Meridian Annual Report 2022

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Message from the Board Chair

The pandemic continues to impact Members and Meridian and change many aspects of our way of life. While 2022 brought some welcome easing of COVID-19 restrictions, new issues are causing additional social and economic disruption - from concerns over a recession and rising inflation to the ongoing conflict in Europe, disruption in trade and rising food and energy prices, escalating interest rates which are exacerbating an affordable housing crisis, and a market correction. From an environmental perspective, while we continued to experience an escalation of extreme weather events, 2022 was also a year of *unprecedented focus* on the climate with more countries and businesses committing to achieving net zero emissions by 2050. Meridian was one of them.

Our new CEO, Jay-Ann Gilfoy, stepped into her role in January amid these intense headwinds with a strong conviction that as a financial co-operative, Meridian can help our Members and their communities weather the storm while investing in a sustainable future.

Meridian's purpose is *to help our Members achieve their best life*. This means helping Members and customers build their financial resilience, so they feel more confident about their long-term goals, while supporting strong, economically resilient communities.

I am very proud of the work undertaken during 2022 by the Board and Management to develop Meridian's new enterprise strategy. "Meridian for Good" aims to bring our purpose to life and to guide all our efforts for our Members and the communities we serve.

As I wrote to you in my letter last year, the Board and Management committed to highlight Environment, Social and Governance ("ESG") as one of our strategic priorities. I'm pleased to report we made tremendous progress and have integrated ESG into our long-term strategy. Co-operatives are about people coming together to improve their communities and create a better world. Meridian's new strategy aims to ensure we're truly serving all members of society while also addressing and helping solve a broad spectrum of social and environmental issues including affordable housing, climate change, economic inclusion, Indigenous Reconciliation, and the transition to a carbon neutral economy.

I encourage you to read our inaugural ESG Report that introduces Meridian's ESG Commitment and Climate Commitment. This report serves as a baseline outlining our efforts to date and demonstrating how we will track our own financed emissions over the years to come.

Message from the Board Chair (continued)

Your Board also integrated ESG into Meridian's corporate governance with the development of a framework on the Board's oversight of ESG. Director education continues to be enhanced and several Board members have undertaken or completed an ESG certification program. You can read more about our governance work on your behalf in the Annual Report.

We understand the considerable trust that our members place in Meridian and the Board's oversight of risk management continues to be a priority in order to meet our Members' and regulator's expectations.

On behalf of the Board, I thank our Members for their continued confidence in Meridian. I also thank Jay-Ann, the leadership team and all employees for their passion and dedication to deliver on our purpose and our vision to be your inclusive, transparent, and people-focused financial partner.

K Farbridge

Karen Farbridge
Chair, Board of Directors

Message from the President & CEO

In my letter to you last year, I had been in the role of CEO for a matter of months. I was thrilled to be joining such a purpose-driven organization and I'm just as enthusiastic today. As I reflect on the past year, I'm extremely proud of our strong financial performance despite the persistent turbulence in the markets we serve. I'm emboldened by our great progress on Environmental, Social and Governance ("ESG") and how we're increasing our focus on equity-deserving groups including Indigenous, Black, 2SLGBTQIA+, Women and newcomers to Canada. And I'm particularly inspired by the strong alignment of the executive team and Board as we work together towards our common Purpose.

OUR 2022 ACCOMPLISHMENTS

We had many notable accomplishments over the past year, and I'm pleased to share just some of them below:

Financial

In 2022, Meridian continued to generate strong results with asset growth of 8%, earnings of $183MM and a Return on Equity for our Members of 12.3%. Meridian's solid asset growth principally from Business Banking and OneCap was largely organically funded through robust deposits raised in the Retail Business. These and other key financial strengths provide a solid base for investment in our Members, community and employees into the future, as well as ensuring we are sound and meeting regulatory requirements.

People

Members

We're continuously enhancing our Member experience and paying particular attention to areas that Members have identified through Listening Sessions, appreciation events and surveys. They've told us price and great products are important; fast response time and saying "yes" to complex situations are top of mind for them. We're also helping Members by providing more financial plans as part of their personalized experience with us. Wealth Management delivered more than 2,600 plans to Members in 2022, an increase of 113% - which is particularly important for our Members to have especially in turbulent times. We're investing in technology to keep Members and their data safe, such as our launch of two-factor authentication as protection from the ever-increasing threat of cyber attack and fraud. And we're moving forward on the work around open banking, which will be important to the future of banking.

Message from the President & CEO (continued)

Employees

During this year of transition, we modified our executive leadership roles to better deliver on our purpose with clearer accountabilities, faster decision-making, better communications, less duplication of efforts and improved access to technology. I continued to engage with our employees through the Voice of the Employee program and various employee events and touch points including our Top Down events for all leaders, branch tours, Frontline Forum for all employees, and our fall Strategic Retreat where our senior leaders spent time connecting deeply to our purpose. Invariably, these events were met with high engagement, attendance and increasing social impressions. Last year was foundational during which we continued to build our Employee Resource Groups, and awareness around Truth and Reconciliation as well as other important topics to help us be an organization where equity and belonging happens. Our employee engagement is high, but we know we can always do more, and we will continue our momentum in 2023.

Planet

We're very proud that Environment, Social and Governance ("ESG") has been part of Meridian's DNA for years. We take our environmental stewardship and climate commitment seriously and we recognize the clear connection between how the finance industry operates and the health of our local communities. This Spring, we launched our inaugural ESG report that formalizes much of what we've been doing as an organization for a long time. We're enhancing our efforts and doing more to measure our progress and success. This report is a first step in recognizing our obligations to our stakeholders and the greater community, and the impact we have on the world around us. We're doing more to ensure we integrate ESG considerations into our decision-making processes now and for the future.

Our ESG at Meridian framework is as follows:

- **E:** We work to minimize the environmental impact of our operations, products and services.
- **S:** We play an active role in the community and treat our employees, Members and suppliers fairly, equitably and with respect.
- **G:** We consider long-term environmental and social impacts when making decisions and policies.

I encourage you to visit Meridiancu.ca to read our Report and learn more about our ESG commitments.

Communities

This past year, we invested more to embed equity and climate change into our business model inside and out to make our communities stronger and more resilient. We've done more than financial donations, our employees participated in events, volunteerism and supported initiatives around the 2SLGBTQIA+ community, mental health and Indigenous communities. We offered creative financing for groups like Habitat for Humanity, Métis Nation, and we're partnering with not for profits like Canadian Mental Health Association on Kits for Cause to help these organizations do more of the great work they're already doing for the community.

Message from the President & CEO (continued)

Looking ahead – Meridian for Good

Over the course of 2022, we engaged with our key stakeholders to undertake a strategic review that was data driven, inspirational and practical. We are very excited to reveal the result – our new Strategy - **Meridian for Good**. Meridian for Good drives our purpose *"Helping you achieve your best life"* which is the foundation of everything we do. It guides our decisions and supports our vision *"to be recognized as an inclusive, transparent, and people-focused financial partner"*. We're refining our focus on "good" more boldly and ensuring it's linked throughout our organization. We've identified four strategic areas where we're seeking ways to invest for "good" and continually improve our products, services and experiences, **in ways that matter most to our Members, customers, employees and communities**. This includes greater integration across our organization so Members and customers engage in a "one Meridian" experience across all our channels. We're investing more in digital - making it easier for Members to do business with us, and we're simplifying products and processes. And importantly, we're holding ourselves accountable with specific success measures that ensure we're financially strong, staying true to our Purpose for the good of our Members, customers, communities and our employees.

Thank you

I'm immensely proud of everything we accomplished in 2022. I want to thank Karen Farbridge, Chair of the Board, and the Board of Directors for their support and counsel. I want to thank our Members and customers for the trust they have placed in Meridian. And finally, thank you to our team members who come to work everyday committed to demonstrating that Meridian is a financial institution that cares deeply about people, the planet and community.

