

2024 ANNUAL **REPORT**



Strengthen today for a resilient tomorrow.



LEAGUE SAVINGS
AND MORTGAGE

About us...

League Savings and Mortgage Company provides tailored financial solutions designed to meet the unique needs of our customers. Whether supporting a broker seeking reliable mortgage options, a borrower exploring financial solutions, or a credit union expanding its offerings, we bring expertise, flexibility, and a commitment to long-term success.

Our foundation is built on trust, respect, honesty, and innovation. Backed by a dedicated team of financial professionals, we ensure every solution aligns with our customers' personal and business goals.

As the financial landscape evolves, so do we. With nearly six decades of experience and a legacy of success, LSM remains a trusted partner—delivering competitive solutions and results that count.



Chair's Message



For nearly six decades, League Savings has been a trusted partner in the financial services industry, guided by the principles of respect, honesty, and trust. Our unwavering commitment to the success of credit unions and our partners has been the cornerstone of our business. In 2023, we set a bold course with the launch of our New Horizons strategy, and in 2024, we saw

that vision come to life—driving innovation, strengthening partnerships, and positioning us for a resilient future.

The board marked a key milestone for League Savings when the organization reached a \$1 billion balance sheet in 2024. This significant achievement is a testament to the expertise of the employees and their commitment to the organization's success. We believe the decision to reimagine League Savings' business model has positioned the organization for stronger growth and we expect to see this continue as we move our strategy forward.

The board appreciates the value of collaborating with our peers to foster innovation, enhance problem-solving and achieve better outcomes. In 2024, we participated in a tri-CEO/Chair meeting with Atlantic Central and League Data to discuss the challenges and opportunities within our business environments and identify areas for strategic alignment. Working together allows us to gain fresh insights and develop solutions to move our collective interests forward in an intentional and productive way.

As regulatory expectations continue to evolve, ensuring League Savings remains compliant with OSFI standards requires considerable time, effort, and expertise. Managing these increasing requirements involves continuous monitoring, adapting policies and processes, and investing in the right resources to meet heightened expectations. While compliance is complex and demands ongoing diligence, it is essential to safeguarding our stability, protecting our customers, and maintaining trust in our organization. The board commends League Savings for the excellent work completed in 2024.

Strong governance is the foundation of our ability to navigate an increasingly complex financial landscape with confidence, strategic foresight, and effective oversight. In 2022, the board engaged an external consultant to conduct a comprehensive review of League Savings' governance model. This assessment led to several key recommendations, which have been implemented over the past two years. In 2024, League Savings' bylaws were amended to increase from one to three the number of independent directors with specialized skills the board may appoint, further enhancing its collective expertise. By April 2025, the board will include two independent directors (the first was appointed in 2021), reinforcing our dedication to sound decision-making and long-term success.

On behalf of the Board of Directors, I extend my sincere appreciation to the management team and staff of League Savings and Mortgage. Your unwavering commitment to the organization and the success of credit unions and partners sets us apart and strengthens our foundation for the future.

With a clear vision for the future, League Savings is well positioned to embrace new opportunities, drive innovation, and achieve long-term success. I also acknowledge our strong partnership with Atlantic Central, which plays a vital role in supporting the region's growth. Together, we will continue our transformational journey—fostering collaboration, inspiring change, and shaping a resilient and thriving future for our organization and our partners.

George Smith, Chair
League Savings and Mortgage Company
Board of Directors

CEO's Message



Resilience isn't just about weathering challenges. It's about creating a strong foundation so we can thrive. By reinforcing our financial foundation, embracing innovation, and diversifying our services, we are laying the groundwork for long-term success and shaping it with confidence and purpose.

Performance

League Savings achieved a key milestone in 2024, reaching a \$1 billion balance sheet – a direct result of the expertise of our employees and their dedication to the company's success. The company also achieved lower operating costs and exceeded budget expectations with higher operating and net income. We have measures in place to manage our operational efficiency including effective balance sheet management, strategic asset growth, and funding diversification.

Our Syndication Program is a key driver of value, growing to \$334.35 million. In 2024, it generated \$12.4 million in interest income for the credit union participants.

Highlights

A key focus throughout 2024 was implementing changes to advance League Savings' New Horizons Strategy launched in 2023 to support the evolution of the organization's new business model. The multi-year strategy will capitalize on the organization's national powers as a federally regulated financial institution. This will enable us to deliver significant value for credit unions, their members, and our partners while positioning League Savings as an innovative leader in the Canadian financial services industry.

We celebrated the launch of our first national program, CUPAY. A credit union branded merchant services program, it enables credit unions to provide better value and experience with simple, flexible, transparent, and cost-effective pricing options. This was a significant achievement and marked good progress against the goals and objectives of our business plan. At year end, six credit unions from across Canada onboarded with more planning to join in early 2025.

League Savings continued to expand its reach across Canada, building new relationships and creating awareness of its product and service offerings. Our outreach has resulted in new corporate deposit relationships across Canada driving solid growth in this program.

As League Savings' business model evolves, so does the expertise required to achieve our goals and objectives. Significant time was spent evaluating the resource needs of the organization with a focus on building the necessary expertise to support our strategic direction. This work will continue in 2025 and includes the expansion of our risk management team.

The regulatory environment is becoming more complex as the financial services industry evolves. In 2024, League Savings invested substantial effort to ensure compliance with new OSFI guidelines. With the maturity of our risk management team, we continue to evolve our risk management practises to remain diligent and proactive in managing our business through preemptive measurement and analysis, and carefully structured stress testing.

League Savings has embarked on a bold journey, and I would like to thank the Board of Directors for their steadfast guidance and strategic vision. Our success is built on the strength of our people. I want to extend heartfelt gratitude to our employees whose dedication, passion, and expert knowledge are instrumental to the organization's success and the success of our customers and partners. I would like to take this opportunity to recognize Kim Walker, who retired from her role as COO in October. Her contributions to the organization and the credit union system during her 20-year career have been invaluable, and we wish her all the best in her retirement.

With a foundation built on trust, respect, honesty, and innovation, League Savings moves confidently into the future. We will continue to build strong partnerships, seize new opportunities, and deliver solid results for our owners and partners. Together, we are shaping a future that is stronger, more resilient, and full of possibility.

A handwritten signature in black ink, appearing to read 'P. Masterson'.

Paul Masterson
President and CEO

New Horizons Strategy

Since the launch of League Savings' New Horizons Strategy in 2023, the company finalized and implemented a plan to achieve our goals and objectives. Our strategy is designed to address current complexities and opportunities within financial services while building for the future to ensure we are well positioned for sustainable growth and long-term success.



**We partner
with industry leaders to
create opportunities for successful
growth of the credit union system
and communities we serve.**

We are the Wholesale Financial Provider working with credit unions to enhance the success of the credit union system and its members.

New Business Opportunities



Improved technology
and strengthened
"Bench"



Expanded reach and
awareness of LSM
to CUs outside Atlantic



Improved and
sustainable financial
results

Highlights – Year in Review



Balance Sheet



Assets

\$1.03B

(2023 \$867.5M)



Deposits

\$689.7M

(2023 \$532.6M)



Total Regulatory Capital

\$81.5M

(2023 \$76.5M)



Loans and Mortgages

\$852.6M

(2023 \$704.4M)



Syndication Portfolio

\$55M

distributed to credit union partners by League Savings and Mortgage and Atlantic Central (\$15M in 2023)

\$29M

distributed to other partners by League Savings and Mortgage and Atlantic Central (\$7M in 2023)



Securitization Program

\$127M

Multi-residential insured securitization (\$346M in 2023)

\$2.9M

Generated returns to LSM (\$1.6M in 2023)

\$3.3B

(\$3.98B in 2023)
Total CMB Off-Sheet Assets

\$210M

(\$212M in 2023)
Total MBS Funding



CUPAY

League Savings launched CUPAY, a groundbreaking merchant services program designed to transform payment solutions for credit unions across the country. CUPAY is the first national product offering for the organization, marking a significant milestone against our New Horizons strategy. By year end, six credit unions were onboarded with more expected to join the program throughout 2025.

- ⇒ **Simple & Transparent Pricing:** flexible, cost-effective options
- ⇒ **Personalized Support:** one-on-one account management for continuous success
- ⇒ **Modern & Reliable Technology:** plug-and-play solutions tailored to business needs
- ⇒ **Proactive Outreach:** cost optimization insights, tech upgrades, and new solutions

To learn more about CUPAY visit our [website](#).

