liabilities and Members' equity		**7,054,678**	7,479,809

See accompanying notes

Approved by the Board:

Director

Director

DUCA Financial Services Credit Union Ltd.

Condensed consolidated statement of income

[In thousands of Canadian dollars]
[unaudited]

For the four-months period ended April 30, 2025, with comparative information for the four-months period ended April 30, 2024

	Note	April 30, 2025	April 30, 2024
		$	$
Interest income			
Interest on loans		**110,428**	119,415
Investment income		**9,576**	10,065
		120,004	129,480
Interest expense			
Interest on deposits		**84,330**	92,027
Borrowings, securitizations and other interest expense		**12,896**	18,755
		97,226	110,782
Net interest income		**22,778**	18,698
Non-interest income	15	**12,927**	11,206
Total revenue		**35,705**	29,904
Provision for credit losses	8	**2,383**	641
Non-interest expense			
Salaries and benefits		**15,562**	14,766
Occupancy		**1,965**	1,632
Technology		**2,439**	2,089
Other general and administrative		**10,056**	9,775
		30,022	28,262
Income before income taxes		**3,300**	1,001
Income tax expense (recovery)	12	**732**	(559)
Net income for the period		**2,568**	1,560

See accompanying notes

DUCA Financial Services Credit Union Ltd.

Condensed consolidated statement of comprehensive income

[In thousands of Canadian dollars]
[unaudited]

For the four-months period ended April 30, 2025, with comparative information for the four-months period ended April 30, 2024

	Note	April 30, 2025 $	April 30, 2024 $
Net income for the period		**2,568**	1,560
Other comprehensive income (loss)			
Items that will be subsequently reclassified to net income for the period			
Loans and investment in third-party mortgages classified at fair value through other comprehensive income			
Net unrealized gains from change in fair value		**782**	412
Fixed income securities classified at fair value through other comprehensive income			
Net unrealized gains (losses) from change in fair value		**189**	(53)
Cash flow hedges			
Net losses reclassified to net income	13	**556**	556
Net unrealized gains on derivatives designated as cash flow hedges	13	**2,121**	—
Items that will not be subsequently reclassified to net income for the period			
Equity and other securities designated at fair value through other comprehensive income			
Net unrealized (losses) gains from change in fair value		**(64)**	(179)
		3,584	736
Income tax expense		**(663)**	(136)
Total other comprehensive income		**2,921**	600
Comprehensive income		**5,489**	2,160

See accompanying notes

DUCA Financial Services Credit Union Ltd.

Condensed consolidated statement of changes in Members' equity

[In thousands of Canadian dollars]
[unaudited]

For the four-months period ended April 30, 2025, with comparative information for the four-months period ended April 30, 2024

	Note	Class A shares $	Class B shares Series 1 $	Class B shares Series 4 $	Contributed surplus $	Retained earnings $	Accumulated other comprehensive loss, net of tax $	Total Members' equity $
Balance, December 31, 2023		31,682	28,799	158,514	626	154,955	(5,693)	368,883
Net income for the period		—	—	—	—	1,560	—	1,560
Dividends to Members, net of tax	14	—	—	—	—	(6,359)	—	(6,359)
Business combination		—	—	—	14	—	—	14
Redemption of shares		(2,175)	(2,896)	(623)	—	—	—	(5,694)
Net losses reclassified to net income		—	—	—	—	—	556	556
Net unrealized gains from change in fair value on loans		—	—	—	—	—	412	412
Net unrealized losses from change in fair value on fixed income securities		—	—	—	—	—	(53)	(53)
Unrealized losses from change in fair value on equity and other securities		—	—	—	—	—	(106)	(106)
Realized gain on equity and other securities designated at fair value through other comprehensive income reclassified to retained earnings		—	—	—	—	73	(73)	—
Income tax expense on other comprehensive income		—	—	—	—	—	(136)	(136)
Balance, April 30, 2024		29,507	25,903	157,891	640	150,229	(5,093)	359,077
Balance, December 31, 2024		28,515	25,880	155,619	640	151,097	(3,583)	358,168
Net income for the period		—	—	—	—	2,568	—	2,568
Dividends to Members, net of tax	14	—	—	—	—	(6,175)	—	(6,175)
Redemption of shares		(2,622)	(2,632)	(15,351)	—	—	—	(20,605)
Net losses reclassified to net income		—	—	—	—	—	556	556
Net unrealized gains from change in fair value on loans and investment in third-party mortgages at fair value through other comprehensive income reclassified to retained earnings		—	—	—	—	—	782	782
Net unrealized gains from change in fair value on fixed income securities		—	—	—	—	—	189	189
Unrealized losses from change in fair value on equity and other securities		—	—	—	—	—	(64)	(64)
Unrealized gains from change in fair value on derivatives from cash flow hedges		—	—	—	—	—	2,121	2,121
Income tax expense on other comprehensive income		—	—	—	—	—	(663)	(663)
Balance, April 30, 2025		**25,893**	**23,248**	**140,268**	**640**	**147,490**	**(662)**	**336,877**

See accompanying notes

DUCA Financial Services Credit Union Ltd.

Condensed consolidated statement of cash flows

[In thousands of Canadian dollars]
[unaudited]

For the four-months period ended April 30, 2025, with comparative information for the four-months period ended April 30, 2024

	Note	April 30, 2025 $	April 30, 2024 $
Operating activities			
Net income for the period		**2,568**	1,560
Add (deduct) non-cash items:			
Depreciation and amortization	10	**1,960**	2,260
Provision for (recovery of) credit losses on loans and third-party mortgages	6, 8	**2,269**	634
Current income taxes	12	**489**	185
Deferred income taxes	12	**243**	(744)
Unrealized loss (gain) on derivative instruments	13	**1,960**	(119)
Amortization of sub debt fees		**50**	50
Cash flow hedges net losses reclassified to net income	13	**556**	556
Interest paid on lease liabilities		**221**	190
Change in fair value of loans and investments, net		**907**	179
Changes in operating assets and liabilities:			
Decrease/(Increase) in accrued interest receivable	7	**454**	(1,026)
Increase in income taxes paid		**(936)**	(400)
Increase in other assets	10,	**(16,228)**	(13,461)
Decrease (increase) in loans, net of write-offs and recoveries	7, 8	**267,224**	(27,916)
Decrease/Increase in deposits	11	**(305,709)**	83,282
Decrease in accrued interest payable	11	**(34,061)**	(4,957)
Increase (decrease) in accounts payable and other liabilities		**10,352**	(8,856)
Decrease in securitization liabilities	9	**(82,828)**	(32,328)
Other		**26**	70
Cash provided by operating activities		**(150,483)**	(841)
Financing activities			
Increase in borrowings		**10,002**	34,123
Repayment of lease liabilities		**(1,167)**	(1,178)
Redemption of Membership shares		**(16)**	(27)
Redemption of Class A shares		**(2,622)**	(2,175)
Redemption of Class B shares		**(17,893)**	(3,519)
Dividend on Class B shares		**(7,577)**	(7,803)
Realized gain on equity and other securities designated at FVOCI		**—**	73
Cash used in financing activities		**(19,363)**	(19,495)
Investing activities			
Net change in investments and third-party mortgages	6	**113,402**	(8,633)
Purchase of property and equipment		**(920)**	(682)
Purchase of intangible assets		**427**	(684)
Cash used in investing activities		**112,909**	(9,999)
Net (decrease) increase in cash and cash equivalents during the period		**(56,937)**	8,654
Cash and cash equivalents, beginning of period		**128,670**	60,201
Cash and cash equivalents, end of period		**71,733**	68,855

See accompanying notes

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

1. Corporate information

DUCA Financial Services Credit Union Ltd. [the “Credit Union” or “DUCA”] is incorporated under the *Credit Unions and Caisses Populaires Act, 2020* [the “Act”] of Ontario and is a Member of Central 1 Credit Union [“Central 1”].

The Credit Union is primarily involved in providing a full range of retail and commercial services to its Members in Ontario. The activities of the Credit Union are regulated by the Financial Services Regulatory Authority of Ontario [“FSRA”]. The Credit Union has 19 branches in Ontario.

On April 1, 2022, the Credit Union acquired Continental Currency Exchange Canada Ltd. [“CCE”], which is a foreign currency exchange and money transfer business offering services to customers via a network of 19 branches in Ontario. CCE is a wholly owned subsidiary of the Credit Union.

On December 21, 2023, DUCA completed the merger of operations with United Employees Credit Union Limited [“United”], which was a credit union with two branches that served over 3,000 Members across the GTA region, Ontario. The merger was accounted for as a business combination. All assets and liabilities of United were acquired by the Credit Union, and post December 21, 2023, both branches of United began operating as DUCA branches. United was dissolved by virtue of a dissolution order issued by FSRA on November 15, 2024.

2. Basis of presentation

Statement of compliance

These interim condensed consolidated financial statements have been prepared by Management in accordance with IAS 34, *Interim Financial reporting* under International Financial Reporting Standards [“IFRS”], as issued by the International Accounting Standards Board [“IASB”]. Except as indicated below, the interim condensed consolidated financial statements have been prepared using the same accounting policies used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2024. These interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements.