Jay-Ann Gilfoy
President & CEO

Corporate Governance Report

APPROACH TO GOVERNANCE AT MERIDIAN

As a co-operative financial institution, Meridian is member-owned and takes a long-term view of business decisions. Meridian's purpose is to help Members achieve their best life.

Meridian's Board of Directors ("Meridian's Board") is comprised of 12 members. The Board is committed to the highest standards of Corporate Governance as evident in our stewardship to Members, employees, communities and stakeholders. Meridian's Board believes this is essential for continued success and enduring trust from Meridian's Members.

Meridian's Board has implemented the following corporate governance principles, which provide the foundation for fulfilling Meridian's legal and fiduciary obligations, and satisfying itself that Meridian is adhering to statutory and regulatory requirements at all times:

- Acting in the best interests of Meridian, its Membership and its stakeholders;
- Ensuring Meridian has a clear strategic direction that enables it to deliver on its purpose;
- Monitoring Meridian's financial performance, including annual budgets, capital plans and multi-year financial projections;
- Overseeing that Meridian has the resources, capability and culture to direct itself prudently on an enterprise-wide basis;
- Providing effective oversight of business operations and risk management, mainly through an effective enterprise-wide governance and risk management framework;
- Ensuring Meridian's values reflect our commitment to integrity, open communication, teamwork, continuous improvement and innovation;
- Educating Meridian's Members on the role of Meridian's Board and key corporate governance issues, including efforts to enable Members to effectively exercise their rights and obligations in respect of the director election process; and
- Assessing the Board's individual and collective effectiveness in fulfilling these responsibilities.

2022 BOARD INITIATIVES

Meridian's Board provides a high level of transparency in its activities. To that end, Meridian's Board provides Members with highlights of its initiatives during 2022.

The COVID-19 pandemic continued to impact the economy and the communities in which Meridian operates. As Meridian adapted to a new "normal", Meridian's Board transitioned to hybrid meetings and overseeing the shift to a hybrid workplace. The last year also saw new headwinds with rapidly rising interest rates, looming inflation, geopolitical risk, and tighter labour markets and supply chains. Meridian's Board adapted to the fluid environment by continuing its focus on risk management through enhanced reporting.

2022 was again an exceptional year for Meridian's Board, as it worked through onboarding a new CEO and two new board members, completing the development of a new three-year strategic plan, overseeing the development of a new Environmental, Social and Governance ("ESG") policy, increasing its focus on Diversity, Equity, Inclusivity, Belonging and Reconciliation ("DEIBR"), and continuing a comprehensive executive compensation program review.

2022 Board Initiatives (continued)

New CEO

Effective January 3, 2022, Jay-Ann Gilfoy joined the organization as Meridian and motusbank's new President and CEO. The Board Chair and Meridian's Human Resources Committee ("HRC") had oversight of the CEO onboarding and 100-day plan, followed by the development of 2022 goals.

New Strategy

In 2022, Meridian's Board engaged an external advisor and completed the development of Meridian's new long-term strategy to bring Meridian's purpose to life. In addition, the Board focused on risk management, financial planning, capital and liquidity management, ESG and DEIBR priorities, change management, and talent management. The Board also oversaw the development of a balanced scorecard.

New ESG Framework

In 2022, Meridian's Board achieved substantial progress in Meridian's ESG journey: first, by setting ESG priorities and integrating them in the development of the new strategy; second, by approving a new Board Policy on the Board's oversight of ESG; third, by approving Meridian's ESG Commitment and Climate Commitment; fourth, by overseeing Meridian's first assessment of greenhouse gas scope 1 and 2 emissions; and fifth, by overseeing the development of Meridian's inaugural ESG Report.

Executive Compensation and Employee Total Rewards Reviews

With the support of an executive compensation advisor, the HRC continued to lead a broad executive compensation program review to seek recommendations aligned to Meridian's total rewards philosophy of attracting, engaging and retaining top talent through pay for performance.

On the recommendation of the HRC, Meridian's Board approved a new Total Rewards Framework.

CORPORATE GOVERNANCE INITIATIVES

In 2022, Meridian's Board continued to enhance its corporate governance practices by implementing and continuing the following initiatives:

- Overseeing the implementation of the *Credit Unions and Caisses Populaires Act, 2020* (the "Act") and new Rules enacted by the Financial Services Regulatory Authority of Ontario ("FSRA");
- Approving a new Board Policy on Market Conduct and overseeing the implementation of Meridian's new Code of Market Conduct;
- Overseeing the development of Meridian's regulatory compliance framework;
- Enhancing financial reporting on Treasury operations;
- Enhancing its oversight of the integrity of internal controls and financial reporting;
- Strengthening Board oversight of data governance, innovation, technology and business transformation;
- Increasing the Board's focus on DEIBR by creating an inclusive board environment, and allocating more time to DEIBR discussions and education on Board and Committee meeting agendas;
- Maintaining strong oversight of subsidiary governance through enhanced reporting, including engaging an external consultant to review strategic opportunities for motusbank;
- Overseeing the development of a formal Board Chair succession framework;
- Engaging with a new external advisor to enhance the Board nomination process; and
- Introducing formal communications and updates by Management in between Board meetings.

EXCELLENCE IN GOVERNANCE AWARDS

Meridian is honoured to have been a recipient of Governance Professionals of Canada Excellence in Governance Awards ("EGA") in 2021, 2019 and 2018. These awards recognize the important contribution governance professionals make in terms of best practices that build and sustain shareholder and stakeholder value.

In 2021, 2019 and 2018, Meridian received an EGA for Board/Director Effectiveness, recognizing Meridian's best practices and innovations applied to ensure that Board and Committee composition, processes and time are actively managed to maximize their governance and strategic oversight functions. Judges cited Meridian's comprehensive approach and leading practices in board orientation and education, agenda development, individual requirements and board duties. In 2019, Meridian also received an EGA for Best Practices in Enterprise Risk Management, recognizing Meridian's best practices in managing and/or mitigating material risks, bringing them to the Board's attention, and assisting the Board to better understand and evaluate their impact on the organization.

Meridian's Vice President, Corporate Governance & Compliance, Brigitte Catellier, was the recipient of the 2022 Governance Professional of the Year Award, which recognized her efforts to ensure the Board's oversight of risk, culture, strategy and technology were effectively and strategically directed.

GOVERNING LEGISLATION AND REGULATION

Meridian operates within a comprehensive regulatory framework which is underpinned by provincial legislation, the *Credit Unions and Caisses Populaires Act, 2020* (the "Act"). Ontario credit unions are regulated by FSRA, which administers regulations under the Act, as well as Rules and Guidance. FSRA oversees both market conduct and prudential regulation of all credit unions, including compliance with solvency rules, and provides deposit insurance held in Ontario credit unions and caisses populaires up to prescribed limits.

On March 1, 2022, the Act came into force. The new legislation creates a modern, principles-based statutory framework for Ontario Credit Unions and provides FSRA with new rule-making powers. FSRA implemented the new legislative framework by developing rules for sound business and financial practices, capital and liquidity adequacy. These new rules came into force at the same time as the new Act.

On March 31, 2022, FSRA's new market conduct framework came into force. Ontario Credit Unions are required to adopt a market conduct code and report to their board on a self-assessment against the code by March 31, 2023.

Effective July 5, 2021, FSRA published its Recovery Planning Guidance (the "Guidance"). The purpose of recovery planning is to enhance the crisis preparedness and overall resiliency of individual credit unions and promote general safety, soundness and confidence in the credit union system overall. The Guidance details that the recovery plan must be fully integrated with Meridian's other key risk management policies, processes, risk appetite and frameworks. Meridian submitted its final recovery plan to FSRA in January 2023.