Management Team



Paul Masterson
President & CEO



Brenda Roberts-Harmon
VP, General Counsel
& Chief Risk Officer



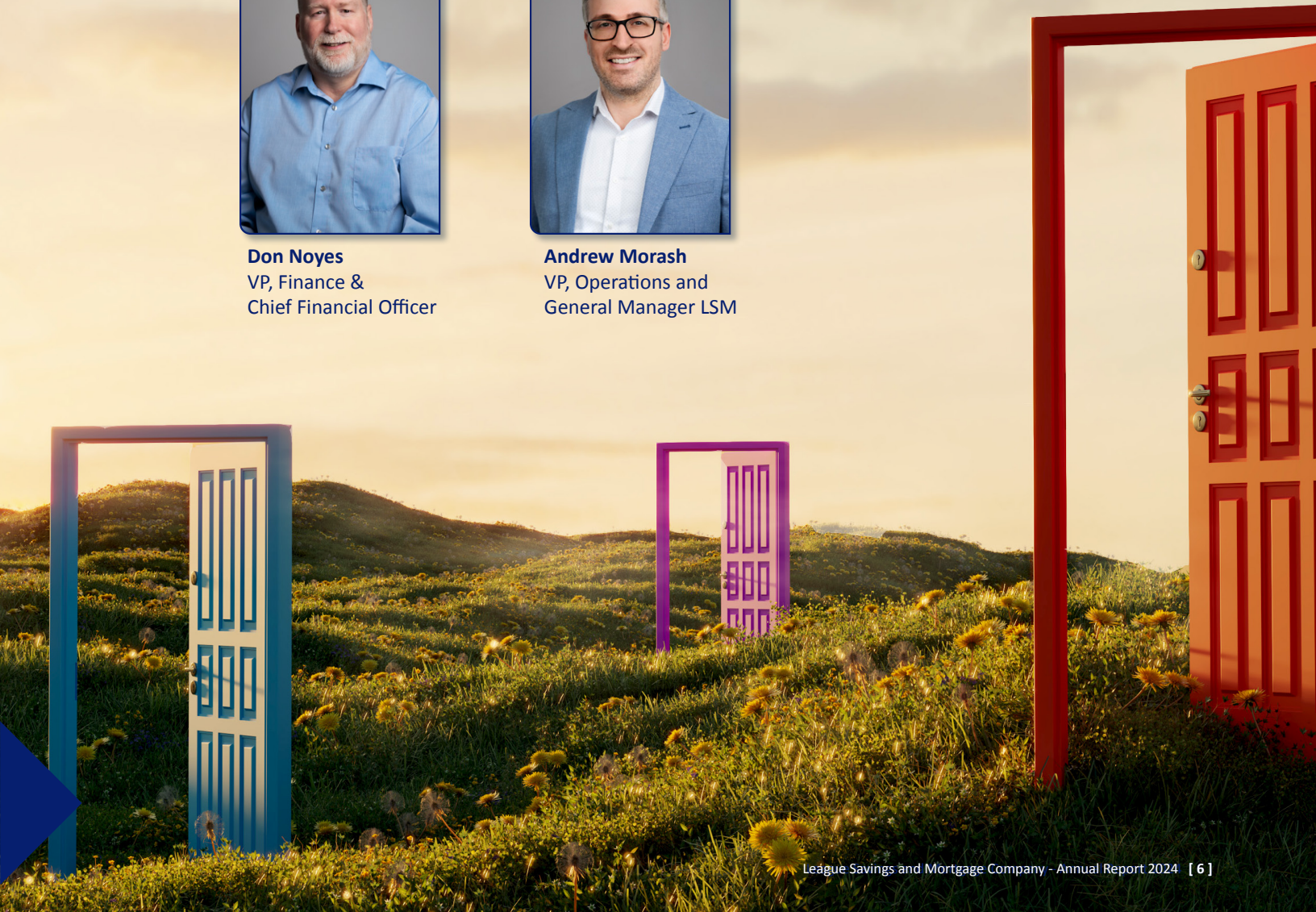
Paul Paruch
VP, Digital & Payments



Don Noyes
VP, Finance &
Chief Financial Officer



Andrew Morash
VP, Operations and
General Manager LSM



Corporate Governance

Sound governance and ethical behaviour begins with our Board of Directors, which is accountable to our shareholder and assumes responsibility for the stewardship of League Savings and Mortgage Company ("League Savings"). The Board of Directors ("Board") is responsible for overseeing the management of the business and affairs of League Savings with an objective of enhancing stakeholder value. Among its many specific duties, the Board approves strategic goals and business plans, sets policy to direct the overall operations of League Savings, provides advice, counsel and oversight to the President and CEO, oversees the ethical, legal, and social conduct of League Savings, oversees the risk management of League Savings, and reviews League Savings' ongoing financial performance. The Board ensures that appropriate structures and procedures are in place to confirm its independence from Management.

Board Composition

The Board of Directors of League Savings consists of twelve Directors as follows:

- I. One Director nominated by Atlantic Central Class LSM shareholders in New Brunswick;
- II. One Director nominated by Atlantic Central Class LSM shareholders in Newfoundland and Labrador;
- III. One Director nominated by Atlantic Central Class LSM shareholders in Nova Scotia;
- IV. One Director nominated by Atlantic Central Class LSM shareholders in Prince Edward Island;
- V. One Director nominated by all Atlantic Central Class LSM shareholders;
- VI. One Director appointed by the LSM Board to fill the need for identified competencies; and
- VII. Six Directors appointed by the sole Common Shareholder, League Savings' parent, Atlantic Central ("Central").

As noted above, the Board appoints a director to fill the need for identified competencies. In March 2021, the Board appointed Corina Farbacher to fill this role for a three-year term.

The following individuals currently serve on the Board of Directors:

LSM Chair (NL Regional Group) Public Service Credit Union

George Smith
Director
Public Service Credit Union
Board Attendance 14/14
(Meetings, Training, Planning)
Term Expires: April 2025
*Table Officer



LSM Vice-Chair (At-Large) East Coast Credit Union

Sally van de Wiel, Senior VP
Member Exp & Strategy
East Coast Credit Union
Board Attendance 12/14
(Meetings, Training, Planning)
Term Expires: April 2027
*Table Officer



AC Appointed

Steve Blackwood
Bell Workforce Manager
Board Attendance 12/12
(Meetings, Training, Planning)
Term Expires: April 2027



AC Appointed

Danielle Boudreau
Director
Coastal Financial Credit Union
Board Attendance 14/14
(Meetings, Training, Planning)
Term Expires: April 2026



Corporate Governance

PE Regional Group Morell Credit Union

Sherri Clarke
CEO
Morell Credit Union
Board Attendance 14/14
(Meetings, Training, Planning)
Term Expires: April 2026



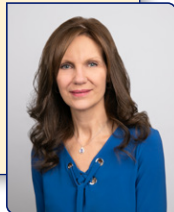
AC Appointed

Doug Dewling
Director (Chair)
Public Service Credit Union
Board Attendance 12/12
(Meetings, Training, Planning)
Term Expires: April 2027



Board Appointed

**Corina Farbacher, Chief Gov
& Risk Officer/Corp Sec**
Affinity Credit Union
Board Attendance 14/14
(Meetings, Training, Planning)
Term Expires: April 2027



AC Appointed

Martin Gillis
Director
Valley Credit Union
Board Attendance 14/14
(Meetings, Training, Planning)
Term Expires: April 2026



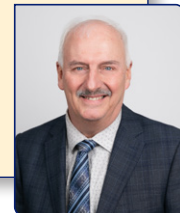
AC Appointed

Jim MacFarlane
Director
Teachers Plus Credit Union
Board Attendance 12/14
(Meetings, Training, Planning)
Term Expires: April 2025



NB Regional Group Brunswick Credit Union

William Marr
Accountant
Board Attendance 11/14
(Meetings, Training, Planning)
Term Expires: April 2026



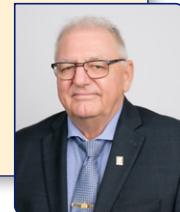
NS Regional Group Sydney Credit Union

Carol Ripley
Retired CEO
Sydney Credit Union
Board Attendance 14/14
(Meetings, Training, Planning)
Term Expires: April 2025



AC Appointed

Thomas Vickers
Director
Princess Credit Union
Board Attendance 12/14
(Meetings, Training, Planning)
Term Expires: April 2027



Corporate Governance

The Board and each committee meet at least once each fiscal quarter, and the Board holds an annual strategic planning session. The Board meets at other times when matters requiring its approval or consideration are raised and it is not possible or prudent to wait for the next regularly scheduled meeting. The Board met seven times in 2024.

Committees of the Board

The Board has established the following standing committees: Audit; Risk; Conduct Review; Co-operative Social Responsibility; Executive, Human Resource and Compensation; and Governance.

MEETING ATTENDANCE

[Chair]	George Smith	4/4
[Vice-Chair]	Sally van de Wiel	3/4
	Sherri Clark	4/4
	Corina Farbacher	3/4
	Thomas Vickers	2/3

[Chair]	Corina Farbacher	7/7
	Sherri Clark	7/7
	Doug Dewling	5/5
	William Marr	5/7
	Carol Ripley	6/7

[Chair]	Sally van de Wiel	4/4
	Steve Blackwood	4/4
	Sheri Clark	3/4
	Thomas Vickers	4/4

COMMITTEES

Executive, Human Resource and Compensation Committee:

Its five members include the Board Chair, the Vice-Chair and three Directors elected at-large by the Board. This Committee is responsible for addressing matters between scheduled Board meetings that require immediate attention, for approving credit applications that are above management lending limits and also acts as a Human Resource Committee.

Audit, Risk and Conduct Review Committees:

The Committees consist of at least four Directors, none of whom is an employee or officer of League Savings or Central. The Audit Committee is responsible for ensuring Management has designed and implemented an effective system of financial management and related internal controls. It reviews and reports on the audited financial statements and ensures compliance with certain regulatory and statutory requirements. It is also responsible for meeting periodically with internal and external auditors. The Risk Committee is responsible for ensuring Management has developed and maintains an effective Enterprise Risk Management Framework for evaluating the business strategies being used for the allocation of human resources, capital, and other resources. The Conduct Review Committee is responsible for ensuring League Savings has developed and adheres to ethical standards and sound business conduct in such areas as conflict of interest and related party procedures.

Co-operative Social Responsibility Committee:

The joint Central and League Savings Co-operative Social Responsibility ("CSR") Committee is comprised of at least one Director from each of Central and League Savings, and, where possible, representatives from each of the Atlantic Provinces. The CSR Committee develops and supports clear and precise policy statements for consideration by the Board that help define our belief in social well-being and sustainability. The Committee recommends to the Board priorities for charitable giving and awards and recognition programs and provides related oversight to these priorities and programs. In addition, the Committee ensures sustainability and environmental impacts are considered in the management of premises and operations.

Corporate Governance

MEETING ATTENDANCE

[Chair]	Jim MacFarlane	2/4
	Danielle Boudreau	4/4
	Martin Gillis	3/4
	George Smith	4/4
	Sally van de Wiel	4/4

COMMITTEES

Governance Committee:

The Committee consists of at least four Directors. The Governance Committee is responsible for reviewing and recommending changes to the governance structure of League Savings and for ensuring an effective governance system is in place, including a schedule for regular policy review and compliance. In addition, this Committee ensures Board decisions and positions are appropriately translated into documented policies. Policies developed by the Committee are forwarded to the Board for its consideration and approval. The Committee oversees the procedures for nominating Directors for the League Savings Board. The Committee is responsible for overseeing the Director evaluation process, Board competencies, and the ongoing training and development of Board members.

Attendance at Board and Committee Meetings

The Board of Directors recognizes the importance of each individual Director's participation at Board and committee meetings. Every Director is expected to attend all Board and committee meetings unless adequate cause is given for missing a meeting.

Mandate of the Board of Directors

While the Board's fundamental responsibility is to oversee the management of the business and affairs of League Savings, any responsibility that is not specifically delegated to the President and CEO remains with the Board. In particular, the Board oversees League Savings' strategic direction to ensure it serves the organization, Central's member credit unions, employees, and communities of New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. The Board assumes overall stewardship with respect to League Savings' purpose and values, its long-term objectives, and the approval of corporate strategies. Specifically, the Board is responsible for:

- the evaluation of the President and CEO;
- establishing and approving Board policies;
- overseeing League Savings' internal control framework;
- developing and approving League Savings' strategic goals and business plans;
- providing advice to the President and CEO;
- evaluating the Board's performance and overseeing the ethical, legal, and social conduct of the organization; and
- reviewing the financial performance and condition of the organization.