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Credit Union’s functional currency. Financial information presented in Canadian dollars has been rounded to the nearest thousand, except where otherwise indicated

These interim condensed consolidated financial statements for the period ended April 30, 2025, were approved and authorized for issue by the Board of Directors on June 23, 2025.

3. Changes to accounting policies

There were no changes in accounting policies as at April 30, 2025.

4. Future changes in accounting policies

There were no new accounting pronouncements applicable to the Credit Union as at April 30, 2025.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

5. Cash and cash equivalents

	April 30, 2025 $	December 31, 2024 $
Cash	**48,240**	48,757
Short-term deposits and investments maturing within three months	**23,493**	79,913
	71,733	128,670

Cash includes cash collateral accounts for $13,438 [December 31, 2024 – $12,939] supporting DUCA's securitization programs and assets restricted from use for legal or other reasons.

Short-term deposits and investments include $16,178 [December 31, 2024 – $74,079] securities issued or guaranteed by the Canadian federal government, $2,355 [December 31, 2024 – $1,582] issued by Canadian provincial and municipal governments, and $3,066 [December 31, 2024 – $2,500] issued by regulated and major Canadian financial institutions. They bear interest rates ranging from 0.05% [December 31, 2024 – 0.05%] to 5.19% [December 31, 2024 – 5.15%].

6. Investments

The following table provides information on the Credit Union's investments. The maximum exposure to credit risk would be the fair value as detailed below:

	April 30, 2025 $	December 31, 2024 $
Investment securities measured at fair value through profit or loss	**2,127**	2,127
Investment securities measured at fair value through other comprehensive income	**46,100**	39,162
Investment securities measured at amortized cost	**164,400**	174,053
Investment in third-party mortgages at amortized cost	**215,479**	321,796
Investment in third-party mortgages at fair value through other comprehensive income	**44,248**	48,617
	472,354	585,755

Investment securities measured at fair value through profit or loss

	April 30, 2025 $	December 31, 2024 $
Central 1 Class A shares	**2,021**	2,021
Central 1 Class E shares	**106**	106
	2,127	2,127

[In thousands of Canadian dollars]

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

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

Central 1 Class E shares were acquired as part of the Credit Union's transaction with United and these shares are not subject to annual rebalancing. There is no separately quoted market value for these shares, and these shares are carried at fair value, which approximate their cost basis, as the fair value cannot be reliably measured until such time as a transaction occurs.

The Credit Union is not intending to dispose of Central 1 Class A or E shares as the services supplied by Central 1 are relevant to the day-to-day activities of the Credit Union. Dividends on these shares are at the discretion of the Board of Directors of Central 1.

Investment securities measured at fair value through other comprehensive income

	April 30, 2025 $	**December 31, 2024** $
Fixed income securities measured at fair value through other comprehensive income		
Canadian federal government issued or guaranteed bonds	**17,123**	14,904
Canadian provincial and municipal governments bonds	**22,026**	16,952
Corporate bonds	**4,537**	4,831
Other	**44**	41
	43,730	36,728
Equity and other securities designated at fair value through other comprehensive income	**2,370**	2,434
	46,100	39,162

The fixed income securities are issued or guaranteed by the Canadian federal government, Canadian provincial and municipal governments and different institutions. They bear interest rates ranging from 1.05% to 10.75% [December 31, 2024 – 1.05% to 10.75%] and mature between July 2025 and October 2042. The Credit Union classified these securities at fair value through other comprehensive income as it intends to hold them to both collect their contractual cash flows and to sell them.

The equity and other securities are issued by various corporations and Schedule I banks. An irrevocable election was made at initial recognition to classify them at fair value through other comprehensive income, with all subsequent changes in fair value being recognized in other comprehensive income (loss). The net realized gain of $nil [April 30, 2024 – $73] on disposal of equity and other securities designated at fair value through other comprehensive income during the period was reclassified from accumulated other comprehensive income (loss) ["AOCI"] to retained earnings.

[In thousands of Canadian dollars]

Investment securities measured at amortized cost

	April 30, 2025	December 31, 2024
	$	$
Fixed income securities		
Canadian federal government issued or guaranteed bonds	**272**	25,042
Canadian provincial and municipal government bonds	**510**	580
Corporate bonds	**117**	231
	899	25,853
Interest-bearing deposits	**72,005**	80,596
Mortgage-backed securities	**91,496**	67,604
	164,400	174,053

The fixed income securities are issued or guaranteed by the Canadian federal government, Canadian provincial and municipal governments and different institutions. They bear interest rates ranging from 1.05% to 2.95% [December 31, 2024 – 0.95% to 3.41%] and mature between February 2026 and December 2028. The Credit Union classified these securities at amortized cost as it intends to hold them to collect their contractual cash flows. The majority of these securities qualify as high-quality liquid assets [“HQLA”] for regulatory purposes.

The Credit Union holds interest-bearing deposits with regulated and major Canadian financial institutions. The Credit Union classified these securities at amortized cost as it intends to hold them to collect their contractual cash flows. They bear interest rates ranging from 1.40% to 6.34% [December 31, 2024 – 1.40% to 6.34%] and mature between August 2025 and August 2032. The majority of these securities qualify as HQLA for regulatory purposes.

The Credit Union has pledged $10,141 [December 31, 2024 – $10,141] of deposits with BMO Nesbitt Burns to secure its comprehensive credit facility.

The mortgage-backed securities represent securities backed by mortgages insured by Canada Mortgage and Housing Corporation [“CMHC”]. They bear an average interest rate of 2.51% [December 31, 2024 – 2.81%] and mature between July and October 2027.

Investment in third-party mortgages

As part of its investment program, the Credit Union invests in third-party mortgages originated by other financial institutions. The weighted average interest rate for third-party mortgages as at April 30, 2025 was 5.75% [December 31, 2024 – 6.02%].

As at April 30, 2025, the Credit Union’s investment in third-party mortgages was presented net of expected credit losses [“ECL”] allowances of $400 [December 31, 2024 – $287], and the related provision for credit losses [“PCL”] was $113 [April 30, 2024 – $7]. The Credit Union’s ECL allowance and related PCL on loans are included in note 8.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

7. Loans

	April 30, 2025 $	December 31, 2024 $
Residential mortgages		
Uninsured	**4,066,575**	4,240,055
Insured by Canada Mortgage and Housing Corporation	**82,752**	99,617
Insured by Sagen or Canada Guaranty Corp.	**357,926**	396,283
	4,507,253	4,735,955
Personal loans	**283,560**	244,569
Commercial loans	**1,479,675**	1,557,338
	6,270,488	6,537,862
Unamortized mortgage fees	**18,543**	20,015
Deferred loan revenue	**(1,037)**	(1,624)
Unrealized gains on loans at fair value through other comprehensive income	**704**	176
Accrued interest receivable	**19,447**	19,898
Allowance for credit losses	**(12,853)**	(11,088)
Net loans	**6,295,292**	6,565,239

[a] Terms and conditions

Loans can have either a variable or fixed rate of interest and they generally mature within five years. Variable rate loans are based on a prime rate formula, ranging from prime plus 0.05% to prime plus 9.50% [December 31, 2024 – 0.05% to prime plus 9.50%]. The rate is determined by the type of security offered and the borrower's creditworthiness. The Credit Union's prime rate as at April 30, 2025 was 4.95% [December 31, 2024 – 5.45%].

The interest rate offered on fixed rate loans being advanced as at April 30, 2025 ranges from 3.79% to 18.00%. The rate offered to a borrower varies with the type of security offered and the borrower's creditworthiness.

Residential mortgages are loans and lines of credit secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Personal loans consist of term loans and lines of credit that are not secured by real estate and, as such, have various repayment terms. Some of the personal loans are secured by personal property or investments.

Commercial loans consist primarily of term loans and operating lines of credit to partnerships and corporations and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, and charges on specific equipment, investments and personal guarantees.

[In thousands of Canadian dollars]

[b] Average rate

Loans bear interest at both variable and fixed rates, with the following rates as at:

	April 30, 2025		December 31, 2024	
	Principal	**Weighted average rate**	**Principal**	**Weighted average rate**
Variable rate	**1,440,408**	**6.05%**	1,335,339	6.55%
Fixed rate due less than 1 year	**2,213,516**	**5.70%**	2,282,624	5.97%
Fixed rate due between 1 and 5 years	**2,616,564**	**4.44%**	2,919,899	4.34%
	6,270,488		6,537,862	

[c] Concentration of risk

The Credit Union has no exposure to groupings of individual loans, which concentrate risk and create exposure, as no individual or related groups of loans exceed 25% of regulatory capital of the Credit Union. All loans with secured assets as collateral are located in Ontario, except for syndicated loans amounting to $21,109 and $29,816 as at April 30, 2025 and December 31, 2024, respectively.