To promote responsible corporate governance through strength and stability, Meridian meets quarterly with FSRA representatives, provides regular reporting to FSRA and participates in periodic risk-based examinations.

Our subsidiary, motusbank, is subject to regulatory oversight from the federal government's Office of the Superintendent of Financial Institutions ("OSFI"), the Financial Consumer Agency of Canada ("FCAC"), and other federal regulatory bodies operating under the authority of the Bank Act. Meridian and motusbank maintain productive and collaborative relationships with these federal regulators.

BOARD MANDATE

Meridian's Board acts in the best interests of Meridian's Members and stakeholders, protects and enhances Meridian's assets, and is responsible for ensuring that Meridian has a clear strategic direction and strong culture. It is further responsible for overseeing Management to satisfy itself that Meridian's operations are managed in a sound and prudent manner, thereby assuring Members that all statutory and regulatory requirements are met. Every Director is responsible for exercising independent judgment with honesty and integrity.

In accordance with its mandate, Meridian's Board proactively contributes to the development of, and ultimately approves, the purpose and long-term vision of Meridian. This is an important responsibility of Meridian's Board, as it is the basis upon which the Meridian's strategy is developed and serves as our aspirational guidepost for the future.

During 2022, Meridian's Board and Committees updated their Mandates to address compliance with FSRA's new Sound Business and Financial Practices Rule, and to include the Board's oversight of compliance and market conduct.

BOARD COMPOSITION AND ELECTION

In accordance with Meridian's By-laws, the Board is composed of 12 Directors, all of whom are independent and represent a broad range of skills, experience and backgrounds. The process for the election of Directors is comprehensive. Each year Meridian's Board reviews the skills, knowledge and experience of the Board to determine whether any gaps exist in order to consider the future needs of the Board's composition. The Board's Nominating Committee seeks to fill any identified gaps as they solicit candidates for nomination from Meridian's Members. Prospective candidates are provided Meridian's Director Candidate Application Package detailing the desired skills and attributes for candidates; it is also made available on Meridian's website.

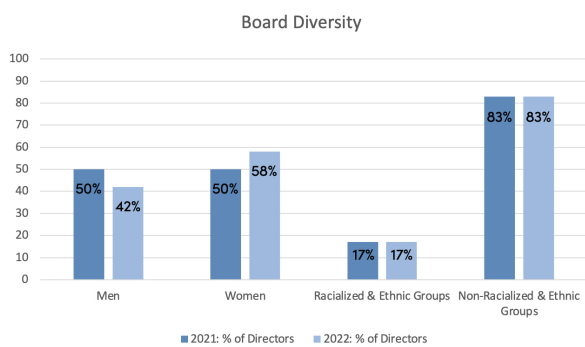
Meridian has a robust nomination process for the selection of Directors, under the oversight of the Board's Nominating Committee. Directors are generally elected for three-year terms. Should a Director wish to continue on the Board for another three-year term, they must complete an application. The Nominating Committee retains an external advisor to assist in evaluating each application and establishing a short list of the most suitable candidates to be interviewed by the Committee. Following the interviews, it is the Nominating Committee's responsibility to recommend to the Membership the best qualified candidates to complement Meridian's existing Board members, in accordance with the criteria established by Meridian's Board. Candidates not recommended by the Nominating Committee may ask to be placed on the ballot for election by the Membership.

Our Members can vote for the election of Directors by casting a ballot via the internet or at any of our branches. Meridian's Directors are elected for three-year terms.

BOARD DIVERSITY REPORT

Meridian's Board has adopted a Statement of Intent which states that Meridian recognizes and embraces the benefits of diversity, equity, inclusivity, belonging and reconciliation ("DEIBR") in Board members. We believe that a truly diverse Board includes and makes good use of differences in the skills, regional and industry experience, background, age, race, gender, identity, racial or ethnic identity, Indigenous status, abilities, sexual orientations, cultures, and other attributes of Directors. Meridian considers diversity of thought, experience and background equally important. The best qualified candidates will be recommended for election to Meridian's Board taking into account the broad diversity required to represent Ontario's population.

In 2022, 58% of the Board are women (2021 – 50%). The Board seeks to achieve and maintain diversity in membership of the Board, and will consider diversity in its nomination and selection process.



ORIENTATION AND CONTINUING EDUCATION

New Directors are offered a comprehensive onboarding orientation program to familiarize themselves with Meridian's business, corporate strategy, organizational structure, corporate governance policies, processes and business operations, including how Meridian's operations are affected by industry-specific regulations. The Governance Committee conducts a debriefing of the orientation session to capture enhancement opportunities for subsequent years. The Governance Committee continues to evaluate and enhance this program to satisfy the needs of new Directors to best understand the environment in which Meridian and its subsidiaries operate. Individual Committees have also established their own orientation programs to better educate new Committee members on their responsibilities.

Meridian's Board has an approved budget for ongoing Director training and development, including educational sessions, as well as industry-sponsored seminars and other conferences for individual Directors that are relevant to Meridian's business. Meridian's Board has a policy in place that sets an objective for the majority of Meridian's Directors to receive or have an external director accreditation designation.

Orientation and Continuing Education (continued)

The following table summarizes the professional designations and certifications held by Meridian's Directors:

ICD.D[1]	C.Dir[2]	NACD.DC[3]
4 2 in progress	4	1
CPA/FCPA[4]	**KC/LLM[5]**	**CHRE[6]**
3	2	1
CMC[7]	**CFA[8]**	**P.Eng[9]**
1	1	1

1. Institute of Corporate Directors, Director Designation
2. Directors College Chartered Director
3. National Association of Corporate Directors, Washington, DC, Directorship Certification
4. Chartered Professional Accountant / Fellow Chartered Professional Accountant
5. King's Counsel / Master of Laws
6. Certified Human Resources Executive
7. Certified Management Consultant
8. Chartered Financial Analyst
9. Professional Engineer

In 2022, the following Directors included an ESG certification in their individual development plan:

Competent Boards ESG Designation Program	Karen Farbridge Gail Harding
Competent Boards ESG Certificate Program	Bruce West
Berkeley Law: ESG – Navigating the Board's Role	Suanne Nielsen
Osgoode Hall Law: Certificate in ESG, Climate Risk & the Law	Larry Doran
NACD Climate Continuous Learning	Hari Panday
ICD: Board Oversight of Climate Change Certification	Jackie Beaurivage

Orientation and Continuing Education (continued)

In 2022, the following Board and Committee education sessions were held to address topics considered to be particularly important in light of the evolving business and disruptive forces faced by Meridian. All Board members are invited to attend Committee education sessions.

BOARD EDUCATION SESSIONS

Board of Directors

- Environmental, Social & Governance: Green House Gas Emissions, Net Zero & Climate Commitments
- Indigenomics
- Mental Health
- Code of Ethics
- Cyber Security
- Securitization
- Anti-Money Laundering & Anti-Terrorist Financing
- Privacy

Audit & Finance Committee

- Treasury Operations
- Capital Management

Nominating Committee

- DEIBR: Disrupting the Influence of Bias in the Board Recruitment Process

Risk Committee

- Market Code of Conduct

Meridian's orientation program also includes attendance by each new Director at one meeting of each of the committees of which such Director is not a member, as well as meetings with the Board Chair and the CEO. Meridian's education program also includes an ongoing listing of educational opportunities, which is updated and circulated quarterly to Directors for consideration. The Meridian Board also has a corporate membership with the Institute of Corporate Directors ("ICD").

BOARD EVALUATION

Meridian's Board is committed to effective corporate governance and continuous improvement. Annually, the Governance Committee leads a 360-degree Board performance evaluation process to assess the effectiveness of Meridian's Board collectively, each Committee of the Board, individual directors, as well as the Board Chair and Committee Chairs. Management is also invited to evaluate the performance of the Board. The evaluation is conducted either through an external consultant or internally.