Board Evaluations

As part of its commitment to ongoing development and improvement, the Board conducts an annual self-evaluation. This evaluates the Board's effectiveness in the following governance areas: League Savings' purpose and vision; strategic leadership; financial performance; internal controls and oversight, including financial oversight, risk oversight, and human resources oversight; co-operative social responsibility; compliance and accountability; stakeholder relations; Board functioning; Board and Management relations; and learning and development. The results of the evaluation are used to guide the training and development agenda for the Board in the upcoming year. In 2023, the Board added an independent evaluator component to the self-evaluation process. In 2024, the Board implemented an independent exit interview process for retiring directors.

Evolving Governance Practices

At League Savings, we recognize that our governance standards not only must evolve to respond to changes in our organization, the credit union system, stakeholder expectations and regulatory requirements, but also to ensure League Savings and its stakeholders receive the benefit of exceptional governance practices. The Board and Management continually monitor developments in corporate governance practices and are committed to ongoing training and development so League Savings can continue to be a positive example in the credit union system with its governance practices. Over the past several years, League Savings has increased its focus on diversity and inclusion. In 2023, the Board hired a consultant to perform an independent governance review, and the Board is now completing the implementation of the recommendations. In 2024, the LSM By-laws were updated to allow for the appointment of up to three independent directors (from one) to fill the need for identified competencies.

League Savings and Mortgage Company

Financial Statements

December 31, 2024

(expressed in Canadian dollars)

Management's Responsibility for the Financial Statements

Management has the responsibility of preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

In discharging its responsibility for the integrity and fairness of the financial statements, Management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained. The Board has appointed an Audit Committee which reviews the annual financial statements with Management and auditors before final approval by the Board.

The federal regulator of financial institutions conducts examinations and makes such enquiries into the affairs of League Savings and Mortgage Company (League Savings or the Company) as they deem necessary to ensure the safety of depositors and to ensure that the Company is in sound financial condition. Their findings are reported directly to Management.

PricewaterhouseCoopers LLP, the independent auditors, have examined the financial statements of League Savings in accordance with Canadian generally accepted auditing standards and have expressed their opinion in the following report to the shareholder.



Paul Masterson, CPA, CA
President and CEO



Donald M. Noyes, CPA, CA
Vice President Finance and CFO



Independent auditor's report

To the Shareholder of League Savings and Mortgage Company

Our opinion

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

What we have audited

The Company's financial statements comprise:

- the balance sheet as at December 31, 2024;
- the statement of income (loss) for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholder's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

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

PricewaterhouseCoopers LLP
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T.: +1 902 491 7400, F.: +1 902 422 1166, Fax to mail: ca_halifax_main_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If



we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Halifax, Nova Scotia
March 26, 2025

League Savings and Mortgage Company

Balance Sheet

As at December 31, 2024

	Note	2024 \$	2023 \$
Assets			
Cash and cash equivalents		23,661,790	2,401,786
Restricted cash		1,370,998	3,239,933
Investments	6	58,903,591	36,832,693
Loans and mortgages	7	852,574,079	704,406,047
Accrued interest		3,437,455	2,119,165
Deferred tax assets	14	842,356	761,571
Securitization assets	8	78,748,597	101,272,358
Income tax receivable		-	178,541
Capital tax receivable		-	63,746
Other assets	19	9,248,518	16,263,868
		<u>1,028,787,384</u>	<u>867,539,708</u>
Liabilities			
Deposits	9	689,683,818	532,579,668
Accrued interest		15,930,916	10,973,331
Accounts payable and accrued liabilities	19	9,417,587	7,090,609
Servicing liabilities		23,864,464	30,334,652
Capital tax payable		235,368	-
Income tax payable		217,621	-
Mortgage-backed securities	8	210,495,645	212,499,199
		<u>949,845,419</u>	<u>793,477,459</u>
Shareholder's equity			
Capital stock	10	41,857,854	37,857,854
Contributed surplus		1,785,887	1,785,887
Retained earnings		35,506,126	35,364,821
Accumulated other comprehensive loss		(207,902)	(946,313)
		<u>78,941,965</u>	<u>74,062,249</u>
		<u>1,028,787,384</u>	<u>867,539,708</u>
Commitments and contractual obligations	13		

Approved on Behalf of the Board



Paul Masterson, CPA, CA
President and CEO



George Smith
Chair



Corina Farbacher
Director

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

League Savings and Mortgage Company

Statement of Income (Loss)

For the year ended December 31, 2024

	Note	2024 \$	2023 \$
Financial income			
Investment income		2,066,445	1,118,785
Interest on loans and mortgages		42,807,400	32,155,610
		44,873,845	33,274,395
Financial expense		34,782,683	25,145,229
Gross financial margin		10,091,162	8,129,166
Provision for credit losses		2,488,984	998,802
Net financial margin		7,602,178	7,130,364
Securitization gains	8	2,915,231	1,567,562
Non-interest expense	18	(1,617,419)	(1,428,952)
		8,899,990	7,268,974
Operating expenses			
Management fees	12	4,632,100	4,344,723
Office		228,230	331,490
Democracy		256,619	284,452
Professional fees		677,728	268,423
Other		814,427	215,149
		6,609,104	5,444,237
Operating income		2,290,886	1,824,737
Capital tax	14	2,111,326	1,867,948
Income taxes	14	38,254	(8,932)
Net income (loss) for the year		141,306	(34,279)

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

League Savings and Mortgage Company

Statement of Comprehensive Income

For the year ended December 31, 2024

	Note	2024 \$	2023 \$
Net income (loss) for the year		141,306	(34,279)
Other comprehensive income (OCI)			
Items that will be reclassified subsequently to income			
Net change in unrealized gains (losses) on investments at fair value through OCI			
Net unrealized gains on mark to market investments		1,070,158	570,063
Reclassification of net realized losses to net income		-	2,787
Income tax expense	14		
On unrealized losses on mark-to-market investments		(331,747)	(165,319)
On reclassification of net realized losses to net income		-	(808)
Other comprehensive income		738,411	406,723
Comprehensive income		879,717	372,444

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

League Savings and Mortgage Company

Statement of Changes in Shareholder's Equity

For the year ended December 31, 2024

	Common shares \$	Contributed surplus \$	Retained earnings \$	Accumulated other comprehensive income (loss) \$	Total equity \$
Year ended December 31, 2024					
Balance – Beginning of year	37,857,854	1,785,887	35,364,821	(946,313)	74,062,249
Net income for the year	-	-	141,306	-	141,306
Other comprehensive income, net of tax	-	-	-	738,411	738,411
Comprehensive income	-	-	141,306	738,411	879,717
Stock issued	4,000,000	-	-	-	4,000,000
Balance – End of year	41,857,854	1,785,887	35,506,126	(207,902)	78,941,965
Year ended December 31, 2023					
Balance – Beginning of year	37,857,854	1,785,887	35,399,099	(1,353,036)	73,689,804
Net loss for the year	-	-	(34,279)	-	(34,279)
Other comprehensive income, net of tax	-	-	-	406,723	406,723
Comprehensive (loss) income	-	-	(34,279)	406,723	372,444
Balance – End of year	37,857,854	1,785,887	35,364,821	(946,313)	74,062,249

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

League Savings and Mortgage Company

Statement of Cash Flows

For the year ended December 31, 2024

	2024 \$	2023 \$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	141,306	(34,279)
Charges (credits) to income not involving cash		
Loans and mortgages, net	(148,168,032)	(53,385,920)
Deposits, net	157,104,150	68,082,742
Loss on revaluation of interest rate swaps	60,248	573,900
Mortgage-backed securities, net	(8,473,742)	(19,491,891)
Interest receivable/payable, net	3,639,295	5,554,893
Income taxes receivable/payable, net	459,908	1,208,630
Deferred tax assets, net	(80,785)	(163,178)
Securitization assets, net	22,523,761	11,711,692
Other items, net	9,517,447	(10,131,590)
	<u>36,723,556</u>	<u>3,924,999</u>
Financing activities		
Net proceeds from issuance of capital	<u>4,000,000</u>	<u>-</u>
Investing activities		
Investments, net	<u>(21,332,487)</u>	<u>(10,143,714)</u>
Change in cash and cash equivalents during the year	19,391,069	(6,218,715)
Cash and cash equivalents – Beginning of year	<u>5,641,719</u>	<u>11,860,434</u>
Cash and cash equivalents – End of year	<u>25,032,788</u>	<u>5,641,719</u>
Cash and cash equivalents include		
Cash and balances with financial institutions	23,661,790	2,401,786
Restricted cash	<u>1,370,998</u>	<u>3,239,933</u>
	<u>25,032,788</u>	<u>5,641,719</u>
Supplemental disclosure of cash flow information		
Interest received	43,544,793	32,651,494
Dividends received	10,763	14,075
Interest paid	29,764,850	18,981,510
Income taxes paid, net of refunds	233,164	847,664

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

League Savings and Mortgage Company

Notes to the Financial Statements

December 31, 2024

1 Reporting entity

League Savings and Mortgage Company (the Company) is incorporated in Canada under the Trust and Loan Companies Act (Canada). The Company is a member of the Canada Deposit Insurance Corporation and is regulated by the Office of the Superintendent of Financial Institutions (OSFI). Its head office is located at 6074 Lady Hammond Road in Halifax, Nova Scotia. The Company provides financial services to credit unions, their members and others.

The financial statements were authorized for issue by the Board of Directors on March 24, 2025.

2 Basis of presentation

The financial statements are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). The material accounting policies applied in the preparation of the financial statements are set out in note 4.

The Company presents its balance sheet on a non-classified basis. The following balances are generally classified as current: cash and cash equivalents, fixed income investments and loans and mortgages maturing within one year, other assets maturing within one year, borrowings, demand deposits, term deposits and mortgage-backed securities maturing within one year and accounts payable and accrued liabilities.

3 Changes in accounting standards

Adoption of new accounting standards

There were no changes in accounting policies during the year that had a significant impact on the Company.

Amendments to IAS 1, Non-current Liabilities with Covenants

The International Accounting Standards Board (IASB) issued amendments to IAS 1, Presentation of Financial Statements, which specifies that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as current or non-current as at the reporting date. The amendments were effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. These amendments, amongst other, require disclosure of information about these covenants in the notes to the financial statements. The adoption of the amendments had no impact on the financial statements.