[d] Credit risk

The determination of impairment losses follows an ECL model under IFRS 9, *Financial Instruments* ["IFRS 9"] where provisions are taken upon the initial recognition of the financial asset, based on expectations of potential credit losses at the time of initial recognition. IFRS 9 introduces a three-stage approach to impairment of financial assets that are performing at the date of origination or purchase as follows:

Stage 1: A credit loss allowance is recognized at an amount equal to 12-month ECL.

Stage 2: A credit loss allowance is recognized at an amount equal to lifetime ECL. This requires the computation of ECL based on a lifetime probability of default that represents the probability of default occurring over the remaining lifetime of the financial asset. The credit loss allowance is higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3: A credit loss allowance is recognized based at an amount equal to a lifetime ECL, reflecting a probability of default of 100%.

The determination of a significant increase in credit risk ["SICR"] considers many different factors and will vary by product and risk segment. The main factors considered in making this determination are relative changes in probability-weighted probability of default since origination and certain other criteria such as 30-day past due and watchlist status. The allowance for assets in Stage 2 will be higher than for those in Stage 1 as a result of the longer time horizon associated with this stage. Stage 3 requires the recognition of lifetime losses for all credit-impaired assets.

IFRS 9 requires consideration of past events, current market conditions and reasonable supportable information about future economic conditions, in determining whether there has been a SICR and in calculating the amount of expected losses. The standard also requires future economic conditions be based on an unbiased, probability-weighted assessment of possible future outcomes. In considering the lifetime of an instrument, IFRS 9 generally requires the use of the contractual period, including pre-payment, extension and other options.

Commercial risk rating

Risk rating involves the categorization of individual credit facilities based on credit analysis and both economic and market conditions, into a series of graded categories based on risk. A primary function of a risk rating model is to assist in the underwriting of new loans and assessment of existing loans. As well, risk ratings assist Management in predicting changes in portfolio quality and the subsequent financial impact. Risk rating can lead to earlier response to potential deteriorating trends and a wider choice of corrective action to decrease exposure to unexpected loan losses. Finally, risk ratings are useful for loan pricing and overseeing the commercial and related loan portfolio exposure within acceptable levels of risk as established in policy.

The Credit Union uses a 10-point risk rating scale to measure and manage its exposure on its commercial and related loan portfolio. This risk rating scale aligns with equivalent public debt ratings published by rating agencies. The 10-point rating scale ranges from Substantially Risk Free [1] to Unacceptable/Impaired Risk [10]. A risk rating in the range of 1 to 6 is deemed to be acceptable risk for new loans.

Retail risk rating

The Credit Union uses the borrower's credit score as one benchmark to manage the risk of the retail portfolio. A credit score is one measure on how likely a person is to repay a loan. DUCA's risk ratings range across four bands: very low risk, low risk, moderate risk and high risk. While DUCA generally originates retail loans with low to moderate risk, DUCA has lending programs that assist borrowers who are in need of credit, addressing the borrower's credit score factor. These loans are priced accordingly based on risk profile.

[e] Loan deferral

The Credit Union may permit payment deferrals to eligible borrowers due to loss of income. While payment of principal and interest for these borrowers is deferred, the Credit Union continues to accrue and recognize interest income on the loans. As at April 30, 2025, a total of 34 loans with a combined loan balance of $20,644 [December 31, 2024 – a total of 27 loans with a combined loan balance of $16,852] are under a payment deferral arrangement. Substantially, all loans that were previously granted payment deferrals have resumed payment and remained current.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

8. Allowance for credit losses

The following table presents the carrying amount of loans by portfolio and the balance of their respective ECL allowance as at April 30, 2025:

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance
	$	$	$	$	$	$	$	$
Residential mortgages	**3,953,519**	**956**	**494,389**	**2,269**	**59,345**	**1,736**	**4,507,253**	**4,961**
Commercial loans	**1,425,369**	**2,574**	**18,401**	**200**	**35,905**	**4,649**	**1,479,675**	**7,423**
Personal loans	**279,636**	**276**	**3,909**	**185**	**15**	**8**	**283,560**	**469**
Total	**5,658,524**	**3,806**	**516,699**	**2,654**	**95,265**	**6,393**	**6,270,488**	**12,853**

The following table presents the carrying amount of loans by portfolio and the balance of their respective ECL allowance as at December 31, 2024:

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance
	$	$	$	$	$	$	$	$
Residential mortgages	4,196,436	846	493,232	1,535	46,287	1,205	4,735,955	3,586
Commercial loans	1,475,840	2,786	40,670	341	40,828	3,942	1,557,338	7,069
Personal loans	239,355	232	5,156	171	58	30	244,569	433
Total	5,911,631	3,864	539,058	2,047	87,173	5,177	6,537,862	11,088

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

The following tables show the continuity of the IFRS 9 ECL allowance for all portfolios:

	April 30, 2025			
	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Residential mortgages				
Balance, January 1, 2025	846	1,535	1,205	3,586
New loans originated	237	—	—	237
Financial assets derecognized	(70)	(135)	(232)	(437)
Net remeasurement	(218)	1,020	1,178	1,980
Transfers to Stage 1 ECL	288	(227)	(61)	—
Transfers to Stage 2 ECL	(125)	185	(60)	—
Transfers to Stage 3 ECL	(2)	(109)	111	—
Provision for (reversal of) credit losses	110	734	936	1,780
Write-offs	—	—	(408)	(408)
Recoveries on loans previously written off	—	—	3	3
Balance, April 30, 2025	956	2,269	1,736	4,961
Commercial loans				
Balance, January 1, 2025	2,786	341	3,942	7,069
New loans originated	271	—	—	271
Financial assets derecognized	(256)	(7)	(478)	(741)
Net remeasurement	(389)	28	1,204	843
Transfers to Stage 1 ECL	166	(166)	—	—
Transfers to Stage 2 ECL	(4)	4	—	—
Transfers to Stage 3 ECL	—	—	—	—
Provision for (reversal of) credit losses	(212)	(141)	726	373
Write-offs	—	—	(21)	(21)
Recoveries on loans previously written off	—	—	2	2
Balance, April 30, 2025	2,574	200	4,649	7,423
Personal loans				
Balance, January 1, 2025	232	171	30	433
New loans originated	84	—	—	84
Financial assets derecognized	(6)	(4)	(30)	(40)
Net remeasurement	29	(45)	88	72
Transfers to Stage 1 ECL	(71)	71	—	—
Transfers to Stage 2 ECL	8	(8)	—	—
Transfers to Stage 3 ECL	—	—	—	—
Provision for (reversal of) credit losses	44	14	58	116
Write-offs	—	—	(82)	(82)
Recoveries on loans previously written off	—	—	2	2
Balance, April 30, 2025	276	185	8	469
Total ECL allowance	3,806	2,654	6,393	12,853

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

	December 31, 2024			
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Residential mortgages				
Balance, January 1, 2024	1,102	748	1,138	2,988
New loans originated	288	—	—	288
Financial assets derecognized	(253)	(134)	(493)	(880)
Net remeasurement	(333)	858	2,047	2,572
Transfers to Stage 1 ECL	238	(213)	(25)	—
Transfers to Stage 2 ECL	(171)	309	(138)	—
Transfers to Stage 3 ECL	(25)	(33)	58	—
Provision for (reversal of) credit losses	(256)	787	1,449	1,980
Write-offs	—	—	(1,382)	(1,382)
Recoveries on loans previously written off	—	—	—	—
Balance, December 31, 2024	846	1,535	1,205	3,586
Commercial loans				
Balance, January 1, 2024	2,450	1,250	159	3,859
New loans originated	478	—	—	478
Financial assets derecognized	(504)	(353)	(159)	(1,016)
Net remeasurement	388	87	3,606	4,081
Transfers to Stage 1 ECL	24	(24)	—	—
Transfers to Stage 2 ECL	(37)	37	—	—
Transfers to Stage 3 ECL	(13)	(656)	669	—
Provision for (reversal of) credit losses	336	(909)	4,116	3,543
Write-offs	—	—	(339)	(339)
Recoveries on loans previously written off	—	—	6	6
Balance, December 31, 2024	2,786	341	3,942	7,069
Personal loans				
Balance, January 1, 2024	186	108	—	294
New loans originated	139	—	—	139
Financial assets derecognized	(19)	(90)	(1)	(110)
Net remeasurement	(84)	162	102	180
Transfers to Stage 1 ECL	(5)	5	—	—
Transfers to Stage 2 ECL	15	(15)	—	—
Transfers to Stage 3 ECL	—	1	(1)	—
Provision for (reversal of) credit losses	46	63	100	209
Write-offs	—	—	(76)	(76)
Recoveries on loans previously written off	—	—	6	6
Balance, December 31, 2024	232	171	30	433
Total ECL allowance	3,864	2,047	5,177	11,088

As at April 30, 2025, the Credit Union's ECL allowance for loans was $12,853 [December 31, 2024 – $11,088] and the related PCL was $2,269 [April 30, 2024 – $634]. As indicated in note 6, the Credit Union's investment in third-party mortgages was presented net of ECL allowances of $400 [April 30, 2024 – $218] and the related PCL was $113 [April 30, 2024 – $7].

Credit risk exposure

The internal risk ratings presented in the table below are defined as follows:

Very low risk: Loans that generally have substantially below average probability of credit default, which is within the Credit Union's risk appetite levels.