In 2022, the Governance Committee engaged an independent external advisor to conduct the annual Board evaluation, which included a peer-to-peer assessment, individual interviews of Board members and Management, benchmarking data, and summary reports of results and recommendations for key development opportunities and priorities to ensure the Board continues to follow best practices and address the identified areas for improvement. The advisor's report on the effectiveness of Meridian's Board, each Committee of the Board, individual directors, and the Board Chair and Committee Chairs was delivered to the Board in February 2022. The Board met with the advisor to review and discuss his report on the results of the assessment and his recommendations. With a view to addressing the recommendations, the Board's Governance Committee developed a two-year Board Effectiveness Action Plan, which was approved by the Board in May 2022. Thereafter, at each of its quarterly meetings, the Governance Committee reviewed and discussed the progress against under the Board Effectiveness Action Plan.

BOARD COMMITTEES

Meridian's Board has delegated the oversight for monitoring adherence to its policies to five Committees, with the following primary accountabilities:

AUDIT & FINANCE COMMITTEE

- Review financial statements, internal controls, financial information, accounting policies, reporting procedures and reporting systems;
- Review Meridian's financial performance relative to key performance indicators;
- Ensure the integrity of internal controls over financial reporting, including the disclosure of Meridian's financial position, and material risks, in a timely, effective and transparent manner to Meridian's Members and stakeholders;
- Ensure procedures are in place for the receipt and resolution of complaints regarding accounting practices, internal controls, auditing matters or fraud;
- Oversee Meridian's annual budget, capital plan and multi-year financial projections;
- Oversee internal and external audit processes and activities, including approval of its internal audit plans, and external audit plan and findings reports;
- Oversee capital management processes and reporting;
- Ensure the independence of external auditors;
- Oversee, recommend appointment, and ensure independence of Management of the Chief Audit Executive; and
- Oversee and recommend appointment of the Chief Financial Officer.

GOVERNANCE COMMITTEE

- Maintain a healthy corporate governance culture, oversee corporate governance policies and satisfy itself that Meridian reflects its adopted cooperative principles;
- Oversee the Board's composition, Committee structure, and skills and expertise;
- Oversee and approve delegations of authority by the Board;
- Assess the effectiveness of Meridian's Board, Board Committees and Board Committee Chairs;
- Oversee the Meridian Board's strategic planning process;
- Oversee Meridian's ESG Framework;
- Oversee individual and collective continuing education and development plans for Directors;
- Ensure effective oversight of Meridian's subsidiaries;
- Be accountable for the general content, objectives and guidelines of Meridian's annual report; and
- Oversee the activities associated with the Annual General Meeting and any Special Members' Meetings.

RISK COMMITTEE

- Ensure a robust process for identifying, assessing, reporting, managing and monitoring critical and emerging risks;
- Ensure that policy guidelines and systems are in place to ensure that enterprise risks are within approved risk appetite;
- Provide strategic oversight to risk management policies and FSRA standards;
- Oversee the adequacy of Meridian's and its subsidiaries' resources to conduct business, and protect members, depositors and stakeholders;
- Review significant investments to ensure soundness against Meridian's financial position;
- Oversee the establishment of a risk appetite framework;
- Review Meridian's regulatory compliance and privacy matters;
- Review and approve individual restricted party credit applications; and
- Oversee and recommend appointment of the Chief Risk Officer.

NOMINATING COMMITTEE

- Oversee the process for director nominations including evaluation, selection, and recommendation of best qualified candidates for Meridian's Board, including the determination of the Director Selection Criteria;
- Ensure the integrity and quality of the nominating processes;
- Assess the adequacy of the candidate pool to ensure it addresses any identified gaps; and
- Oversee the Director election process.

HUMAN RESOURCES COMMITTEE

- Oversee talent, corporate culture, employee engagement and progress on DEIBR efforts;
- Review Meridian's Code of Ethics, including whistleblower policy, and oversee employee ethics and conduct themes;
- Oversee the HR policies and programs to ensure that they are developed, implemented and adhered to by Management in support of Meridian's business strategies;
- Oversee the development, updating and monitoring of remuneration programs, policies and practices regarding Director compensation;
- Oversee the process for appointment of the CEO;
- Administer the review process of the CEO's performance and compensation against established objectives;
- Oversee and review the Total Rewards Framework, including compensation and talent management plan for the Executive Leadership Team;
- Oversee the employee pension plans
- Oversee the development, updating and monitoring, of compensation plan design and programs for employees;
- Ensure remuneration is aligned with prudent risk taking and aligned with Meridian's risk profile; and
- Oversee the succession planning for the President & CEO and Executive Leadership Team.

YEARS OF SERVICE ON THE BOARD AND COMMITTEE MEMBERSHIP IN 2022

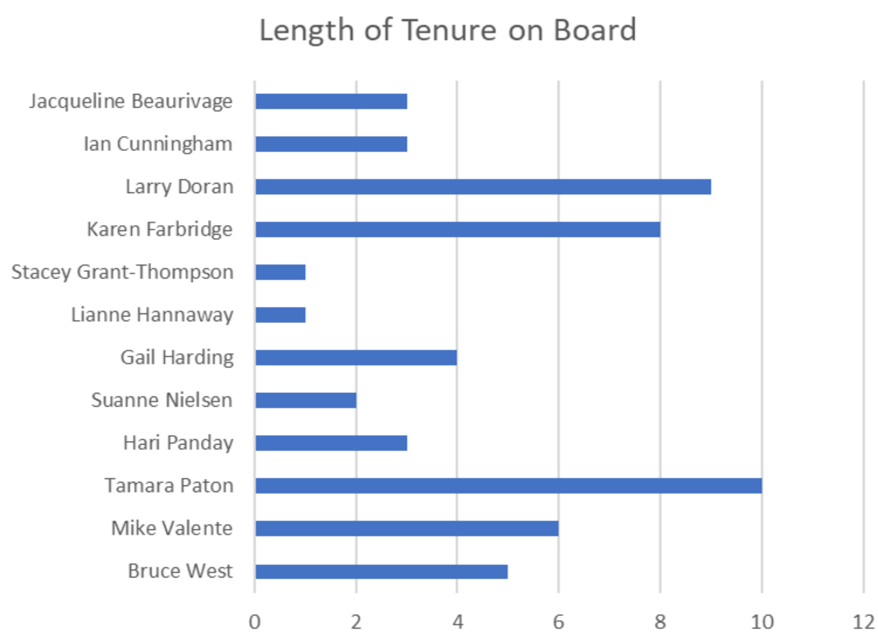
The following are the members of the Board, their respective year of election, as well as the Committees served on in 2022:

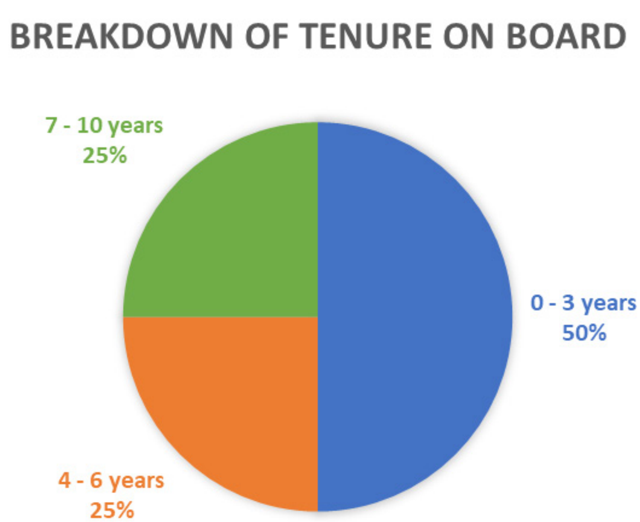
DIRECTOR	AUDIT & FINANCE	GOVERNANCE	HUMAN RESOURCES	NOMINATING	RISK
Jacqueline Beaurivage (2020*)		X	X		
Ian Cunningham (2020*)				X Chair	X
Larry Doran (2014*)		X			X
Karen Farbridge **Board Chair** (2015*)		X	X	X	
Stacey Grant-Thompson (2022*)		X		X	
Lianne Hannaway (2022*)	X			X	
Gail Harding (2019*)				X	X Chair
Suanne Nielsen (2021*)	X		X		
Hari Panday (2020*)	X	X Chair			
Tamara Paton (2013*)			X Chair		X
Mike Valente (2017*)	X				X
Bruce West (2018*)	X Chair		X		

*Indicates year the Director was elected

TENURE ON BOARD OF DIRECTORS

The following chart visually depicts the tenure of each Director as of December 31, 2022.