Future changes in accounting policies

IFRS 18, Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18, which sets out requirements for the presentation and disclosure of information in the financial statements. IFRS 18 will replace IAS 1, Presentation of Financial Statements. IFRS 18's focus is on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation that apply to the primary financial statements and notes in general.

IFRS 18 will apply for reporting periods beginning on or after January 1, 2027, and also applies to comparative information. The Company is currently evaluating the new standard for any potential impact on the financial statements.

League Savings and Mortgage Company

Notes to the Financial Statements

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4 Material accounting policies

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances held with financial institutions.

Restricted cash includes cash balances segregated and held with financial institutions for specific mortgage-backed securities (MBS) program clearing activities.

Financial instruments

The Company classifies its financial assets in the following measurement categories: fair value through profit and loss (FVTPL); fair value through other comprehensive income (FVOCI); or amortized cost. Management determines the classification of its financial instruments at initial recognition.

The accounting policies related to these financial assets and liabilities are as follows:

Measurement methods – amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any loan loss allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses (ECLs) and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in net income (loss).

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or Stage 3), for which interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the ECL provision). Expenses incurred directly in the origination of loans and mortgages are deferred and recognized in the statement of income as a reduction to income (loss) over the expected life of the relevant loans and mortgages.

Initial recognition and measurement

The Company recognizes loans and mortgages 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 Company becomes party to the contractual provision 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. Immediately after initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognized in net income (loss) when an asset is newly originated.

League Savings and Mortgage Company

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December 31, 2024

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the difference is deferred and the timing of recognition of deferred day-one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instruments' fair value can be determined using market observable inputs or realized through settlement.

Leases

The Company classifies a contract, or component of a contract, as a lease if it conveys a right to control the use of an identifiable asset for a period in exchange for consideration.

At inception, the Company classifies a lease that transfers substantially all the risks and rewards incidental to ownership of the underlying asset as a finance lease. All other leases are classified as operating leases. When assets are held subject to a finance lease, the Company recognizes a finance lease receivable in the balance sheet representing its net investment in the lease. Interest income is recognized over the term of the lease using the implicit interest rate, which reflects a constant rate of return. For operating leases, the Company recognizes lease payments received as income on a straight-line basis over the term of the lease.

Investments

The classification requirements for debt and equity investments are described below:

Debt instruments

Debt instruments are instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds. The classification and subsequent measurement of debt instruments depends on the business model for managing the asset and the cash flow characteristics of the asset.

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

- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest (SPPI) are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for interest revenue, ECL and reversals and foreign exchange gains and losses, which are recognized in income or loss. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to income or loss. Interest income from these financial assets is included in interest on investments using the effective interest rate method.
- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is included in interest on investments.

Business model

The Company considers the following in the determination of the applicable business model for financial assets:

- the business purpose of the portfolio, such as a focus on earning contractual interest income or a focus on matching the duration of the liabilities that are funding the assets;
- the risks that are being managed and the type of activities that are carried out on a day-to-day basis to manage the risks;
- the basis on which performance of the portfolio is being evaluated; and

League Savings and Mortgage Company

Notes to the Financial Statements

December 31, 2024

- the frequency and significance of sales activity in prior periods and expectations about future sales activity.

The Company has established specific criteria for financial assets that are originated or acquired for the purpose of securitization in a subsequent period. If, at origination or acquisition, based on this established criteria, the financial asset is expected to be securitized as part of a portfolio that qualifies for derecognition, the business objective of holding the financial asset to collect contractual cash flows is not met. Such financial assets are measured at FVTPL. If the portfolio does not qualify for derecognition, the Company has elected to determine the business model based on the accounting result of the securitization. As such, the held-to-collect business model is considered to be met.

SPPI

Where the business model is to hold to collect contractual cash flows, or to collect contractual cash flows and sell, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. The Company elects to present in OCI changes in the fair value of certain equity instruments that are not held for trading.

Gains and losses on these equity instruments are never reclassified to income or loss and no impairment is recognized in income or loss. Dividends are recognized in investment income unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI.

Dividend income on investments is recognized when the right to receive income is established.

Impairment

The Company assesses on a forward-looking basis ECL associated with its debt instruments carried at amortized cost and FVOCI. The Company recognized a loss allowance for such losses at each reporting date. The measurement of ECL reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

Debt instruments carried at FVOCI are considered to have low credit risk; the loss allowance recognized during the period was, therefore, limited to 12-month ECL. Management considers low credit risk to be, in the absence of evidence of an increase in credit risk, investments in government debt instruments and investments in financial institutions that have been designated as a domestic systemically important bank (D-SIB) or a global systemically important bank (G-SIB). Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Note 5 provides more detail on how the ECL is measured.

League Savings and Mortgage Company

Notes to the Financial Statements

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Modifications of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans. When this happens, the Company assesses whether the new terms are substantially different than the original terms. The Company does this by considering, among others, the following factors:

- if the borrower is in financial difficulty, where the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate;
- change in the currency the loan is denominated in; and
- insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Company derecognizes the original financial asset, recognizes a new asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed upon payments. Differences in the carrying amount are also recognized in net income (loss) as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in net income (loss). The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than on a modification

A financial asset is derecognized when the contractual rights to the cash flows from the asset have expired, or the Company transfers the contractual rights to receive the cash flows from the asset or has assumed an obligation to pay those cash flows to a third-party and the Company has transferred substantially all of the risks and rewards of ownership of that asset to a third-party. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets, but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

These transactions are accounted for as pass through transfers that result in derecognition if the Company:

- has no obligation to make payments unless it collects equivalent amounts from the assets;
- is prohibited from selling or pledging the assets; and
- has an obligation to remit any cash it collects from the assets without material delay.

League Savings and Mortgage Company

Notes to the Financial Statements

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Financial liabilities

Other financial liabilities, including borrowings and deposits, are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

Mortgage-backed securities

The Company securitizes insured residential mortgages through the creation of MBS under the National Housing Act Mortgage-Backed Securities (NHA MBS) program sponsored by Canada Mortgage and Housing Corporation (CMHC). All loans securitized under the NHA MBS program are required to be insured by CMHC or a third-party insurer. The NHA MBS program utilizes a Central Payor and Transfer Agent (CPTA).

The MBS created under the program are sold to third-party investors (Market MBS) or are sold to Canada Housing Trust (CHT), a CMHC-sponsored structured entity, under the Canada Mortgage Bond (CMB) program.

In a Market MBS, the CPTA registers the NHA MBS and issues NHA MBS certificates to investors, and CMHC provides a guarantee of the timely payment of amounts due to the investors. The MBS are backed by the residential mortgages and amortize in step with the mortgages underlying the security.

In the CMB program, the CHT aggregates NHA MBS from multiple issuers, financing the purchase of the NHA MBS through the issuance of securities to third-party investors.

The Company uses these securitization programs to diversify its funding sources.

With Market MBS, the Company typically continues to administer the loans securitized and is entitled to the payments received on the mortgages. At the same time, the Company is obligated to make the payments due on the issued MBS, including the investment yield due to the investors in the security, regardless of whether the Company has collected the funds from the mortgagor.

The Company also purchases pools of mortgages to sell into the CMB program. These mortgage pools are typically administered by a third-party mortgage servicer for a fee. For these pools, the Company is also entitled to the payments received on the mortgages and obligated to make the payments due on the issued MBS.

The CMB program requires the provision of replacement MBS securities to offset the declining balance of the underlying mortgages through principal payments. The CMB program also requires an interest rate swap agreement under which a swap counterparty pays the CHT the interest due to investors and receives the interest on the NHA MBS securities. For a fee, the Company has contracted with a third-party financial institution to take on the requirements to provide the replacement NHA MBS securities and to act as the swap counterparty.

Derecognition

The sale of mortgages through the NHA MBS program does not meet the requirements for derecognition if the Company has not transferred substantially all the risks and rewards of ownership of the underlying mortgages. This occurs when it retains the prepayment, credit and interest rate risk associated with the mortgages. For sales of MBS that do not qualify for derecognition, the Company continues to recognize the underlying mortgages akin to pledged assets and the cash proceeds from securitization are recognized akin to secured liabilities as the mortgages are being pledged against the cash borrowed.

Securitization retained interests and servicing liabilities

In certain cases, the Company has purchased pools of mortgages for subsequent sale into the CMB program where the Company's exposure to risks and rewards from the securitized assets is quite limited. In these

League Savings and Mortgage Company

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transactions, the Company retains the rights to the future excess interest spread and the liability associated with servicing the assets sold, with very little exposure to variable cash flows.

The Company accounts for its retained interests and servicing liabilities on the balance sheet, in securitization assets and accounts payable and accrued liabilities, respectively. During the life of the securitization, as cash is received, the retained interest and the servicing liability are amortized and recognized in the statement of income (loss) under interest on loans and mortgages and non-interest income (securitization expenses), respectively.

Gains on securitization

When these assets are derecognized, the gains or losses on the transactions are recorded in securitization gains and are dependent in part on the previous carrying amount of the financial assets involved in the transfer. The proceeds of the sale are allocated between the assets sold and the retained interests, based on their relative fair value at the date of transfer and net of transaction costs.

Deposits

Deposits are measured at fair value on recognition, net of transaction costs directly attributable to issuance. Subsequent measurement is at amortized cost using the effective interest method.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can readily be measured. The principal sources of revenue are interest and fee income.

Fee income, including account servicing fees, loan fees, discharge fees and administration fees are recognized as the services are provided.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income (loss), except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

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

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction 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, which 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.

League Savings and Mortgage Company

Notes to the Financial Statements

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Critical accounting estimates and assumptions

In preparing the Company's financial statements, Management is required to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ materially from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recorded in the period in which the estimate reversed if the revision affects only that period or in the period of revision and in future periods if the revision affects both the current and future periods.

The judgments and estimates that have the most significant effect on the amounts recognized in the financial statements are decisions with respect to the fair value of financial instruments, the allowance for loan losses, the derecognition of loans and mortgages and income taxes.

Due to the uncertainty in the current economic environment, developing reliable estimates and applying judgment remains difficult. Consideration is given to various risks to the economic outlook of Canada; however, significant measurement uncertainty exists in determining ECLs and the forecasting of forward-looking information is subject to significant judgment.

The impact of tariffs imposed by the United States government in March 2025, may not be known immediately and could vary depending on numerous factors such as retaliatory measures imposed by Canada. An estimated impact on the financial position of the Company has not been quantified at this time as this is a complex scenario, and reliable information is still forthcoming.