Low risk: Loans that generally have below average probability of credit default, which is within the Credit Union's risk appetite levels.

Moderate risk: Loans that generally have an average probability of credit default, which is within the Credit Union's risk appetite levels.

High risk: Loans that were originated within the Credit Union's risk appetite but have subsequently experienced an increase in risk of credit default, which is outside of the Credit Union's typical risk tolerance levels. The Credit Union will not originate loans in this category. DUCA has retail lending programs that assist borrowers who are in need of credit, notwithstanding the borrower's credit score. These loans are priced accordingly based on risk profile.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

The following table sets out the Credit Union’s credit risk exposure for all loans carried at amortized cost as at April 30, 2025. Stage 1 represents those performing loans carried with a 12-month ECL, Stage 2 represents those performing loans carried with a lifetime ECL, and Stage 3 represents those loans with a lifetime ECL that are credit-impaired.

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Residential				
Very low risk	**1,999,668**	**—**	**—**	**1,999,668**
Low risk	**1,595,389**	**—**	**—**	**1,595,389**
Moderate risk	**356,918**	**354,532**	**—**	**711,450**
High risk	**1,544**	**139,857**	**59,345**	**200,746**
	3,953,519	**494,389**	**59,345**	**4,507,253**
Commercial				
Low risk	**273,746**	**—**	**—**	**273,746**
Moderate risk	**1,151,623**	**610**	**—**	**1,152,233**
High risk	**—**	**17,791**	**35,905**	**53,696**
	1,425,369	**18,401**	**35,905**	**1,479,675**
Personal				
Very low risk	**241,829**	**—**	**—**	**241,829**
Low risk	**34,122**	**—**	**—**	**34,122**
Moderate risk	**3,668**	**3,596**	**—**	**7,264**
High risk	**17**	**313**	**15**	**345**
	279,636	**3,909**	**15**	**283,560**
	5,658,524	**516,699**	**95,265**	**6,270,488**

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

The following table sets out the Credit Union's credit risk exposure for all loans carried at amortized cost as at December 31, 2024. Stage 1 represents those performing loans carried with a 12-month ECL, Stage 2 represents those performing loans carried with a lifetime ECL, and Stage 3 represents those loans with a lifetime ECL that are credit-impaired.

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Residential				
Very low risk	2,110,243	—	—	2,110,243
Low risk	1,706,638	—	—	1,706,638
Moderate risk	378,829	365,823	—	744,652
High risk	726	127,409	46,287	174,422
	4,196,436	493,232	46,287	4,735,955
Commercial				
Low risk	272,631	—	—	272,631
Moderate risk	1,203,209	7,458	—	1,210,667
High risk	—	33,212	40,828	74,040
	1,475,840	40,670	40,828	1,557,338
Personal				
Very low risk	208,359	—	—	208,359
Low risk	28,238	—	—	28,238
Moderate risk	2,733	4,921	—	7,654
High risk	25	235	58	318
	239,355	5,156	58	244,569
	5,911,631	539,058	87,173	6,537,862

As at April 30, 2025, 96% of outstanding commercial loans are risk rated in the acceptable range of 6 or lower [December 31, 2024 – 95%] based on the Credit Union's risk rating model.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

Analysis of individual loans that are past due based on age is shown below:

	April 30, 2025			
	Residential $	Commercial $	Personal $	Total $
Less than 30 days	**133,689**	**81,631**	**467**	**215,787**
30–89 days	**48,686**	**12,874**	**56**	**61,616**
90–179 days	**21,189**	**—**	**15**	**21,204**
180–365 days	**25,189**	**10**	**—**	**25,199**
Over 365 days	**13,581**	**33,434**	**—**	**47,015**
Total loans in arrears	**242,334**	**127,949**	**538**	**370,821**
Total loans not in arrears	**4,264,919**	**1,351,726**	**283,022**	**5,899,667**
Balance, April 30, 2025	**4,507,253**	**1,479,675**	**283,560**	**6,270,488**

	December 31, 2024			
	Residential $	Commercial $	Personal $	Total $
Less than 30 days	130,165	14,432	679	145,276
30–89 days	64,411	45,560	195	110,166
90–179 days	24,423	15	58	24,496
180–365 days	12,482	31,546	—	44,028
Over 365 days	10,661	8,466	—	19,127
Total loans in arrears	242,142	100,019	932	343,093
Total loans not in arrears	4,493,813	1,457,319	243,637	6,194,769
Balance, December 31, 2024	4,735,955	1,557,338	244,569	6,537,862

9. Securitization activity

The Credit Union securitizes residential mortgages through the CMHC-sponsored National Housing Act Mortgage-Backed Securities [“NHA MBS”] program and Canada Mortgage Bond [“CMB”] program and through Canadian bank-sponsored asset-backed commercial paper programs. These transactions do not meet the requirements for derecognition as the Credit Union retains prepayment risk and certain elements of credit risk. Accordingly, the Credit Union has retained these mortgages on its consolidated statement of financial position and has recorded offsetting liabilities for the net proceeds received as securitization liabilities, which are recorded at amortized cost. As a requirement of the various securitization programs, the Credit Union assigns all its interest in securitized mortgage pools to the securitization entities who may enforce the assignment of the mortgages should the Credit Union fail to make timely payment under the terms of the securitization programs.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

The following table summarizes DUCA's securitization activity:

	April 30, 2025 $	December 31, 2024 $
Mortgages securitized	**352,332**	415,562
Net cash proceeds received	**61,404**	383,915
Outstanding balances of securitized mortgages	**1,159,310**	1,498,216
Outstanding balances of securitization liabilities	**687,843**	770,671

The average yield on mortgage-backed securities pools outstanding as at April 30, 2025 was 1.698% [December 31, 2024 – 1.66%]. The outstanding balance of mortgage-backed securities is net of fees.

In addition to the securitization activity noted in the table above, the Credit Union has securitized mortgages that are being held in NHA MBS for liquidity purposes. The balance of securitized mortgages held in NHA MBS for liquidity purposes as at April 30, 2025 was $170,156 [December 31, 2024 – $160,660] and are recorded in the consolidated statement of financial position.

The Credit Union securitizes and sells mortgage-backed securities of certain insured multi-unit residential mortgages with no prepayment or credit risk associated with the sold mortgage-backed securities. The Credit Union enters into certain transactions that allow the transfer of the contractual right to receive the residual cash flows from the mortgages and transfer substantially all of the risks and rewards of ownership, including credit, interest rate, prepayment and other price risks. The present value of the future cash flows is recorded on the consolidated statement of financial position under other assets. The outstanding balance for these multi-unit residential mortgages totals $3,680,588 as at April 30, 2025 [December 31, 2024 – $3,500,477].

The Credit Union securitizes and sells certain uninsured residential mortgages into a Schedule I bank's conduit under the Schedule I bank's asset-backed securitization program. The outstanding securitization liability as of April 30, 2025 is $302,641 [December 31, 2024 – $330,000]. The uninsured residential mortgages mature from 2025 to 2030. The outstanding balance for these uninsured residential mortgages totals $309,538 as at April 30, 2025 [December 31, 2024 – $341,477].

The Credit Union securitizes and sells certain uninsured residential mortgages into a second Schedule I bank's conduit under the Schedule I bank's asset-backed securitization program. The outstanding securitization liability as at April 30, 2025 is $132,000 [December 31, 2024 – $132,000]. The uninsured residential mortgages mature from 2025 to 2027. The outstanding balance for these uninsured residential mortgages totals $171,721 as at April 30, 2025 [December 31, 2024 –$185,279].

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

10. Other assets

	April 30, 2025 $	December 31, 2024 $
Securitization receivables	**105,474**	107,374
Right-of-use assets, net	**7,288**	11,667
Prepaid expenses	**25,597**	27,592
Third-party mortgage and mortgage pool receivables	**29,232**	9,018
Other	**1,211**	1,303
	168,802	156,954

11. Deposits

	April 30, 2025 $	December 31, 2024 $
Demand deposit accounts	**803,005**	906,269
Term deposits	**3,911,469**	4,218,620
Registered deposits	**942,382**	907,065
Foreign currency accounts	**157,704**	89,007
	5,814,560	6,120,961
Accrued interest payable	**89,122**	123,180
Unamortized broker fees	**(7,283)**	(7,973)
	5,896,399	6,236,168

[a] Terms and conditions

Demand deposit accounts include chequing accounts, savings accounts, and daily interest accounts, are due on demand and bear interest at a variable rate up to 0.40% as at April 30, 2025 [December 31, 2024 – 4.00%].

Term deposits bear fixed rates of interest for terms of up to seven years. Interest can be paid annually, semi-annually, monthly or upon maturity.

The registered retirement savings plans accounts can be fixed or variable rate. The fixed rate accounts have terms and rates similar to the term deposit accounts described above. The variable rate accounts bear interest at rates of 0.25% as at April 30, 2025 [December 31, 2024 – 0.25%]. Registered retirement income funds consist of both fixed and variable rate products with terms and conditions similar to those of the registered retirement savings plans accounts described above. Depositors may make withdrawals from a registered retirement income fund account on a monthly, semi-annual, or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements. The tax-free savings accounts can be fixed or variable rate with terms and conditions similar to those of the registered retirement savings plans accounts described above.