SUBSIDIARY GOVERNANCE

Meridian has two material subsidiaries, Meridian OneCap Credit Corp. and motusbank, both of which are wholly owned. On the recommendation of the Governance Committee, the Board adopted a Subsidiary Governance Policy to ensure that appropriate levels of governance and oversight are embedded in our subsidiaries, aligning with their respective businesses and the parent company expectations. The Policy establishes an enterprise-wide approach to the governance of Meridian's subsidiaries. This Policy is responsive to evolving legal and regulatory requirements, regulator expectations and subsidiary governance practices. In accordance with the Subsidiary Governance Policy, three Directors of the Meridian Board also serve as independent Directors on the motusbank Board of Directors. The Board of Meridian OneCap Credit Corp. is comprised of executive management members, who provide reports to Meridian as a standing item at each Board meeting.

BOARD CODE OF CONDUCT

Meridian's Board has adopted a Code of Conduct and Conflict of Interest Policy that outlines the duties and obligations of Directors. Directors complete training on an annual basis and sign a Statement of Director Commitment, which confirms that they have read the Board's policies and agree to respect and abide by them at all times.

DIRECTOR ATTENDANCE

The Board has a policy for "Attendance by Directors" and receives annual reporting of individual attendance on a 12-month rolling basis to capture consecutive meeting attendance in accordance with regulation.

The following chart reflects Director attendance during the 2022 calendar year, including former and newly elected Directors whose terms either ended or commenced concurrent with the Annual General Meeting in April 2022. Overall, this translates to a 99% average attendance by Meridian's Directors.

12 MONTHS OF 2022

	Board of Directors		Committee		Total		
Director	**Attend**	**Held**	**Attend**	**Held**	**Attend**	**Held**	**%**
Jacqueline Beaurivage	12	12	13	13	25	25	100
Ian Cunningham	11	12	13	13	24	25	96
Larry Doran	12	12	11	11	23	23	100
Karen Farbridge	12	12	18	18	30	30	100
Stacey Grant-Thompson After 4/22	7	7	7	7	14	14	100
Lianne Hannaway After 4/22	7	7	7	7	14	14	100
Gail Harding	12	12	10	10	22	22	100
Carol Hunter Until 4/22	5	5	4	4	9	9	100
Andrew Lo Until 4/22	5	5	5	5	10	10	100
Suanne Nielsen	12	12	13	13	25	25	100
Hari Panday	12	12	9	10	21	22	96
Tamara Paton	12	12	11	11	23	23	100
Mike Valente	12	12	11	11	23	23	100
Bruce West	12	12	12	12	24	24	100

DIRECTOR COMPENSATION

The Board of Directors has adopted a Board Compensation Policy that outlines the philosophy and structure of Director compensation. The HRC is responsible for this Policy. Meridian recognizes the significance of the accountabilities and responsibilities associated with the governance of Meridian, in light of its size, complexity and risk profile, as well as the contributions by its Board of Directors. Meridian strives to provide Director compensation that is competitive and reasonable in comparison with its peer group determined by an independent advisor.

Meridian generally reviews director compensation offering every two years to ensure it remains competitive with businesses of comparable nature, size and complexity within the Canadian financial industry, while also being aligned to Meridian's long-term strategy, sustainability and business objectives.

The biennial review is generally undertaken by an independent third-party consultant, which will be engaged and instructed by the HRC Chair. The third-party review is a robust process. Its scope is approved by the HRC, and it includes an independent market survey and compares Meridian's Director compensation against other Canadian credit unions as well as organizations of comparable size and complexity within the Canadian financial services industry.

ALL-IN FEE STRUCTURE

In order to attract and retain the quality of committed Board members required, Meridian uses an all-in fee structure to compensate Directors for time spent on Meridian business. This single fee is intended to recognize the skill, knowledge, level of responsibility, size of the organization, time commitment involved and wisdom that Directors bring to Meridian. It also recognizes the time required of Directors in fulfilling their responsibilities, including but not limited to travelling, preparing for and attending meetings, attending education sessions, assembling information, and attending and participating in community activities, annual general meeting, and other credit union functions as required.

The following principles pertain to the setting of the all-in fee:

i. Use of benchmarking against organizations of comparable size and complexity within the Canadian financial industry; and

ii. Reflective of competitiveness based on available market information from survey sources.

All-in Fee Structure (continued)

The Board Chair and Committee Chairs receive all-in fees which reflect the increased responsibility and time commitment placed on them.

Meridian's Board believes this all-in fee structure is better aligned with the changing role of Directors and more reflective of the continuous nature of their contributions during the year. It is also aligned with prevailing industry trends and generally easier to administer. Where extraordinary circumstances result in additional meetings beyond the typical number, the Board has discretion to provide a pre-determined additional fee which is fair, competitive and reasonable for the additional meetings.

In addition, three Directors of the Meridian Board also serve on the motusbank Board and receive additional compensation therefore.

The following table represents the specific remuneration for Directors for 2022:

POSITION	**ALL-IN FEE**
Board Member	$65,000
ADDITIONAL FEE FOR CHAIR ROLES	
Board Chair	$40,000
Audit & Finance Committee Chair	$15,000
Governance Committee Chair	$10,000
Human Resources Committee Chair	$10,000
Nominating Committee Chair	$10,000
Risk Committee Chair	$15,000

All-in Fee Structure (continued)

The table below summarizes the total gross compensation (excluding expense reimbursement) received by each Director during 2022:

DIRECTOR	ANNUAL FEE	CHAIR FEE	OTHER (1, 2)	TOTAL
Jacqueline Beaurivage Nominating	**$65,000**			**$65,000**
Ian Cunningham Nominating Committee Chair effective 4/22	**$65,000**	**$6,667**	**$13,541**[1]	**$85,208**
Larry Doran Nominating Committee Chair until 4/22	**$65,000**	**$3,333**		**$68,333**
Karen Farbridge Board Chair	**$65,000**	**$40,000**	**$46,050**[1]	**$151,050**
Stacey Grant-Thompson Elected to serve as Director effective 4/22	**$43,333**			**$43,333**
Lianne Hannaway Elected to serve as Director effective 4/22	**$43,333**			**$43,333**
Gail Harding Risk Committee Chair	**$65,000**	**$15,000**	**$800**[2]	**$80,800**
Carol Hunter Director term ended 4/22	**$21,667**			**$21,667**
Andrew Lo Director term ended 4/22	**$21,667**			**$21,667**
Suanne Nielsen Nominating	**$65,000**			**$65,000**
Hari Panday Governance Committee Chair	**$65,000**	**$10,000**		**$75,000**
Tamara Paton Human Resources Committee Chair	**$65,000**	**$10,000**	**$39,383**[1]	**$114,383**
Mike Valente Nominating	**$65,000**			**$65,000**
Bruce West Audit & Finance Committee Chair	**$65,000**	**$15,000**		**$80,000**

Note 1: Fee received as a Director of motusbank
Note 2: Fee received for travel spent greater than 5 hours for Board and/or Committee meetings.