Fair value of financial instruments

The determination of the fair value of financial instruments requires the exercise of judgment by Management. The fair value of financial instruments traded in active markets as at the balance sheet date is based on their quoted market prices. Where independent quoted market prices do not exist, fair value may be based on other observable current market transactions or based on a valuation technique that maximizes the use of observable market inputs.

For certain types of equity instruments, where no active market exists or where quoted prices are not otherwise available, fair value is considered to approximate par value based on the terms of those instruments. The Company continues to monitor these instruments for any indication that a new measure of fair value is available.

ECL allowance

The Company reviews its loan portfolio to assess the ECL allowance for loans at least on a quarterly basis. The measurement of the ECL allowance for loans and debt instruments measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (i.e. the likelihood of members defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 5.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk (SICR);
- choosing appropriate models and assumptions for the measurement of ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

League Savings and Mortgage Company

Notes to the Financial Statements

December 31, 2024

The judgments, inputs, methodology and assumptions used for estimating the ECL allowance are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Derecognition of loans and mortgages

In determining whether to derecognize loans and mortgages, judgment is applied in determining whether the Company has transferred substantially all of the risks and rewards of ownership in transferring the assets to another entity.

Income taxes

The determination of deferred tax assets or liabilities requires judgment, as the recognition is dependent on projections of future taxable profits and tax rates that are expected to be in effect in the period the asset is realized or the liability is settled.

5 Risk management

The Company has an enterprise-wide approach to the identification, measurement, monitoring and management of risks faced across the organization. The Company manages significant risks efficiently and effectively through an Enterprise Risk Management Framework (ERM), which includes a comprehensive infrastructure of policies, procedures, methods, oversight and independent review, designed to reduce the significant risks and to manage those risks within appropriate tolerances for the Company.

Authority for all risk-taking activities rests with the Board, which approves the Company's Risk Appetite Statement and risk management policies, delegates limits and regularly reviews Management's risk assessments and compliance with approved policies. Qualified professionals throughout the Company manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

The various processes within the Company's risk management framework are designed to ensure that risks in the various business activities are properly identified, measured, stress tested, assessed and controlled. Internal Audit reports independently to the Audit, Risk and Conduct Review Committees of the Board on the effectiveness of the risk management policies and the extent to which internal controls are in place and operating effectively.

Stress testing is a risk measurement technique that examines the potential effects on the Company's financial condition resulting from adverse economic, liquidity, credit and/or financial market conditions. The Company's risk management processes include stress testing scenarios including exceptional but plausible adverse events that can impact the Company's financial results and capital requirements, the results of which are used to enhance its understanding of its risk profile, and to support its strategic decision making. Stress testing results are also explicitly incorporated into the Company's Internal Capital Adequacy Assessment Process (ICAAP) and Capital Plan, its Liquidity Management Plan and its Recovery Plan.

The Chief Risk Officer is responsible for the oversight of risk management across the organization and reports quarterly to the Risk Committee and the Board. The Management Risk Committee (MRC) is responsible for the review and evaluation of the financial risks and performance of the Company, including the management of:

- | | |
|------------------------|--------------------|
| • Credit risk | • Liquidity |
| • Interest rate risk | • Foreign exchange |
| • Investment portfolio | • Derivatives |
| • Large exposures | • Capital |

The MRC reviews financial risk management policies, recommends changes to policies and procedures as appropriate, and monitors compliance with financial policies.

League Savings and Mortgage Company

Notes to the Financial Statements

December 31, 2024

The Asset Liability Committee (ALCO) has been established to ensure the effective and prudent management of the Company's financial assets and liabilities. ALCO will achieve this by developing and implementing financial strategies and related processes consistent with the short and long-term goals set by the Board.

The Company's principal business activities result in a balance sheet that consists primarily of financial instruments. The key risks related to the Company's financial instruments are credit, liquidity and market risk.

Credit risk

Credit risk is the potential for loss due to the failure of a borrower, counterparty, endorser or guarantor to fulfill its payment obligation to the Company. Credit risk arises in the Company's direct lending operations and in its funding and investing activities where counterparties have repayment or other obligations to the Company. There is also credit risk in unfunded loan commitments. The Company has established policies and procedures for credit risk management, including individual counterparty limits and portfolio category limits relating to investment activities.

Management of credit risk requires prudent and conservative underwriting criteria administered by well-trained and experienced personnel. Credit risk management practices also include consistent and timely collection procedures, analysis of property appraisals and a realistic credit allowance process to provide a regular evaluation of the loan portfolio. Credit policies are reviewed and approved annually by the Board. Management regularly reviews its credit procedures to ensure they provide extensive, up-to-date guidance for the underwriting and administration of all types of loans.

All loans are risk rated at the time of approval and may be subject to subsequent risk assessment based on factors such as loan type, amount, original risk rating and payment history. Loans with higher risk require more intensive analysis and higher levels of approval. The Executive Management Credit Committee reviews all loans above the lending limits of President and CEO.

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Company has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loan and advances at a counterparty level, the Company considers three components:

- the probability of default (PD) by the borrower or counterparty on its contractual obligations;
- current exposures to the counterparty and its likely future development, from which the Company derives the exposure at default (EAD); and
- the likely recovery ratio on the defaulted obligations loss given default (LGD).

The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimize their effectiveness.

The classes of financial instruments to which the Company is most exposed to credit risk are cash and cash equivalents, investments and loans and mortgages.

ECL measurement

League Savings and Mortgage Company

Notes to the Financial Statements

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IFRS 9, Financial Instruments, outlines a three-stage model for impairment based on changes in credit quality since initial recognition as summarized below:

- a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Company;
- if a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2, but is not yet deemed to be credit-impaired; and
- if the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the ECLs that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECLs on a lifetime basis.

The key judgments and assumptions adopted by the Company in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

The assessment of SICR incorporates forward-looking information and is performed on a monthly basis at a portfolio level for all instruments held by the Company. A watch list is used to monitor credit risk; this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by Management.

The Company considers a financial instrument to have experienced an SICR when one or more of the following quantitative or qualitative criteria have been met:

- for consumer and residential loans:
 - contractual cash flow obligations are more than 30 days past due; and/or
 - available information as at the reporting date indicates that the ability of the borrower to fulfill its contractual cash flow obligations will be reduced (i.e. using internal watch lists for monitoring the credit risk of borrowers); and
- for commercial loans:
 - contractual cash flow obligations are more than 30 days past due; and/or
 - available information as at the reporting date indicates that the ability of the borrower to fulfill its contractual cash flow obligations will be reduced (i.e. significant deterioration in risk rating, in short-term forbearance, early signs of cash flow/liquidity problems, adverse change in operating results, adverse changes in business, financial or economic conditions in which the business operates).

The Company has used the low credit risk exemption for certain investment grade securities.

Definition of default and credit-impaired assets

The Company defines a financial instrument as credit-impaired when it meets one or more of the following:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower is in long-term forbearance; and
- the borrower is insolvent or has filed for bankruptcy.

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The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Company's ECL calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria.

Measuring ECL — explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis, depending on whether an SICR has occurred since initial recognition or whether an asset is credit-impaired. ECLs are the discounted product of the PD, EAD and LGD, defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over the remaining lifetime of the obligation;
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime; and
- LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be incurred if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be incurred if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortizing products, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.

The 12-month and lifetime LGDs are determined based on the factors that impact the recoveries made post default. These vary by product type:

- for secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and expected recovery costs; and
- for unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and collateral values change, etc., are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

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Collateral held and other credit risk enhancements

The Company employs a range of policies and practices to mitigate credit risk. The most common is accepting collateral for funds advanced. A valuation of the collateral obtained is prepared as part of the loan origination process. The principal collateral types for loans and advances are mortgages over residential properties and charges over business assets such as premises, inventory and accounts receivable. The Company's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held since the prior period.

Assets obtained by the Company by taking possession of collateral held as security against loans and advances are included in other assets. The balance held as at December 31, 2024 was \$nil (2023 – \$nil).

Management regularly monitors the Company's credit risk and reports to the Board on a quarterly basis.

Liquidity risk

Liquidity refers to the capacity to generate or obtain sufficient cash or its equivalent in a timely manner at a reasonable price to meet the Company's commitments as they fall due and to fund new business opportunities. Liquidity risk is the potential for losses to be incurred from holding insufficient liquidity to survive a contingent stress event.

In its role as a credit union service partner, the Company's primary financial role is to accept deposits from credit unions, their members and others, and to employ those funds to advance loans and mortgages to credit union members and others.

The Company has established policies to ensure that it is able to generate sufficient funds to meet all its financial commitments in a timely and cost-effective manner. In addition, a liquidity plan is prepared, which forecasts the amount of liquidity required and the sources that will be used to fund those requirements. These policies and plans are annually reviewed and approved by the Board.

The Company's liquidity management practices include:

- ensuring the quality of investments acquired for liquidity purposes meet very high standards;
- matching the maturities of assets and liabilities;
- diversifying funding sources;
- establishing and maintaining minimum liquidity reserves;
- monitoring actual cash flows on a daily basis;
- monitoring economic, market and local trends and forecasting future cash flow requirements;
- utilizing lines of credit to fund temporary needs and selling or securitizing mortgage pools to meet longer term requirements;
- stress testing scenarios to determine the ability to withstand various unanticipated events; and
- contingency planning.

The Company's cash flows are most significantly impacted by its credit union corporate deposits. As such, its scenario testing focuses on increases in the redemptions of these deposits. The matching of the maturities of assets and liabilities is detailed in note 11.

Management monitors the Company's liquidity position daily and reports to the Board on a quarterly basis.

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Market risk

Market risk is the risk of loss that results from changes in interest rates, foreign exchange rates, equity prices and commodity prices. Market risk exposures are managed through policies, standards and limits established by the Board, which are formally reviewed and approved annually. This includes limits on the mismatch of foreign currency assets and liabilities and limits on the amount of equity investments permitted in the securities portfolio. The Company has no exposure to commodity prices.

The Company uses a variety of techniques to identify, measure and control market risk. Derivatives may be used only to offset clearly identified risks. The Company has developed standards regarding the use of derivative products.

Interest rate risk is the risk that a movement in interest rates will have on the financial condition of the Company. The Company's interest rate risk policies include limits on the allowable variation in forecasted financial margin due to interest rate changes. The Company manages and controls interest rate risk primarily by managing asset/liability maturities; however, off-balance sheet techniques such as interest rate risk contracts may be used to hedge against specific interest rate exposures.