Foreign currency accounts include accounts from all of the above balances.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

[b] Average rate

Deposits bear interest at both variable and fixed rates with the following rates as at:

	April 30, 2025		December 31, 2024	
	Principal	Weighted average rate	Principal	Weighted average rate
	$	%	$	%
Variable rate	**879,544**	**0.70**	976,142	1.70
Fixed rate due less than 1 year	**3,253,413**	**4.50**	3,261,042	5.10
Fixed rate due between 1 and 5 years	**1,681,603**	**4.50**	1,883,777	4.90
	5,814,560		6,120,961	

[c] Concentration of risk

The Credit Union does not have an exposure to individual or related groups of deposits that exceed the Credit Union's policy of 5% of deposits.

12. Income taxes

The significant components of income tax expense included in net income are composed of the following:

	April 30, 2025	April 30, 2024
	$	$
Current tax expense	**489**	185
Deferred tax expense	**243**	(744)
Total income tax expense	**732**	(559)

The difference between income tax expense for the period and the expected income taxes based on the statutory tax rate of 26.5% [December 31, 2024 – 26.5%] is as follows:

	April 30, 2025	April 30, 2024
	$	$
Income before income taxes	**3,300**	1,001
Expected taxes based on the statutory rate	**875**	266
Credit Union addition (deduction)	**(274)**	(83)
(Over) provision in prior periods	**—**	(675)
Permanent difference	**(11)**	(11)
Other	**142**	(56)
Total income tax expense	**732**	(559)

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

The tax effect of temporary differences that give rise to the deferred taxes is from differences between amounts deducted for accounting and income tax purposes for the below items.

The significant components of the deferred tax liability of the Credit Union are as follows:

	Balance, December 31, 2024	**Consolidated statement of income**	**Other**	**Balance, April 30, 2025**
	$	$	$	$
Allowance for credit losses	**1,805**	**269**	—	**2,074**
Broker fees	**(5,018)**	**262**	—	**(4,756)**
Property and equipment	**(3,124)**	**(482)**	—	**(3,606)**
Deferred revenue	**295**	**(107)**	—	**188**
Non-capital losses available for carryforward	**3,169**	**(209)**	—	**2,960**
Corporate Minimum Tax credit	**2,203**	—	—	**2,203**
Prepaid expenses	**(4,852)**	**7**	—	**(4,845)**
Fair value adjustments related to business combination	**(807)**	**9**	—	**(798)**
Other (including financing costs)	**280**	**8**	—	**288**
	(6,049)	**(243)**	—	**(6,292)**

	Balance, December 31, 2023	**Consolidated statement of income**	**Other**	**Balance, December 31, 2024**
	$	$	$	$
Allowance for credit losses	1,087	718	—	1,805
Broker fees	(6,391)	1,373	—	(5,018)
Property and equipment	(1,867)	(1,257)	—	(3,124)
Deferred revenue	653	(358)	—	295
Non-capital losses available for carryforward	2,119	1,050	—	3,169
Corporate Minimum Tax credit	2,203	—	—	2,203
Prepaid expenses	(4,654)	(198)	—	(4,852)
Fair value adjustments related to business combination	(899)	92	—	(807)
Other (including financing costs)	1,113	(833)	—	280
	(6,636)	587	—	(6,049)

The Credit Union has non-capital loss carryforwards as at April 30, 2025 of $16,266 [December 31, 2024 – $17,410] expiring in 2043.

[In thousands of Canadian dollars]

13. Derivative financial instruments

The Credit Union enters into derivatives for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the quantity of the derivative contracts' underlying instrument [being an equity instrument, commodity product, foreign currency, reference rate or index]. The notional amounts indicate the volume of transactions outstanding at the period-end and are not indicative of either the market or credit risk.

Total derivative financial instruments

The following are derivative positions outstanding as at April 30, 2025 and December 31, 2024.

	April 30, 2025			December 31, 2024		
	Assets $	Liabilities $	Notional amount $	Assets $	Liabilities $	Notional amount $
Derivatives in qualifying hedging relationship						
Interest rate swaps	**2,121**	—	**325,000**	—	—	—
	2,121	—	**325,000**	—	—	—
Derivatives not in qualifying hedging relationship						
Foreign exchange contracts	—	**(2,658)**	**98,000 USD**	93	—	47,000 USD
Index-linked call options	**10,218**	—	**45,029**	8,309	—	43,464
Embedded derivatives in index-linked term deposits	—	**(9,106)**	**40,599**	—	(7,987)	38,987
	12,339	**(11,764)**		8,402	(7,987)	

The Credit Union designated cash flow hedges involving interest rate swaps and bond forwards that hedged interest rate risk related to certain loan and deposit products. Realized gains (losses) on these derivatives are deferred in consolidated AOCI and, subsequently, recognized in the consolidated statement of income consistent with the recognition of the hedged item. The amount remaining in consolidated AOCI related to cash flow hedges at the end of the period represents a loss of $4,861 pre-tax [April 30, 2024 – loss of $5,417]. The amount of the loss included in consolidated AOCI that is expected to be reclassified to the consolidated statement of income over the next 12 months is $1,663 pre-tax [December 31, 2024 – $1,663].

As at April 30, 2025, the Credit Union has nine interest rate swaps designated for hedge accounting with major Canadian financial institutions with total notional amount of $325,000 and maturities of three to ten years. There were no outstanding cash flow and fair value hedges as at December 31, 2024.

[In thousands of Canadian dollars]

Index-linked term deposits

DUCA has outstanding $40,599 as at April 30, 2025 [December 31, 2024 – $38,987] in index-linked term deposits [registered and non-registered] to its Members. These index-linked term deposits have maturities of three and five years and pay interest to the Members at the end of the term, based on the performance of various market indices. The embedded derivative associated with these deposits is presented in liabilities and has a fair value of $9,106 as at April 30, 2025 [December 31, 2024 – $7,987].

DUCA has entered into [purchased] index-linked call options agreements with certain counterparties that have equivalent maturities to offset the exposure to the indices associated with these products. DUCA pays a premium amount based on the notional amount at the inception of the index-linked option contract. At the end of the term, the Credit Union receives from the counterparties an amount comparable to the amount that will be paid to the depositors based on the performance of the respective indices. The purpose of the options agreements is to provide an economic hedge against market fluctuations. These options agreements have fair values that vary based on changes in equity indices. As at April 30, 2025, DUCA has entered into such options contracts in the notional amount of $45,029 [December 31, 2024 – $43,464], and their fair value is presented in assets and amounted to $10,218 [December 31, 2024 – $8,309]. Although hedge accounting is not applied, these agreements are used as economic hedges.

14. Members' shares

	April 30, 2025			December 31, 2024		
	Number of shares #	Equity $	Liability $	Number of shares #	Equity $	Liability $
Authorized						
Unlimited Membership shares	**785**	**—**	**785**	802	—	802
Investment shares						
Unlimited Class A shares	**25,893**	**25,893**	**—**	28,515	28,515	—
Unlimited Class B shares Series 1	**23,880**	**23,880**	**—**	26,512	26,512	—
Class B shares Series 1 issuance costs	**—**	**(632)**	**—**	—	(632)	—
Unlimited Class B shares Series 4	**140,900**	**140,900**	**—**	156,251	156,251	—
Class B shares Series 4 issuance costs	**—**	**(632)**	**—**	—	(632)	—
		189,409	**785**		210,014	802

Membership shares, Class A and Class B investment shares are recognized as a liability, equity or compound instrument based on the terms and in accordance with IAS 32, *Financial Instruments: Presentation* and International Financial Reporting Interpretations Committee [“IFRIC”], *Members’ Shares in Cooperative Entities and Similar Instruments* [“IFRIC 2”]. If they are classified as equity, they are recognized at cost. If they are classified as a liability, they are initially recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument, and subsequently carried at amortized cost using the effective interest rate method.

Terms and conditions

[a] Membership shares

As a condition of Membership, which is required to use the services of the Credit Union, each Member is required to hold one Membership share, which has a par value of $1. These Membership shares are redeemable at par only when a Membership is withdrawn.

Funds invested by Members in Membership shares are not insured by FSRA. The withdrawal of Membership shares is subject to the Credit Union maintaining adequate regulatory capital *[note 19]*, as is the payment of any dividends on these shares. Membership shares that are available for redemption are classified as a liability.

[b] Class A shares

An unlimited number of Class A non-cumulative, non-voting, non-participating bonus shares are redeemable at the sole and absolute discretion of the Credit Union, up to a limit of 10% of the Class each year, at full face value at any time upon the death of the holder and ranging from 50% of face value in the second year after issue with annual increments in redemption value to 100% of face value in the seventh and subsequent years. The Credit Union may redeem the full amount of the shares at any point after five years from their date of issue. The par value of a Class A share is $1.