EXECUTIVE COMPENSATION

Compensation Policy

In 2022, Meridian's Board approved a new Total Rewards Framework ("Framework") to attract and retain the best possible talent available in order for Meridian to achieve its corporate purpose, vision and strategy. The Framework outlines Meridian's compensation components and philosophy, and it is reviewed annually.

- Compensation components provide an appropriate balance of fixed and pay at risk compensation and include base salary, cash incentives consisting of a short-term incentive plan (STIP) and an executive long-term incentive plan (LTIP), pension, benefits as well as time off.

- The compensation philosophy seeks to align with co-operative principles and to be market competitive. Meridian's competitive market position is to target market median (P50) for base salary and total compensation, allowing for actual compensation to near the upper end of the market (P75) for exceptional performance.

Governance Process

Meridian's HRC is responsible for recommending for Board approval the CEO's performance objectives and evaluating the CEO's performance against those objectives annually. The CEO's scorecard is aligned with Meridian's strategic imperatives. Emphasis is placed on the appropriate balance to incentivize achievement of both short- and long-term objectives while ensuring Meridian's long-term success.

Meridian's Board approves the design, metrics, targets and performance ranges for Meridian's STIP and LTIP, the final multipliers for the purpose of STIP and LTIP payments and the annual compensation payments to the CEO. Meridian's HRC assists the Board in executing these responsibilities.

Meridian's HRC is responsible for overseeing and recommending to the Board the annual compensation payments to the CEO and ensuring that the compensation practices relating to senior management are consistent with Meridian's Total Rewards Framework. In 2022, Mercer Canada was engaged by Meridian's HRC as the Board's independent external advisor, to conduct a review and analysis of short term and long-term incentive plan design best practices.

The third-party review involves assessing and recommending the peer comparator group on an annual basis and using this group to inform the design of the CEO and senior management total rewards offering. For 2022, the peer group consisted of comparable Canadian credit unions and financial institutions.

The Board approves the design and amount of CEO total compensation based upon recommendations from Meridian's HRC.

The CEO reports annually to the HRC regarding the performance of direct report executives and corresponding compensation adjustments.

Executive Compensation (continued)

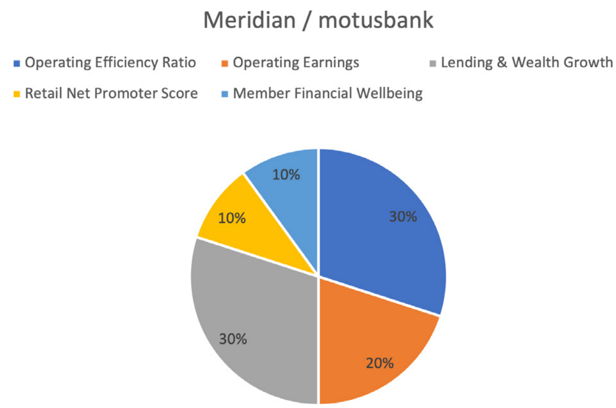
Short-Term and Long-Term Incentive

Meridian's HRC annually reviews and recommends Board approval of the short-term incentive plan (STIP) and long-term incentive plan (LTIP) design, metrics, targets and performance ranges. STIP payments are linked to measurable shared corporate performance targets and individual performance, and LTIP payments are linked to the long-term business strategy.

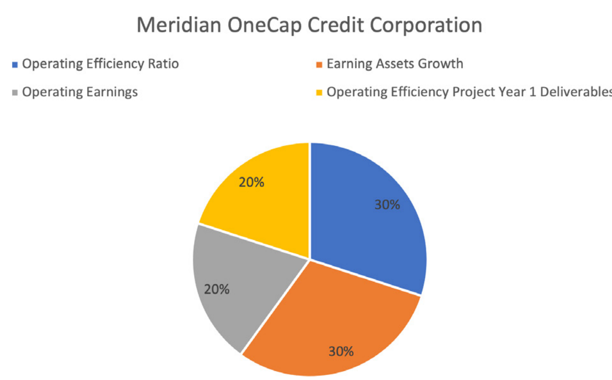
The following are key components of the STIP:

- Cash based program to reward plan participants based on short-term performance
- Expressed as a percentage of base salary that varies by level
- Comprised of three key components:
    1. Target award percentage (% of eligible earnings)
    2. Corporate Performance Score Payout can vary from 75% - 150%
    3. Individual Multiplier Payout can vary from 50% - 200%

The Board approved the following 2022 STIP metrics and weightings:



*Retail Net Promoter Score is a Member experience metric used to measure the loyalty of retail Members to Meridian.
**Member Financial Wellbeing is a Member experience metric used to measure the degree to which Members believe Meridian makes a difference in their overall financial wellness.

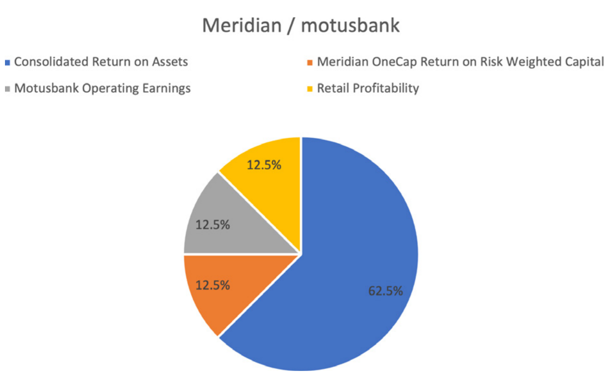


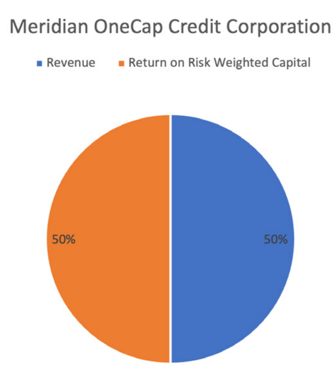
Executive Compensation (continued)

The following are key components of the LTIP:

- Cash-based program to reward the CEO and Senior Management based on sustainable value created for Meridian over the long-term
- 3-year performance-based vesting
- Grants based on a target percentage of salary
- Payout can vary from 0% to 150% of grant value

The Board approved the following metrics and weightings for the 2022-2024 LTIP grant:





An annual review of STIP and LTIP results is undertaken by Meridian's external auditors as well as an annual review by Meridian's Chief Risk Officer to ensure the incentive plans are aligned with Meridian's risk appetite and prudent risk taking.

Pension

Meridian has a Defined Contribution (DC) Pension Plan. Meridian contributes an amount equal to 10% of earnings for the CEO and eligible Senior Management, who join the Plan immediately upon hire.

A Supplementary Employee Retirement Plan (SERP) is available to Senior Management when DC pension contributions exceed tax limits. SERP "contributions" are determined in the same amount as the DC Pension Plan and are 10% of base salary for Senior Management. The SERP "contributions" and "investment returns" are purely notional credits and debits which are tabulated by the DC pension plan recordkeeper based on theoretical investment options chosen by the member. SERP entitlements only materialize upon termination or retirement, at which time the final SERP account balance is paid to the member as a fully taxable lump-sum payment by Meridian. SERP members may elect to receive their full SERP payout immediately upon end of employment or they may defer the entire payment until the first pay of the following calendar year.

Executive Compensation (continued)

Executive Flexible Cash Program (EFCP)

The purpose of the EFCP program is to acknowledge that executives, because of their position and visible company and community roles, have different responsibilities than other employees. The Flexible Cash program is provided to employees at the Vice President level and above and allows for an additional component of cash compensation outside of base salary.