The Company measures interest rate risk through a combination of financial position and income simulation analysis monthly. Financial position analysis measures the difference between the amount of assets and liabilities repricing in specific time periods. Income simulation models are used to measure interest rate exposure under various assumptions about interest rates, products, volumes and pricing. Sensitivity analysis of an interest rate increase or decrease of 100 basis points is disclosed in the table below.

Earnings at risk over the next 12 months as at December 31:

	2024 \$	2023 \$
100 basis point increase	1,390,086	338,428
100 basis point decrease	(529,945)	(338,428)

Management provides quarterly reports to the Board on interest rate risk. The Board has established limits on the Company's maximum exposure to interest rate risk and the Company's earnings at risk were within this limit.

6 Investments

Debt instruments are carried at FVOCI. For equity investments, the Company has also elected to measure the investments at FVOCI.

	2024		2023	
	Cost \$	Market value \$	Cost \$	Market value \$
Government debt	59,019,584	58,634,841	38,018,844	36,581,093
Co-operative equities	100	100	100	100
Corporate equities	50,000	268,650	50,000	251,500
	59,069,684	58,903,591	38,068,944	36,832,693

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7 Loans and mortgages

As at December 31, 2024, loans are presented net of ECLs. Loans are initially measured at fair value and are subsequently measured at amortized cost.

	Total loans \$	Allowance for credit losses \$	Net loans \$
2024			
Residential	451,565,940	1,097,528	450,468,412
Commercial	405,221,578	4,028,193	401,193,385
Commercial leases	617,733	18,302	599,431
Other	323,746	10,895	312,851
	<u>857,728,997</u>	<u>5,154,918</u>	<u>852,574,079</u>
2023			
Residential	431,734,065	772,787	430,961,278
Commercial	273,568,131	1,675,299	271,892,832
Commercial leases	1,894,670	858,062	1,036,608
Other	532,834	17,505	515,329
	<u>707,729,700</u>	<u>3,323,653</u>	<u>704,406,047</u>

The following table is a summary of loans and mortgages by ECL impairment stage. 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 credit loss that are considered impaired. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets.

	Performing		Impaired	
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
2024				
Residential	446,151,398	1,191,369	4,223,173	451,565,940
Commercial	391,398,857	-	13,822,721	405,221,578
Commercial leases	497,382	-	120,351	617,733
Other	322,611	865	270	323,746
	<u>838,370,248</u>	<u>1,192,234</u>	<u>18,166,515</u>	<u>857,728,997</u>
2023				
Residential	429,287,815	1,646,423	799,827	431,734,065
Commercial	273,568,131	-	-	273,568,131
Commercial leases	877,565	-	1,017,105	1,894,670
Other	531,831	611	392	532,834
	<u>704,265,342</u>	<u>1,647,034</u>	<u>1,817,324</u>	<u>707,729,700</u>

Loss allowance

The loss allowance recognized in the year is impacted by a variety of factors, such as:

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- transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent step up (or step down) between 12-month and lifetime ECL;
- additional allowances for new financial instruments recognized during the year, as well as releases for financial instruments derecognized in the year;
- impact on the measurement of ECL due to changes in PD, EAD and LGD in the year, arising from regular refreshing of inputs to models;
- impacts on the measurement of ECL due to changes made to models and assumptions;
- discount unwinding within ECL due to the passage of time, as ECL is measured on a present value basis; and
- financial assets derecognized during the year and the writeoffs of allowances related to assets that were written off during the year.

The following table presents the reconciliation of allowances for credit losses for each loan category according to ECL impairment stage:

	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Residential				
Balance as at December 31, 2023	744,289	5,237	23,261	772,787
Transfer to (from)				
Stage 1	(232,975)	2,953	230,022	-
Stage 2	3,760	(3,760)	74	74
Stage 3	(121)	-	-	(121)
Recoveries	-	-	-	-
Remeasurement	326,837	(1,476)	(573)	324,788
Balance as at December 31, 2024	841,790	2,954	252,784	1,097,528
Commercial				
Balance as at December 31, 2023	1,675,299	-	-	1,675,299
Transfer to (from)	-	-	-	-
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Gross writeoffs	-	-	-	-
Recoveries	-	-	-	-
Remeasurement ^(a)	15,469	-	2,337,425	2,352,894
Balance as at December 31, 2024	1,690,768	-	2,337,425	4,028,193
Commercial leases				
Balance as at December 31, 2023	11,057	-	847,004	858,061
Transfer to (from)	-	-	-	-
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Gross writeoffs	-	-	(828,104)	(828,104)
Recoveries	-	-	-	-
Remeasurement ^(a)	(4,790)	-	(6,865)	(11,655)
Balance as at December 31, 2024	6,267	-	12,035	18,302

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	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Other				
Balance as at December 31, 2023	16,834	301	370	17,505
Transfer to (from)	-	-	-	-
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Gross writeoffs	-	-	-	-
Recoveries	-	-	-	-
Remeasurement ^(a)	(6,619)	125	(115)	(6,609)
Balance as at December 31, 2024	10,215	426	255	10,896
Total allowance as at December 31, 2024	2,549,040	3,380	2,602,499	5,154,919
Residential				
Balance as at December 31, 2022	553,339	3,866	4,779	561,984
Transfer to (from)	-	-	-	-
Stage 1	(26,433)	4,436	21,998	1
Stage 2	2,954	(2,954)	-	-
Recoveries	-	-	-	-
Remeasurement	214,429	(111)	(3,516)	210,802
Balance as at December 31, 2023	744,289	5,237	23,261	772,787
Commercial				
Balance as at December 31, 2022	1,344,445	-	-	1,344,445
Transfer to (from)	-	-	-	-
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Gross writeoffs	-	-	(23,121)	(23,121)
Recoveries	-	-	2,700	2,700
Remeasurement ^(a)	330,854	-	20,421	351,275
Balance as at December 31, 2023	1,675,299	-	-	1,675,299
Commercial leases				
Balance as at December 31, 2022	21,797	-	384,485	406,282
Transfer to (from)	-	-	-	-
Stage 1	(14,411)	-	14,411	-
Stage 2	-	-	-	-
Gross writeoffs	-	-	-	-
Recoveries	-	-	-	-
Remeasurement ^(a)	3,672	-	448,108	451,780
Balance as at December 31, 2023	11,058	-	847,004	858,062
Other				
Balance as at December 31, 2022	29,949	781	1,389	32,119
Transfer to (from)	-	-	-	-
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Gross writeoffs	(6,985)	(186)	(278)	(7,449)
Recoveries	7,437	198	296	7,931
Remeasurement ^(a)	(13,567)	(493)	(1,037)	(15,097)
Balance as at December 31, 2023	16,834	300	370	17,504

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	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Total allowance as at December 31, 2023	2,447,480	5,537	870,635	3,323,652

(a) Remeasurement includes changes in the allowance related to purchases and originations, derecognition and maturities, partial repayments and additional draws on existing facilities and changes in estimates relating to the costs and the value of collateral reflected in the realizable value of a loan.

The Company closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Company will take possession of collateral to mitigate potential credit losses.

Financial assets that are credit-impaired as at December 31 and the related collateral held are shown below:

	2024		
	Balance	Collateral value	Allowance
	\$	\$	\$
Residential	4,223,173	3,970,390	252,784
Commercial	13,822,721	11,485,296	2,337,425
Commercial leases	120,351	108,315	12,035
Other	270	-	255
	18,166,515	15,564,001	2,602,498
	2023		
	Balance	Collateral value	Allowance
	\$	\$	\$
Residential	799,827	896,000	23,261
Commercial leases	1,017,105	162,000	847,004
Other	392	-	370
	1,817,324	1,058,000	870,635

Commercial leases

The carrying value of finance leases of certain commercial equipment where the Company is the lessor includes the following:

	2024	2023
	\$	\$
Minimum lease payments receivable:		
Not later than one year	222,679	1,109,057
Between one and five years	412,185	860,256
	634,864	1,969,313
Unearned finance income	(17,131)	(74,643)

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Gross commercial leases receivable	617,733	1,894,670
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The average weighted term to maturity of the commercial leases is 19 months. The average weighted interest rate on the current receivable is 3.76%.

8 Mortgage-backed securities

Balances relating to MBS under the NHA MBS program are as follows:

a) Transferred assets that do not qualify for derecognition

The Company securitizes insured residential mortgage loans by participating in the NHA MBS and CMB programs. Through the programs, the Company issues securities backed by residential mortgage loans that are insured against the borrowers' default. Once the mortgage loans are securitized, the Company assigns the underlying mortgages and/or related securities to the CMHC. As an issuer of MBS, the Company is responsible for advancing all scheduled principal and interest payments to CMHC, irrespective of whether the amounts have been collected on the underlying transferred mortgages.

In these securitizations, the Company retains certain prepayment risk, timely payment guarantee risk and interest rate risk related to the transferred mortgages. Due to retention of these risks, the transferred mortgages are not derecognized and the securitization proceeds are accounted for as secured borrowings. There are generally no ECLs on the securitized mortgage assets, as the mortgages benefit from credit insurance. Further, the investors and CMHC have no recourse to other assets of the Company in the event of failure of mortgages to pay when due.

The following are the Company's net positions on its securitized assets and liabilities that have not been derecognized:

	2024			2023		
Carrying value	Market MBS \$	CMB \$	Total \$	Market MBS \$	CMB \$	Total \$
NHA MBS assets	195,423,926	17,569,350	212,993,276	191,678,829	25,029,906	216,708,735
Associated liabilities	192,932,757	17,562,888	210,495,645	187,493,488	25,005,711	212,499,199

NHA MBS assets are recognized on the balance sheet and are included as part of loans and mortgages.

b) Transferred assets that have been derecognized

In addition to the MBS above, certain mortgages were sold into the CMB program or other third parties and derecognized. Balances relating to these transferred assets are as follows:

	2024 \$	2023 \$
Mortgages sold	126,761,596	346,384,467
Gain on sales	2,915,231	1,567,562
Outstanding balance of mortgages sold and derecognized	3,093,729,653	3,164,137,216
Related balances as at December 31		
Retained interests	78,748,597	101,272,358
Servicing liabilities	23,864,464	30,334,652

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9 Deposits

	2024 \$	2023 \$
Registered	5,483,598	5,788,957
Other demand	6,563,401	4,232,976
Total demand deposits	12,046,999	10,021,933
Registered	131,781,872	141,638,693
Other term	545,854,947	380,919,042
Total term deposits	677,636,819	522,557,735
	689,683,818	532,579,668

10 Capital stock

Authorized capital stock is unlimited. The amounts outstanding are as follows:

	2024		2023	
	Shares #	Amount \$	Shares #	Amount \$
Common shares				
No par value, voting	41,857,854	41,857,854	37,857,854	37,857,854

In 2024, the Company issued 4,000,000 (2023 – nil) in common shares for cash.