[c] Class B Series 1 investment shares

The Class B Series 1 investment shares are not redeemable for five years after the date of their issuance. The holders of Class B Series 1 investment shares may, at any time after the respective non-redeemable period, make a request in writing to the Board of Directors of the Credit Union to redeem their Class B investment shares. Approval of such request is the sole and absolute discretion of the Board of Directors. In no case shall total redemptions approved in any fiscal year exceed 10% of the total Class B investment shares outstanding at the end of the previous fiscal year. The Credit Union may, at any time, redeem the full amount of the shares outstanding at the discretion of the Board of the Directors after the non-redeemable term ended on January 1, 2021. The par value of a Class B share is $1.

[In thousands of Canadian dollars]

[d] Class B Series 4 investment shares

The Class B Series 4 investment shares are not redeemable for five years after the date of their issuance. The non-redeemable term ended on January 31, 2025. The holders of Class B Series 4 investment shares may, at any time after the respective non-redeemable period, make a request in writing to the Board of Directors of the Credit Union to redeem their Class B investment shares. Approval of such request is the sole and absolute discretion of the Board of Directors. In no case shall total redemptions approved in any fiscal year exceed 10% of the total Class B investment shares outstanding at the end of the previous fiscal year. Redemptions are subject to the aggregate limits detailed above, and, if the approval of any regulatory body having jurisdiction over the Credit Union of that redemption is required by any applicable law, are subject to obtaining that regulatory approval. The Credit Union may, at any time, redeem the full amount of the shares outstanding after the non-redeemable term has ended at the discretion of the Board of Directors. The par value of a Class B share is $1.

15. Non-interest income

	April 30, 2025 $	April 30, 2024 $
Foreign exchange fee revenue	**6,872**	6,387
Gains (losses) on derivative financial instruments	**790**	119
Mortgage and loan fees	**730**	791
Wealth management	**1,451**	1,240
Securitization income	**1,228**	1,416
Service charges	**901**	811
Other	**955**	442
	12,927	11,206

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

16. Related party transactions

The Credit Union entered into the following transactions with key management personnel, which are defined by FSRA as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and Management.

The following table outlines aggregate value of loans in all categories to key Management personnel of the Credit Union:

	April 30, 2025 $	December 31, 2024 $
Loans to key management personnel		
Aggregate value of loans advanced	**3,132**	3,865
Interest received on loans advanced	**21**	106
Total value of lines of credit advanced	**751**	607
Interest received on lines of credit advanced	**10**	36
Unused value of lines of credit	**1,132**	1,275
Deposits from key management personnel		
Aggregate value of term and savings deposits	**2,022**	2,507
Total interest paid on term and savings deposits	**17**	29

[In thousands of Canadian dollars]

17. Financial instrument classification and fair value

The following table represents the fair values of DUCA's financial instruments. The fair values disclosed do not include the value of assets that are not considered financial instruments.

While the fair value amounts are intended to represent estimates of the amounts at which these instruments could be exchanged in a current transaction between willing parties, some of DUCA's financial instruments lack an available trading market. Consequently, the fair values presented are estimates derived using present value and other valuation techniques and may not be indicative of the net realizable values.

Due to the judgment used in applying a wide range of acceptable valuation techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

	April 30, 2025	
	Carrying value	Fair value
	$	$
Assets		
Amortized cost		
Cash and cash equivalents	**71,733**	**71,733**
Investment securities	**164,400**	**165,539**
Third-party mortgages	**215,479**	**212,791**
Loans	**6,220,132**	**6,154,762**
Fair value through profit or loss		
Investment securities	**2,127**	**2,127**
Derivative financial instruments	**10,218**	**10,218**
Fair value through other comprehensive income		
Investment securities	**46,100**	**46,100**
Loans	**75,161**	**75,161**
Third-party mortgages	**44,248**	**44,248**
Derivative financial instruments	**2,121**	**2,121**
Total financial assets	**6,851,719**	**6,784,800**
Liabilities		
Amortized cost		
Deposits	**5,896,399**	**5,894,684**
Securitization liabilities	**687,843**	**684,049**
Borrowings	**10,002**	**10,002**
Accounts payable and other liabilities	**30,001**	**30,001**
Subordinated debt	**74,715**	**67,209**
Fair value through profit or loss		
Derivative financial instruments	**11,764**	**11,764**
Total financial liabilities	**6,710,724**	**6,697,709**

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

	December 31, 2024	
	Carrying value $	Fair value $
Assets		
Amortized cost		
Cash and cash equivalents	128,670	128,670
Investment securities	174,053	175,145
Third-party mortgages	321,796	318,144
Loans	6,481,309	6,366,045
Fair value through profit or loss		
Investment securities	2,127	2,127
Derivative financial instruments	8,402	8,402
Fair value through other comprehensive income		
Investment securities	39,162	39,162
Loans	83,930	83,930
Third-party mortgages	48,617	48,617
Total financial assets	7,288,066	7,170,242
Liabilities		
Amortized cost		
Deposits	6,236,168	6,234,374
Securitization liabilities	770,671	766,372
Accounts payable and other liabilities	25,299	25,298
Subordinated debt	74,665	81,055
Fair value through profit or loss		
Derivative financial instruments	7,987	7,987
Total financial liabilities	7,114,790	7,115,086

The following methods and assumptions were used to estimate the fair values noted above of on-balance sheet financial instruments.

[a] Investments and third-party mortgages

The estimated fair values of investments in publicly listed securities are determined using quoted market prices. The estimated fair values of investments in third-party mortgages are determined by discounting the expected future cash flows of these investments at current market rates for products with similar terms and credit risks.

[b] Loans

The estimated fair values of loans are arrived at by discounting the expected future cash flows of the loans at market rates for loans with similar terms of credit risk. Loans are classified as either Level 2 or Level 3.

[c] Deposits

The fair values of deposits payable on demand, payable after notice and floating rate deposits are assumed to equal their carrying values. The estimated fair values for fixed rate term deposits are valued using the discounted cash flows discounted using market rates currently offered for deposits with similar terms and risks. Such deposit liabilities are classified as Level 3.

[d] Derivative financial instruments

The estimated fair values of derivative instruments are determined through valuation models on the derivative notional amounts, maturity dates and rates. Such instruments are classified as Level 2.

[e] Subordinated debt

The estimated fair values of subordinated debt are determined by discounting future repricing cash flows by the treasury bill or bond curve. Such instruments are classified as Level 2.

[f] Other assets and liabilities

The fair values of cash and cash equivalents and accounts payable and other liabilities are assumed to approximate their book values, due to their short-term nature.

Fair value measurements can be classified in a hierarchy in order to discern the significance of Management assumptions and the ability to observe inputs incorporated into the measurements, as follows:

Level 1 – Fair value measurements are those derived from quoted prices [unadjusted] in active markets for identical assets or liabilities using the last bid price;

Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly [i.e., as prices] or indirectly [i.e., derived from prices]; and

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data [unobservable inputs].

The level in the fair value hierarchy within which the financial asset or liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

The following table summarizes the classification of the Credit Union's financial instruments within the fair value hierarchy as at:

	April 30, 2025			
	Level 1 $	Level 2 $	Level 3 $	Total $
Recorded at fair value				
Assets				
Investment securities measured at fair value through profit or loss	—	—	**2,127**	**2,127**
Investment securities measured at fair value through other comprehensive income	**2,370**	**43,730**	—	**46,100**
Loans	—	**75,161**	—	**75,161**
Third-party mortgages measured at fair value through other comprehensive income	—	**44,248**	—	**44,248**
Derivative financial instruments	—	**12,339**	—	**12,339**
Total assets held at fair value	**2,370**	**175,478**	**2,127**	**179,975**
Liabilities				
Derivative financial instruments	—	**11,764**	—	**11,764**
Total liabilities held at fair value	—	**11,764**	—	**11,764**
Fair value disclosed				
Assets				
Investment securities measured at amortized cost	—	**165,539**	—	**165,539**
Third-party mortgages measured at amortized cost	—	—	**212,791**	**212,791**
Loans	—	—	**6,154,762**	**6,154,762**
Total assets disclosed at fair value	—	**165,539**	**6,367,553**	**6,533,092**
Liabilities				
Deposits	—	—	**5,894,684**	**5,894,684**
Securitization liabilities	—	—	**684,049**	**684,049**
Borrowings	—	—	**10,002**	**10,002**
Subordinated debt	—	**67,209**	—	**67,209**
Total liabilities disclosed at fair value	—	**67,209**	**6,588,735**	**6,655,944**

[In thousands of Canadian dollars]

	December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Recorded at fair value				
Assets				
Investment securities measured at fair value through profit or loss	—	—	2,127	2,127
Investment securities measured at fair value through other comprehensive income	2,434	36,728	—	39,162
Loans	—	83,930	—	83,930
Third-party mortgages measured at fair value through other comprehensive income	—	48,617	—	48,617
Derivative financial instruments	—	8,402	—	8,402
Total assets held at fair value	2,434	177,677	2,127	182,238
Liabilities				
Derivative financial instruments	—	7,987	—	7,987
Total liabilities held at fair value	—	7,987	—	7,987
Fair value disclosed				
Assets				
Investment securities measured at amortized cost	—	175,145	—	175,145
Third-party mortgages measured at amortized cost	—	—	318,144	318,144
Loans	—	—	6,366,045	6,366,045
Total assets disclosed at fair value	—	175,145	6,684,189	6,859,334
Liabilities				
Deposits	—	—	6,234,374	6,234,374
Securitization liabilities	—	—	766,372	766,372
Subordinated debt	—	81,055	—	81,055
Total liabilities disclosed at fair value	—	81,055	7,000,746	7,081,801

There were no significant transfers between Level 1 and Level 2 for the period ended April 30, 2025 and December 31, 2024 and no changes or transfers in securities classified as Level 3.