Benefits

Meridian provides benefits and wellbeing programs as well as financial benefits, including staff rates on loans and mortgages, based on credit eligibility. CEO and Senior Management benefits also include an annual health assessment.

2022 Executive Compensation

For the fiscal year ending December 31, 2022, the CEO compensation was as follows:

CATEGORY	AMOUNT
Base Salary	$ 490,000
Short Term Incentive	$ 400,400
Long Term Incentive	$ 562,500
TOTAL	**$ 1,452,900**

For the fiscal year ending December 31, 2022, the aggregate compensation of the CEO's six direct reports was as follows:

CATEGORY	AMOUNT
Base Salary	$ 1,930,204
Short Term Incentive	$ 1,093,333
Long Term Incentive*	$ 854,459
TOTAL	**$ 3,877,996**

* This amount reflects a lower aggregate payment due to promotions and new hires.

YOU MAY CONTACT THE BOARD THROUGH OUR GOVERNANCE OFFICE BY WRITING TO:

Email:
Board.ofDirectors@meridiancu.ca

Mail:
Meridian Credit Union
c/o Corporate Secretary
3280 Bloor Street West
Centre Tower, 7th Floor
Toronto, ON M8X 2X3

FOR FURTHER INFORMATION ABOUT MERIDIAN'S BOARD, PLEASE VISIT:

www.meridiancu.ca/About-Meridian/Corporate/Governance/Board-of-Directors.aspx

Additional references:

Meridian Credit Union By-law No. 1:
https://www.meridiancu.ca/MeridianCreditUnion/media/Meridian-Credit-Union/pdfs/Meridian-Credit-Union-By-law-No-1.pdf

The Candidate's Guide and Board of Directors Application is available at:
https://www.meridiancu.ca/getmedia/ce6649bf-a9dc-4923-9c40-41800957d291/2023-Director-Application-Form.pdf

Management's Discussion & Analysis

This management's discussion and analysis ("MD&A") gives readers an overview of Meridian Credit Union Limited ("Meridian") and enables them to assess Meridian's financial condition and results of operations for the fiscal year 2022, as compared to prior years. The MD&A should be read in conjunction with the audited consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all amounts in the MD&A are expressed in Canadian dollars. The MD&A commentary is as of March 10, 2023.

In accordance with its terms of reference, Meridian's Audit and Finance Committee of the Board of Directors has reviewed the content of the MD&A and recommended its approval to the Board of Directors. The MD&A was approved by Meridian's Board of Directors.

Cautions Relating to Statements

This MD&A includes forward-looking statements, which by their very nature require management to make assumptions and involve inherent risks and uncertainties. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate", "may increase", "may impact" and other similar expressions, or future or conditional verbs such as "will", "should", "would" and "could". A number of important factors, many of which are beyond management's control, could cause actual future results, conditions, actions or events to differ materially from the targets, projections, expectations, estimates or intentions expressed in forward-looking statements. These factors include, but are not limited to, changes in general economic conditions in Canada, particularly those in Ontario; legislative or regulatory developments; changes in accounting standards or policies; industry developments and changes in the competitive environment; and Meridian's success in anticipating and managing the risks inherent in these factors. Readers are cautioned that the foregoing list is not exhaustive. Undue reliance should not be placed on forward-looking statements, as actual results may differ materially from expectations. Meridian does not undertake to update any forward-looking statements contained in this MD&A.

Meridian is not required to comply with the Canadian Securities Administrators National Instrument 51-102 Continuous Disclosure Obligations and related Staff Notices. Meridian prepares its Consolidated Financial Statements in accordance with International Financial Reporting Standards and refers to them in this MD&A. In addition, Meridian uses non-GAAP financial measures within the MD&A, which Meridian believes provides the reader with a better understanding of how management views the business. Where Meridian has used non-GAAP measures, they have been defined within the report, as they may not be comparable to similar terms used by other organizations.

Core Business & Strategy

CORPORATE OVERVIEW

As Ontario's largest credit union, Meridian delivers financial products and services to more than 360,000 Members through a network of 89 branches, and access to business banking services at 15 locations, a Member Contact Centre and online/mobile services. Meridian also has two operating subsidiaries: Meridian OneCap Credit Corp. ("MOCC"), a leading supplier of customized commercial equipment leasing solutions; and motusbank, a national digital bank.

We are a Member-owned, community-focused financial institution with a purpose to help our Members achieve their best life. Our employees take the time to understand the financial goals and aspirations of our Members. This allows us to offer solutions that meet their needs proactively and helps them plan for the future.

We focus on strategies that are in the best long-term interests of Meridian, including our Members and other stakeholders, not short-term corporate earnings objectives. In doing so, we deepen relationships with existing Members and foster lasting relationships with new Members.

As a community-based financial institution that exists in many communities in Ontario, we also contribute to community well-being through a commitment to invest money, time and talent to help build prosperous, resilient places to live, work and play. Our Commitment to Communities is based on the cooperative values and beliefs that our Members and employees share.

Indigenous Land Acknowledgement

Meridian is on a journey to advance the Truth and Reconciliation Commission of Canada's goals and assist in achieving the Commission's 94 Calls to Action. We continue to educate ourselves about all aspects of Indigenous cultures and histories, and the discrimination Indigenous communities continue to experience today. We commit to playing an active role in economic inclusion, creating systems, and influencing policies to ensure Indigenous communities have access to the financial services they need to meet their goals.

We acknowledge the land on which we operate is the traditional territory of many nations, including the Mississaugas of the Credit, the Anishinaabe, the Chippewa, the Haudenosaunee and the Wendat peoples, and now home to many diverse First Nations, Inuit and Métis. We also acknowledge that Toronto is covered by Treaty 13 signed with the Mississaugas of the Credit.

OUR CORPORATE STRATEGY

During 2022, we continued to execute on our strategy to deliver on our purpose of helping our Members achieve their best life and enable our vision "to be recognized as an inclusive, transparent and people-focused financial partner". We believe people are looking for somewhere to bank that is different, all the time. Our strategy drives our objectives, provides focus, fuels innovation and sets the stage for operational growth integrated across all our lines of business. Our interim strategy was supported by four main priorities: 1) Living Our Purpose, 2) Growing Our Business, 3) Innovating for Members and Customers, and 4) Building a Strong Foundation to ensure we meet our Members, customers and employee needs and enrich the communities we serve. These strategic priorities were critical inputs to the development of our new three-year strategy to be launched in 2023.

Living Our Purpose

- We will nourish our organizational purpose and internal brand, ensuring we have the best talent and employees have the tools they need and can take pride in their work, translating into exceptional Member and customer service.

Growing Our Business

- We will grow both intentionally and strategically across portfolios and ensure we can fund our growth and resource our priorities to help our Members and customers achieve their best life.

Innovating for Members and Customers

- Striving for continuous improvement keeps us deliberate in the development and implementation of industry-leading digital platforms and tools that improve Member and customer experience.

Building a Strong Foundation

- Establishing strong foundational internal infrastructure and processes will set us up for success by ensuring continuity across Meridian.

OUR ESG STRATEGY (ENVIRONMENTAL, SOCIAL AND GOVERNANCE)

"Meridian has had elements of ESG incorporated throughout our business for years; we just haven't had a framework for organizing our ESG initiatives in a manner that clearly helps us realize on our enterprise strategic goals and, ultimately, our Purpose and Vision. We're in a state of assessing the issues that impact our business most, with an ESG lens, and how we can authentically have the greatest impact in addressing these issues with a view to building long-term, sustainable value for our Members and being a better corporate citizen."