11 Financial instruments

a) Interest rate risk

The Company earns and pays interest on certain assets and liabilities. To the extent that the assets, liabilities and financial instruments mature or reprice at different points in time, the Company is exposed to interest rate risk. The table below summarizes carrying amounts of balance sheet items by the earlier of the contractual repricing or maturity dates. Non-interest sensitive items are those that have no maturity date and do not pay or receive interest.

An estimate of prepayments has been determined by Management and includes the estimated principal portion of regular mortgage payments and full payouts of mortgage loans during their term based on historical trends for these types of payments.

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(Reported in \$000's)	Within 3 months \$	3 months to 1 year \$	1 year to 5 years \$	Over 5 years \$	Non-interest sensitive \$	Total \$	Average rate %
2024							
Assets							
Cash and investments	-	40,092	14,262	4,665	24,917	83,936	2.21
Loans and mortgages	74,254	244,062	534,536	4,709	(4,987)	852,574	5.18
Other assets	-	-	-	-	92,277	92,277	
	74,254	284,154	548,798	9,374	112,207	1,028,787	
Liabilities and equity							
Deposits							
Fixed	78,469	356,324	242,844	-	-	677,637	4.41
Variable	12,047	-	-	-	-	12,047	2.65
Mortgage-backed securities	3,934	46,449	162,610	-	(2,498)	210,495	2.99
Other liabilities	-	-	-	-	49,666	49,666	
Equity	-	-	-	-	78,942	78,942	
	94,450	402,773	405,454	-	126,110	1,028,787	
Subtotal	(20,196)	(118,619)	143,344	9,374	(13,903)	-	
Interest rate swaps	-	20,000	(20,000)	-	-	-	
Prepayment estimate	20,222	60,664	(80,180)	(706)	-	-	
Excess (deficiency)	26	(37,955)	43,164	8,668	(13,903)	-	
2023							
Assets							
Cash and investments	-	14,645	18,690	4,684	4,456	42,475	2.53
Loans and mortgages	65,603	161,502	479,283	1,342	(3,324)	704,406	4.90
Other assets	-	-	-	-	120,659	120,659	
	65,603	176,147	497,973	6,026	121,791	867,540	
Liabilities and equity							
Deposits							
Fixed	67,623	261,750	193,185	-	-	522,558	4.66
Variable	10,022	-	-	-	-	10,022	1.83
Mortgage-backed securities	2,974	22,501	191,234	-	(4,210)	212,499	2.74
Other liabilities	-	-	-	-	48,399	48,399	
Equity	-	-	-	-	74,062	74,062	
	80,619	284,251	384,419	-	118,251	867,540	
Subtotal	(15,016)	(108,104)	113,554	6,026	3,540	-	
Interest rate swaps	-	20,000	(20,000)	-	-	-	
Prepayment estimate	18,023	54,070	(71,892)	(201)	-	-	
Excess (deficiency)	3,007	(34,034)	21,662	5,825	3,540	-	

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b) Interest rate swap agreements

The Company may enter into interest rate swap agreements as a component of its overall risk management strategy. These agreements are contractual arrangements between two parties to exchange a series of cash flows. In an interest rate swap agreement, counterparties generally exchange fixed and floating rate interest payments based on a notional value. Typically, the floating rate is reset periodically, and the net interest amount is exchanged between counterparties at scheduled dates. The Company uses interest rate swaps to manage its exposure to interest rate risk arising from its fixed term mortgage assets and funding liabilities.

The primary risks associated with these contracts are the exposure to movements in interest rates and the ability of the counterparties to meet the terms of the contract. Interest rate swap agreements are used to manage interest rate risk by modifying the repricing or maturities of assets and liabilities. Interest rate swap agreements are considered financial derivatives and are recorded at fair value. Income and expenses on interest rate swap agreements are recognized over the life of the contract as an adjustment to interest expense. Accrued expenses are recorded in accrued interest payable.

Rates represent the weighted average interest rates the Company is contractually committed to pay/receive until the swap matures. The floating side of all swaps are based on the three-month Canadian Overnight Repo Rate Average (CORRA). Market value represents the mark-to-market value of outstanding contracts – generally, the net amount that would be payable or receivable on the reporting date based on the floating rate at current market rates.

Income and expenses on interest rate swap agreements are recognized over the life of the contract as an adjustment to interest expense. Accrued expenses are recorded in accrued interest payable. Mark-to-market gains (losses) on swaps are recorded in other assets (accounts payable and accrued liabilities), while the change in market value is recorded in financial expense.

The following interest rate swap contracts were outstanding and recorded in accounts payable and accrued liabilities as at December 31, 2024 and December 31, 2023.

	2024			2023		
	Notional value \$	Rate %	Market value \$	Notional value \$	Rate %	Market value \$
Pay fixed swaps:						
Terms to maturity						
Within 1 year	-	-	-	-	-	-
1 year to 5 years	20,000,000	4.7800	(754,442)	20,000,000	4.780	(657,994)
	20,000,000	4.7800	(754,442)	20,000,000	4.780	(657,994)

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	2024			2023		
	Notional value \$	Rate %	Market value \$	Notional value \$	Rate %	Market value \$
Receive fixed swaps:						
Terms to maturity						
Within 1 year	20,000,000	4.5700	111,225	20,000,000	5.201	84,095
1 year to 5 years	-	-	-	-	-	-
	20,000,000	4.5700	111,225	20,000,000	5.201	84,095

The loss on the revaluation of these interest rate swaps of \$60,248 (2023 – \$573,900) is recorded in financial expense.

The Company also uses bond forward agreements to manage the interest rate risk on certain mortgages. Mark-to-market gains (losses) on bond forwards are recorded in securitization gains.

The following bond forward contracts were outstanding and recorded in accounts payable and accrued liabilities as at December 31, 2024 and other assets as at December 31, 2023.

	2024			2023		
	Notional value \$	Forward price %	Market value \$	Notional value \$	Forward price %	Market value \$
Bond forward:						
Terms to maturity						
Within 1 year	10,240,000	93.705	(9,232)	1,000,000	100.500	(57,448)
1 year to 5 years	-	-	-	-	-	-
	10,240,000	93.705	(9,232)	1,000,000	100.500	(57,448)

c) Index linked deposits

The Company offers index linked term deposits, which are non-redeemable three and five-year term deposits that pay, on maturity, a return to the depositor linked to the performance of a market index. The interest paid to the depositor at maturity is based on the growth in the index over the term of the deposits.

To offset the risk of this variable interest rate, the Company enters into agreements, whereby the Company pays a fixed rate of interest for the term of each index linked deposit based on the face value of the deposits sold. At the end of the term, the Company receives an amount equal to the amount that will be paid to the depositors. As at December 31, 2024, the balance of outstanding index linked deposits was \$3,677,420 (2023 – \$6,176,616) (note 9).

d) Fair value

The following table presents the fair value of the financial instruments of the Company based on the valuation methods and assumptions set out below. Fair value represents the amount at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions, and is measured using the

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assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Fair value is best evidenced by a quoted market price, if one exists. Quoted market prices are not available for a significant portion of the Company's financial instruments.

The fair values disclosed exclude the values of assets and liabilities that are not considered financial instruments, such as prepaid expenses and balances that are statutory in nature. In addition, items like the value of intangible assets such as customer relationships, which, in Management's opinion, add significant value to the Company, are not included in the disclosures below.

A three-tier hierarchy is used as a framework for disclosing fair values based on inputs used to value the Company's financial instruments recorded at fair value. Valuation methods used in this framework are categorized under the following fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical financial instruments;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data. This level includes equity investments and debt instruments with significant unobservable components.

The Company's policy is to recognize transfers into and out of the fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. During the year ended December 31, 2024, the Company had no transfers between fair value hierarchy levels.

For investments, corporate equities are valued using quoted market prices (Level 1) and government and corporate debt instruments are valued using market prices provided by third-party brokers (Level 2). Co-operative equities that don't have a quoted price in an active market are valued based on recent transactions. The ownership of co-operative equities is typically restricted to credit unions and other credit union system partners, and is usually a condition of membership or necessary for access to the services provided by a system partner. As a result, transactions in these investments are restricted and typically occur at par value, which is the best estimate of fair value.

Given the nature of most investments in co-operative equities, specifically the fact that investments are typically not made for the purpose of financial gain (i.e. to earn investment income), the application of valuation techniques to determine fair value are typically not in use. In limited cases where such valuation techniques have been utilized, that information is used in determining the fair value of the co-operative investment. The Company continues to monitor these investments for any indication that a new measure of fair value is available.

For variable rate loans and deposits, the carrying value is also considered to be a reasonable estimate of fair value. For fixed rate loans and mortgages, co-operative deposit investments, deposits and MBS, the fair value is calculated using a discounted cash flow model, based on current interest rates and the term to maturity of the instrument (Level 2). The discount rates applied were based on the current market rate offered for the average remaining term to maturity.

The following table summarizes the fair value measurements recognized in the balance sheet by class of asset or liability and categorized by level according to the significance of the inputs used in making the measurements.

The carrying value of cash and cash equivalents, accrued interest on assets and liabilities and borrowings approximates their fair value as they are short-term in nature or are receivable on demand.

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The determination of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

	Level 1 \$	Level 2 \$	Level 3 \$	Total fair value \$	Total carrying value \$
2024					
Assets					
Investments	268,650	58,634,841	100	58,903,591	58,903,591
Loans and mortgages	-	856,187,476	-	856,187,476	852,574,079
Liabilities					
Deposits	-	699,026,446	-	699,026,446	689,683,818
Mortgage-backed securities	-	208,002,785	-	208,002,785	210,495,645
2023					
Assets					
Investments	251,500	36,581,093	100	36,832,693	36,832,693
Loans and mortgages	-	691,181,577	-	691,181,577	704,406,047
Liabilities					
Deposits	-	531,648,758	-	531,648,758	532,579,668
Mortgage-backed securities	-	201,885,995	-	201,885,995	212,499,199

12 Related party transactions

a) Parent

The Company has a contract with its parent, Atlantic Central (Central or the Parent), for the receipt of executive and management services, all staffing and operational support services, and information technology and related services. This Management Outsourcing Agreement (MOA) became effective on January 1, 2013. On that date, the employees of the Company became employees of Central, with salaries and staff-related expenses paid by the Parent and allocated to the Company through a management fee.