Included in Level 3 are non-quoted equity investments, which are valued based on financial information provided by that entity. The valuation does not involve a valuation model and, as such, a sensitivity analysis is not disclosed.

18. Financial risk management

[a] General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies, and while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's Management. The Board of Directors receives regular reporting from the Credit Union through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

[b] Credit risk

Credit risk is the risk of financial loss to the Credit Union if a counterparty to a financial instrument fails to make payments of interest and principal when due. The Credit Union is exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

Credit risk assessments are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the Member's character, ability to pay and value of collateral or other support available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall enterprise risk management framework. The Board of Directors ensures that Management has a framework, policies and procedures in place to manage credit risk and that the overall credit risk policies are complied with at the business and transaction levels.

[i] Objectives, policies and processes

The Credit Union's credit risk policies and procedures set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies and procedures comprise the following:

- General loan policy statements, including risk appetite statements, approval of lending policies, eligibility for loans, exceptions to policy and loan administration;
- Loan lending limits, including Board of Directors' delegation of loan lending limits to management;
- Loan collateral security classifications;
- Procedures outlining loan overdrafts, release or substitution of collateral and loan renegotiations; and
- Loan delinquency controls regarding procedures followed for loans in arrears.

With respect to credit risk, the Board of Directors receives monthly reports summarizing loan portfolio quality including delinquent loan measures and loans that are on the watchlist. The Board of Directors also receives regular reporting of the allowance for credit losses.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

[ii] Exposure to credit risk

The following table indicates the Credit Union's maximum exposure to credit risk relating to its portfolios as at April 30, 2025 and December 31, 2024 without considering any collateral held or credit enhancements:

	April 30, 2025		**December 31, 2024**	
	Carrying value	**Maximum exposure**	**Carrying value**	**Maximum exposure**
	$	$	$	$
Cash and cash equivalents	**71,733**	**71,733**	128,670	128,670
Investments	**472,354**	**472,354**	585,755	585,755
Loans	**6,295,292**	**6,295,292**	6,565,239	6,565,239
Undisbursed loans	**—**	**368,746**	—	370,189
Unutilized lines of credit	**—**	**278,913**	—	273,311
Unutilized letters of credit	**—**	**8,187**	—	10,809
	6,839,379	**7,495,225**	7,279,664	7,933,973

A sizable portfolio of the loan book is secured by residential property in Southern Ontario. Therefore, the Credit Union is exposed to the risk of reduction in loan to value coverage should the property market be subject to a decline. The risk of losses from loans undertaken is primarily reduced by the nature and quality of the security taken.

[c] Liquidity risk

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates this risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

[i] Risk measurement

The assessment of the Credit Union's liquidity position reflects Management's estimates, assumptions and judgments pertaining to current and prospective firm-specific and market conditions and the related behaviours of its Members and counterparties.

[ii] Objectives, policies and procedures

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost-effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

Provisions of the Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet Member withdrawals, which includes the Liquidity Coverage Ratio [“LCR”], Net Cumulative Cash Flow [“NCCF”], and Net Stable Funding Ratio [“NSFR”].

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer-term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities; and
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities.

The LCR is a measure that aims to ensure that the Credit Union has an adequate stock of unencumbered HQLA that can be converted into cash at little or no loss of value, to meet its liquidity needs for a 30-calendar-day liquidity stress scenario. At a minimum, the stock of unencumbered HQLA should enable the institution to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken by Management. DUCA’s LCR as at April 30, 2025 was 770% [December 31, 2024 – 530%] compared with a regulatory minimum of 100% and a policy minimum of 125%.

The NCCF is a liquidity metric that measures the Credit Union’s survival horizon based on its net cumulative cash flows. It identifies potential future funding mismatches between contractual inflows and outflows for various time bands over and up to a 12-month time horizon. DUCA’s NCCF as at April 30, 2025 was coverage over 12 months [December 31, 2024 – 12 months] compared with a policy minimum of coverage over six months.

The NSFR is a standard that will require credit unions to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a credit union’s regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR aims to limit over-reliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability. DUCA’s NSFR as at April 30, 2025 was 146% [December 31, 2024 – 147%] compared with a regulatory minimum of 100% and a policy minimum of 110%.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

The following tables demonstrate the Credit Union's ability to pay future obligations as financial assets and liabilities mature as at April 30, 2025 and December 31, 2024:

	April 30, 2025							
	On demand $	Within 1 month $	2–12 months $	1–3 years $	3–5 years $	Over 5 years $	Not specified $	Total $
Assets								
Loans	**336,739**	**591,518**	**2,204,512**	**2,586,608**	**374,639**	**176,472**	**24,804**	**6,295,292**
Cash and cash equivalents	**50,134**	**16,000**	**5,599**	**—**	**—**	**—**	**—**	**71,733**
Investments	**—**	**22,161**	**178,285**	**226,067**	**5,479**	**32,179**	**8,183**	**472,354**
Other assets	**—**	**—**	**—**	**—**	**—**	**—**	**215,299**	**215,299**
	386,873	**629,679**	**2,388,396**	**2,812,675**	**380,118**	**208,651**	**248,286**	**7,054,678**
Liabilities and Members' equity								
Deposits	**879,543**	**221,022**	**3,039,691**	**1,141,666**	**499,571**	**33,067**	**81,839**	**5,896,399**
Securitization liabilities	**—**	**12,748**	**72,409**	**602,686**	**—**	**—**	**—**	**687,843**
Borrowings	**—**	**—**	**10,000**	**—**	**—**	**—**	**2**	**10,002**
Other liabilities	**—**	**—**	**—**	**—**	**—**	**75,000**	**48,557**	**123,557**
Equity	**—**	**—**	**—**	**—**	**—**	**—**	**336,877**	**336,877**
	879,543	**233,770**	**3,122,100**	**1,744,352**	**499,571**	**108,067**	**467,275**	**7,054,678**

	December 31, 2024							
	On demand $	Within 1 month $	2–12 months $	1–3 years $	3–5 years $	Over 5 years $	Not specified $	Total $
Assets								
Loans	311,576	576,256	2,371,089	2,894,455	304,906	79,580	27,377	6,565,239
Cash and cash equivalents	50,507	49,460	28,703	—	—	—	—	128,670
Investments	—	90,933	229,267	230,454	5,480	20,537	9,084	585,755
Other assets	—	—	—	—	—	—	267,608	267,608
	362,083	716,649	2,629,059	3,124,909	310,386	100,117	304,069	7,547,272
Liabilities and Members' equity								
Deposits	976,142	683,523	2,582,408	1,221,993	620,937	35,958	115,207	6,236,168
Securitization liabilities	—	—	100,300	650,890	4,213	—	15,268	770,671
Other liabilities	—	—	—	—	—	75,000	107,265	182,265
Equity	—	—	—	—	—	—	358,168	358,168
	976,142	683,523	2,682,708	1,872,883	625,150	110,958	595,908	7,547,272

[In thousands of Canadian dollars]

[d] Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk.

[i] Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending and on its investments.

The Credit Union's goal is to manage the interest rate risk of the consolidated statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

[1] Risk measurement

The Credit Union's interest rate risk position is measured monthly. Measurement of risk is based on rates charged to borrowers, as well as rates paid to depositors.

[2] Objectives, policies and procedures

The Credit Union's major source of income is net interest margin, the difference between interest earned on investments and loans and interest paid on deposits. The objective of asset/liability management is to match interest-sensitive assets with interest-sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates. Management calculates and reports monthly the value-at-risk measure of net interest margin in accordance with the Credit Union's Structural Risk Management Policy. The Credit Union can enter into interest rate swaps in order to hedge against exposure to interest rate fluctuations in accordance with the Credit Union's Interest Rate Risk Management Policy.

Key metrics involved in management of interest rate risk include the use of Earnings at Risk ["EaR"] and Economic Value at Risk ["EVaR"]. EaR is defined as the change in the net interest income from a 100-basis point ["bps"] shock to interest rates. This exposure is measured over a 12-month period. EVaR is defined as the difference in the change in the present value of the asset portfolio and the change in the present value of the liability portfolio resulting from a 100-bps interest rate shock.