The companies also transact other business in the ordinary course of operations. The following transactions and balances are measured at the exchange amount:

	2024 \$	2023 \$
Expenses and fees related to the management contract	4,563,100	4,239,900
Interest expense	3,100,161	1,798,736
Interest income	457,534	319,631
Rental and other expenses	26,242	125,338
Deposits at Central	22,316,170	1,847,161
Deposits from Central	52,908,858	54,577,415
Amounts payable to Central	684,858	1,096,443
Balances relating to mortgages sold		
Interest, net of administration fees	18,774	22,698
Mortgages under administration	589,286	880,388
Monthly remittances payable	7,493	14,820

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b) Associates

In the ordinary course of business, the Company transacts business with League Data Limited, a related company by virtue of common ownership. The following transactions and balances are measured at the exchange amount:

	2024 \$	2023 \$
Services and equipment purchases from League Data Limited	190,370	166,074
Accounts payable to League Data Limited	14,341	896,697

c) Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, and include members of the Board, the President and CEO and other senior officers of the Company. The compensation paid to key management (other than the Board) is paid by the Parent, with a portion of the costs being allocated to the Company through the management fee. Under the MOA, all management services are provided by the Parent. Compensation to members of the Board is limited to an annual honorarium.

The President and CEO, and each of the five other senior officers of the Company, earned variable compensation during the year. The Company's Total Compensation Program does not include guaranteed bonuses or deferred compensation payments. Variable compensation is earned during the year and paid in cash in the following year. Directors do not participate in any variable compensation programs.

The components of total compensation received by key management personnel (including amounts paid by the Parent)^(a) and balances due to/from key management personnel are as follows:

	2024 \$	2023 \$
Short-term employee benefits	1,583,232	1,228,673
Contributions to group savings for retirement program	107,179	92,240
Variable compensation	299,045	222,088
Mortgage balances due from key management	68,770	73,881
Deposit balances due to key management	196,112	187,684

(a) The compensation reported is the total amount received by key management personnel, including both amounts allocated to the Parent and amounts allocated to the Company through the management agreement.

Short-term employee benefits include salaries, director remuneration and other benefits. The mortgage and deposit transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

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Payments to Directors are as follows:

	2024 \$	2023 \$
Remuneration	120,085	117,333
Payments for reimbursement of expenses	50,241	62,608

13 Commitments and contractual obligations

a) Management fees

The Company has contracted with Central for the provision of services under an MOA. This agreement was effective January 1, 2013, has a term of five years and renews automatically for successive five-year terms unless notice to terminate is provided by either party at least six months prior to the termination of the agreement (or any renewal thereof).

The fee for the services provided under the MOA is determined annually by mutual agreement between the Company and Central, based on the scope of services provided and market terms and conditions for such services.

b) Approved loans and mortgages

As at December 31, 2024, the Company had approved mortgages in the amount of \$414,666,186 (2023 – \$249,884,395), which have not been advanced.

14 Income taxes

The components of tax expense are as follows:

	2024 \$	2023 \$
Income before income taxes	2,290,886	1,824,737
Statutory income tax rate	29.00%	29.00%
Expected income tax	664,357	529,174
Effect on income tax of		
Non-taxable dividends	(3,121)	(4,082)
Permanent tax differences	3,920	3,808
Capital and large corporate tax	1,499,041	1,326,243
Other	(14,617)	3,873
Total income tax expense	2,149,580	1,859,016

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The provision for income taxes differs from the result that would be obtained by applying the combined Canadian federal and provincial statutory income tax rates to income before income taxes. This difference results from the following:

	2024 \$	2023 \$
Current tax expense		
Federal and provincial	119,039	154,246
Capital and large corporate tax	2,111,326	1,867,948
	2,230,365	2,022,194
Deferred tax expense		
Origination and reversal of deductible temporary differences	(80,785)	(163,178)
	2,149,580	1,859,016

The components of the future income tax asset are as follows:

	Balance		Recognized in		Balance		Recognized in		Balance
	2022		Net income (loss)		2023		Net income (loss)		2024
	\$		\$	OCI	\$		\$	OCI	\$
Deferred tax assets									
Property and equipment	19,398		(859)	-	18,539		(810)	-	17,729
Allowance for impaired loans	578,995		163,793	-	742,788		81,593	-	824,381
Losses carried forward	-		-	-	-		-	-	-
Other	-		244	-	244		1	-	245
	598,393		163,178	-	761,571		80,784	-	842,355

15 Capital requirements

The Company manages its capital under guidelines established by the OSFI, which require the Company to maintain capital ratios that are adequate in relation to its levels of business activity. OSFI has issued its guidelines based on standards issued by the Bank for International Settlements, Basel Committee of Banking Supervisors (BCBS). OSFI has adopted capital guidelines based on the standards known as Basel II, which became effective for the Company in 2008. Pillar 1 of the Basel II framework defines minimum capital requirements, while Pillar 2 addresses standards for the management of capital requirements.

Capital requirements are determined based on exposures to credit risk, operational risk, and – for entities with significant trading activity – market risk. The standards provide different methodologies for the calculation of risk exposures based on a company's relative size and sophistication. The Company has implemented the Standardized Approach for credit risk and the Basic Indicator Approach for operational risk. The Company is not subject to the requirements for market risk.

OSFI's Basel III capital requirements include rules to implement the BCBS guidance on non-viability contingent capital (NVCC). The NVCC rules require that all capital instruments include loss absorption features.

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As of January 2019, under the BCBS rules, the Company is required to meet minimum requirements of: Common Equity Tier 1 (CET1) ratio of 4.5% plus a capital conservation buffer of 2.5%, collectively 7%. Including the capital conservation buffer, the minimum Tier 1 ratio is 8.5%, and the Total Capital ratio is 10.5%.

As of 2023, OSFI requires Canadian deposit-taking institutions to fully implement the 2023 Basel III reforms.

Capital ratios are monitored regularly and reported to the Board quarterly. The Capital Management Plan, which forecasts capital requirements and includes contingency plans in the event of unanticipated changes, is reviewed by the Board annually.

Details of the Company's regulatory capital as at December 31 were as follows:

	2024	2023
	\$	\$
Risk-weighted assets for		
Credit risk	393,869,147	395,760,703
Operational risk	26,000,000	26,625,000
Total	<u>419,869,147</u>	<u>422,385,703</u>
Capital elements		
Common shares	41,857,854	37,857,854
Contributed surplus	1,785,887	1,785,887
Accumulated OCI	(207,902)	(946,313)
Retained earnings	<u>35,506,126</u>	<u>35,364,821</u>
CET1	<u>78,941,965</u>	<u>74,062,249</u>
Total Tier 1 capital	<u>78,941,965</u>	<u>74,062,249</u>
Stage 1 and Stage 2 allowance	<u>2,552,420</u>	<u>2,453,017</u>
Total Tier 2 capital	<u>2,552,420</u>	<u>2,453,017</u>
Total regulatory capital	<u>81,494,385</u>	<u>76,515,266</u>
	%	%
Ratios		
CET1	18.8	17.5
Total Tier 1	18.8	17.5
Total capital	19.4	18.0
Leverage ratio	6.9	8.2
OSFI targets		
CET1	7.0	7.0
Total Tier 1	8.5	8.5
Total capital	10.5	10.5
Leverage ratio	4.5	4.0

The Company's capital ratios have been in compliance with the regulatory requirements throughout the year.

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16 Credit facilities

The Company has established an unsecured operating line of credit with Central, bearing interest at prime, up to an amount of \$20,000,000. As at December 31, 2024 and 2023, there were no amounts outstanding on this facility.

The Company has a line of credit agreement with Equitable Bank, bearing interest at Concentra (Equitable Bank) Prime rate minus 90 basis points (0.90%), up to an amount of \$25,000,000. The facility is secured by a charge over insured residential mortgages covering 110% of the loan facility. As at December 31, 2024 and 2023, there were no amounts outstanding on this facility.

In the ordinary course of business, assets are deposited as security for contract settlements with derivative exchanges or other derivative counterparties, for transactions conducted under terms that are common and customary to standard derivative activities. As at December 31, 2024 there was a deposit of \$595,000 (2023 – \$380,000) pledged as collateral in relation to derivative transactions.

17 Assets under administration

a) Mortgages under administration

Assets under administration include mortgages under administration, which are not the property of the Company and are not reflected in the balance sheet.

b) Syndicated loans

The Company provides a loan syndication program for credit unions. These loans, which are under the Company's administration, are not the property of the Company and are not reflected on the balance sheet. Although most of the loan syndications are purchased by credit unions, the Company can be a participant if a loan is not fully subscribed to by credit unions.

As at December 31, the Company had assets under administration as follows:

	2024 \$	2023 \$
Mortgages under administration	50,540,182	57,046,524
Syndicated loans	74,461,232	39,579,963

18 Non-interest income (expense)

Non-interest income (expense) includes the following:

	2024 \$	2023 \$
Securitization expenses	(484,907)	(583,870)
Other lending service fees	238,345	232,671
Lending service expenses	(1,000,341)	(987,364)
Investment service fees	64,189	58,588
Investment service expenses	(512,198)	(203,244)
Other	77,493	54,267
	<u>(1,617,419)</u>	<u>(1,428,952)</u>

The expenses detailed above include direct expenses only. Salary and staff-related costs and other indirect costs required to provide these services are reported in operating expenses.

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19 Other assets and accounts payable and accrued liabilities

Other assets include the following:

	2024	2023
	\$	\$
Loan payments receivable	3,542,605	9,287,785
Prepaid Honeybee Mission expenses	2,599,873	2,599,873
Prepaid mortgage and deposit expenses	2,093,998	2,325,127
Prepaid MBS and CMB fees	554,466	603,121
Other	457,576	1,447,962
	<u>9,248,518</u>	<u>16,263,868</u>

Accounts payable and accrued liabilities include the following:

	2024	2023
	\$	\$
Loan remittances payable	6,015,260	4,304,786
Deferred commitment fees	1,831,620	895,175
Swap valuation liability	634,148	573,900
Accrued expenses	419,531	1,076,418
Other	517,028	240,330
	<u>9,417,587</u>	<u>7,090,609</u>



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