The following table summarizes the EaR and EVaR as follows:

	April 30, 2025	**December 31, 2024**
	$	$
EaR – up 100 bps	**5,758**	3,061
EaR – down 100 bps	**(4,084)**	(620)
EVaR – up 100 bps	**4,120**	15,709
EVaR – down 100 bps	**(3,836)**	(16,484)

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union Management and reported to FSRA in accordance with the Credit Union's policy. This policy has been approved by the Board of Directors and filed with FSRA by Credit Union regulations. For the period ended April 30, 2025, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts with floating rates or due or payable on demand are classified as maturing within three months, regardless of maturity. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity. Amounts that are not interest-sensitive have been grouped together, regardless of maturity.

	As at April 30, 2025				
	Assets	**Weighted average rate**	**Liabilities/ Members' equity**	**Weighted average rate**	**Asset/liability gap**
	$	%	$	%	$
Maturity dates					
Interest-sensitive:					
0–3 months	**1,268,322**	**6.12**	**1,782,966**	**2.47**	**(514,644)**
4–12 months	**1,933,514**	**5.66**	**2,452,448**	**4.50**	**(518,934)**
1–2 years	**1,581,975**	**4.21**	**781,568**	**4.20**	**800,407**
2–5 years	**2,022,580**	**4.83**	**1,576,574**	**4.33**	**446,006**
	6,806,391		**6,593,556**		**212,835**
Non-interest sensitive	**248,287**		**461,122**		
	7,054,678		**7,054,678**		

	As at December 31, 2024				
	Assets	**Weighted average rate**	**Liabilities/ Members' equity**	**Weighted average rate**	**Asset/liability gap**
	$	%	$	%	$
Maturity dates					
Interest-sensitive:					
0–3 months	1,432,217	6.38	2,503,259	3.88	(1,071,042)
4–12 months	2,101,698	6.04	1,839,113	4.72	262,585
1–2 years	1,619,494	4.40	929,449	4.95	690,045
2–5 years	2,089,794	4.66	1,679,542	4.43	410,252
	7,243,203		6,951,363		291,840
Non-interest sensitive	304,069		595,908		
	7,547,272		7,547,272		

Interest-sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The Credit Union may utilize interest rate swaps to assist in managing this rate gap. One of the roles of a credit union is to intermediate between the expectations of borrowers and depositors.

[ii] Currency risk

Currency risk relates to the Credit Union operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

[1] Risk measurement

The Credit Union's currency risk position is measured daily. Measurement of risk is based on rates charged to clients, as well as currency purchase costs.

[2] Objectives, policies and procedures

The Credit Union's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure to the lesser of $1,000 or 5% of total Member foreign currency deposits in Canadian funds.

For the period ended April 30, 2025, the Credit Union's exposure to foreign currency risk is within policy.

[iii] Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Credit Union is exposed to this risk through its equity holdings.

The total investment in preferred shares and dividend-bearing equities cannot exceed the lesser of $15,000 or 1% of assets, excluding the Credit Union's investment in Central 1.

For the period ended April 30, 2025, the Credit Union's exposure to equity risk is within policy.

[e] Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, and external events. This includes responding to external events including legal or regulatory actions. The Credit Union has a number of programs that manage specific risks under the operational risk framework, including business resilience planning, disaster recovery planning, information technology risk management, anti-money laundering and anti-terrorist financing procedures, external fraud mitigation, employee hiring and retention measures and vendor and third-party relationship risk management.

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

19. Capital management

The Credit Union's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations.

The Credit Union considers its capital to include Membership shares, Class A shares and Class B investment shares, retained earnings and subordinated debt.

The Credit Union establishes the risk-weighted equivalent value of its assets in accordance with the regulations of the Act, which establishes the applicable percentage for each class of assets. The Credit Union's risk-weighted equivalent value of its assets as at April 30, 2025 was $3,450,058 [December 31, 2024 – $3,614,713].

Regulatory capital consists of the following:

	April 30, 2025	**December 31, 2024**
	$	$
Tier I capital		
Members' shares – liability	**785**	802
Members' shares – equity		
Class A shares – non-redeemable portion	**25,664**	28,515
Class B shares Series 1 – non-redeemable portion	**23,229**	25,880
Class B shares Series 4 – non-redeemable portion	**139,994**	155,619
Retained earnings	**147,490**	151,097
Contributed surplus	**640**	640
Applicable portion of accumulated other comprehensive income	**739**	741
Goodwill	**(9,491)**	(9,491)
Defined benefit pension plan assets	**(159)**	(159)
	328,891	353,644
Tier II capital		
Subordinated debt	**75,000**	75,000
Members' shares – equity		
Class A shares – redeemable portion	**229**	—
Class B shares Series 1 – redeemable portion	**19**	—
Class B shares Series 4 – redeemable portion	**274**	—
Collective loan provision	**6,461**	5,910
	81,983	80,910
Total regulatory capital	**410,874**	434,554

Notes to consolidated financial statements

[In thousands of Canadian dollars]

April 30, 2025

	April 30, 2025			December 31, 2024		
	Actual %	Regulatory policy minimum %	Internal policy minimum %	Actual %	Regulatory policy minimum %	Internal policy minimum %
Leverage ratio	**5.81**	**3.00**	**4.00**	5.74	3.00	4.00
Retained earnings to risk weighted asset ratio	**4.31**	**3.00**	**3.25**	4.22	3.00	3.25
Tier 1 capital ratio	**9.53**	**6.50**	**7.00**	9.78	6.50	7.00
Capital conservation buffer ratio	**3.03**	**2.50**	**2.50**	3.28	2.50	2.50
Total supervisory capital ratio	**11.91**	**10.50**	**11.00**	12.02	10.50	11.00

As at April 30, 2025, the Credit Union met the capital requirements of the Act.

On February 28, 2025, the Board of Directors declared a dividend of 3.53% on the outstanding amount of the Class B Series 1 investment shares, and a dividend of 4.25% on the outstanding amount of the Class B Series 4 investment shares to the holders of record as at December 31, 2024. The dividends were paid on April 2, 2025.

20. Commitments

[a] Credit facilities

A comprehensive credit facility is maintained with Bank of Montreal up to a maximum of $14,000 [December 31, 2024 – $14,000] and is secured by bank deposit notes amounting to $10,472 [December 31, 2024 – $10,141] *[note 6]*. The Credit Union has an unused credit facility of $14,000 [December 31, 2024 – $14,000] as at period-end.

A line of credit is maintained with Central 1 up to a maximum of $300,266 [December 31, 2024 – $300,377], of which $90,000 [December 31, 2024 – $90,000] is prescribed for the guarantee of payment on third-party municipalities, universities, school boards and hospitals deposits with the Credit Union as agreed to by Central 1 and $25,000 [December 31, 2024 – $25,000] is prescribed towards letters of credit issued on behalf of the Credit Union. The line of credit is secured by a general security agreement covering all the assets of the Credit Union. The unused credit facility as at April 30, 2025 is $205,573 [December 31, 2024 – $247,191].

A line of credit facility is maintained with Desjardins up to a maximum of $250,000 [December 31, 2024 – $250,000] and is secured by a pledge of residential mortgages. The Credit Union has an unused credit facility of $250,000 [December 31, 2024 – $250,000] as at period-end.

[In thousands of Canadian dollars]

On March 4, 2019, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with National Bank Financial Inc., which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity. As at April 30, 2025 and December 31, 2024, the Credit Union has not drawn on this credit facility.

On May 29, 2020, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with Bank of Montreal, which gives the Credit Union access to an uncommitted $400,000 [December 31, 2024 – $400,000] credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity. As at April 30, 2025 and December 31, 2024, the Credit Union has not drawn on this credit facility.

On July 28, 2020, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with Central 1, which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity. As at April 30, 2025 and December 31, 2024, the Credit Union has not drawn on this credit facility.

On June 17, 2022, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with Royal Bank of Canada, which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity. As at April 30, 2025 and December 31, 2024, the Credit Union has not drawn on this credit facility.

On January 19, 2024, the Credit Union entered into The Bond Market Association/International Securities Market Association 2000 Version Global Master Repurchase Agreement with CIBC, which gives the Credit Union access to an uncommitted credit facility where the Credit Union can access borrowing on a short-term basis by pledging mortgage-backed securities that it is holding for liquidity. As at April 30, 2025, the Credit Union has not drawn on this credit facility.

[b] Loans

The Credit Union has the following loan commitments as at the period-end date on account of loans, unused lines of credit and letters of credit:

	April 30, 2025	**December 31, 2024**
	$	$
Undisbursed loans	**368,746**	370,189
Unutilized lines of credit	**278,913**	273,311
Unutilized letters of credit	**8,187**	10,809
	655,846	654,309

[In thousands of Canadian dollars]

21. Subordinated debt

Subordinated debt consists of direct unsecured obligations of the Credit Union and is subordinated in right of payment to the claims of depositors and certain other creditors. Subordinated debt is presented net of unamortized issuance costs of $285 [December 31, 2024 – $335] on the consolidated statement of financial position.

Maturity date	Interest rate	Earliest par redemption date	Balance, April 30, 2025	Balance, December 31, 2024
	%	$	$	$
March 29, 2032	**7.869**	**March 29, 2027**	**75,000**	75,000

22. Comparative figures

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