Sunny Sodhi
Chief Legal and Corporate Affairs Officer
Meridian Credit Union

To join the discussion around Meridian's approach to ESG we are delighted to direct you to our website for our inaugural sustainability report. Included in the report is our newly created Climate Commitment. This report covers data from the calendar year 2021, including a narrative on work launched or completed during 2022. We will create financial solutions that support the transition to a green and sustainable economy and are committed to building a healthier environment by improving our environmental impact in the communities where we work and live.

Key Performance Drivers

Our Members, our employees and our involvement in the communities we serve are critical to our success. These drive our performance and our goal to create a financially sound and sustainable credit union. We pay attention to our success factors by listening to what our Members and customers say, and ensuring that the marketplace is aware of Meridian's value proposition and that our employees are fully engaged.

VOICE OF MEMBER ("VOM")

The objective of Meridian's VoM program is to improve the overall Member experience, including the products and services we offer across all of our channels. The program encompasses the process of gathering and understanding Member feedback and closing the loop by following up with Members to address their feedback on a timely and consistent basis. Closing the loop provides a more positive experience by resolving problems effectively and quickly, acknowledging Member suggestions, as well as answering any questions. Key measures and insights from the VoM program are reported to internal stakeholders and the executive leadership team on a regular basis.

✓ At the heart of our VoM program is the Net Promoter Score ("NPS"). NPS is an index ranging from -100 to 100 that measures the willingness of Members to recommend Meridian to others.

- Touchpoint surveys provide the opportunity to assess the quality of specific interactions and Member experience shortly after Members connect with Meridian.
    - » Meridian's 2022 top of house Touchpoint survey NPS ended the year at 55.4, with 66.7% of Members responding as promoters of Meridian. This score was lower than target (61.0) and prior year (58.9).
- Relationship surveys provide the opportunity to assess, on an annual basis, Members' overall experience with Meridian.
    - » Meridian's 2022 top of house Relationship survey NPS ended the year at 45.7 with 60.9% of Members responding as promoters. This score was higher than our target (45.0) and higher than the prior year's result (42.8), reflecting our overall improvement in Member processes.
- During 2022, Meridian purchased Consumer Satisfaction Index (CSI) for Financial Services research from Ipsos, a global market research company with expertise in understanding and measuring customer experience. This helped us gain insight into how Meridian compares to the experience being delivered by other financial institutions in Ontario. Ipsos's 2022 CSI results directionally indicate that Meridian is exceeding Member expectations compared to other credit unions and the Big 5 Banks

✓ Tied to Meridian's greater purpose of helping Members achieve their best life, the VoM program also measures trends in Member financial well-being by asking the question, "Do you feel Meridian makes a difference in your overall financial wellness?"

- In 2022, Touchpoint survey results to this question showed that more than 4 out of 5 (84.9%) Members agree that we make a difference in their overall financial wellness.

Key Performance Drivers (continued)

✓ Analysis of Member commentary collected through the VoM program indicates that our focus on the member continued to drive the greatest positive impact on Member experience and NPS in 2022. In addition, a review of unique concerns and commentary indicate Member experience and NPS during 2022 was negatively impacted in specific areas, including mortgage servicing times, concerns over interest rates, branch servicing, branch hours and number of Automated Bank Machines ("ABM") available. It's important to note that during Q4, Member experience was further impacted by specific credit card conversion issues. Although the overall number of escalated Member concerns was lower compared to the prior year, the complexity of escalated concerns increased. Management continues to focus on implementing actions, both small and large, that positively influence Member experience, some of which include:

- Implementing enhancements for credit card issues;
- Managing mortgage processing times through ongoing stakeholder consultation and engagement;
- Reviewing branch hours on a quarterly basis; and
- Implementing training and coaching programs designed to provide tools and resources to elevate and reinforce the importance of superior Member service.

Larger initiatives such as installing new ABMs, implementing new training programs, adding multi-factor authentication to our mobile and online banking platforms, and launching a modern Customer Relationship Management ("CRM") solution may decrease Member experience in the short-term; however, they are vital to improve Member service over the long-term and increase the security of Member data.

AWARENESS OF MERIDIAN

We regularly assess public awareness of Meridian and our unique value proposition. We monitor our progress over time to track our ability to deliver on our purpose in helping our Members achieve their best life. We remain focused on living our purpose by promoting and using our brand attributes and guiding principles in our communications with Members and prospects. Our "What If" brand campaign continued to run in 2022. The campaign, which endeavours to represent the diversity of Ontarians, has been extended to all lines of business and across all channels to deepen existing Member relationships and generate new Member growth.

✓ Our research shows that Meridian's awareness in the Ontario market increased to 45% in 2022, a 1.5% increase from 2021. This can be largely attributed to a consistent and continuous optimization of the "What If" campaign. Consideration has remained stable year over year, with increases seen when there is higher media spend in market.

Key Performance Drivers (continued)

PEOPLE & CULTURE

Amid another year of significant change, Meridian's culture and employee experience has remained strong. As we move toward a new corporate strategy for 2023, we are encouraged by the solid foundation upon which we can continue to build.

✓ Meridian continually monitors talent indicators in six key areas: Talent Attraction, Talent Attrition, Diversity & Inclusion, Talent Development, Culture & Employee Experience, and Employee Well-Being. These indices provide an understanding of talent patterns and identify early opportunities to support employees and the business in their engagement and overall success.

✓ Meridian's Voice of Employee ("VoE") program gathers and analyzes employee feedback. The Employee Experience score provides a 360-degree view of employees' interaction and experience with Meridian's culture, work environment, processes and tools. High survey participation rates (87%) and Employee Experience scores (76% favourability) affirm a strong culture and employee experience. Employees value Meridian as both an employer and a financial institution.

✓ Leaning into these strengths, Meridian is focused on investing in talent and building a future-ready workforce and transformation-ready leaders with both enterprise and business specific learning programs. Together, these investments grow employees, building expertise and confidence, and ensure we are best positioned to help our Members' achieve their best life.

✓ Meridian continues to focus on building the foundation of an increasingly inclusive organization. This includes ensuring that barriers are removed when identifying, recruiting and growing talent so that our employee population is representative of the communities we serve.

MEMBERSHIP GROWTH

By growing our Membership, we continue to expand our reach and footprint, enabling us to put more of our money to work for Members.

✓ Membership in the Credit Union increased by over 11,950 in 2022 when adjusting for dormant/inactive accounts that trailed from 2021 into 2022. Growth in Membership is considerably improved year over year and reflects sustained annual funding of brand advertising, a commitment to community investment and expansion of partnership programs, and an increasing and improving digital presence in both advertising and access to banking platforms.

✓ motusbank saw a modest pullback with respect to Membership growth, seeing its total base decline by just over 2,080 in 2022. Membership acquisition slowed in 2022 due to a reduction in marketing efforts.

Capability to Deliver Results

Meridian's long-term sustainability is underscored by our success in achieving our strategic priorities of Living Our Purpose, Growing Our Business, Innovating for Members and Customers, and Building a Foundation. These priorities are supported by multiple initiatives. We continue to strengthen our capabilities in our delivery network, organizational processes, digital services, technology, organizational structure, and employees. The following 2022 successes and ongoing initiatives highlight our ability to achieve our strategic priorities and meet the current and future needs of our existing and potential Members and customers.

LIVING OUR PURPOSE

✓ Member Experience Programs

To build on Member engagement and loyalty, the following initiatives ran during 2022:

- Implementation of in-branch donation drives. Meridian partnered with local Ukrainian Canadian Congress Chapters to set-up donation bins within select branches for Members, employees and the community to contribute to Ukrainian newcomers. Meridian branches also participated in a holiday food drive, where donated items were delivered to food banks local to each branch.

- In this year's "Surprise & Delight" program, 30 Members whose mortgages were close to renewal were recognized by waiving the monthly mortgage payment. A selection of new Business Members were surprised with a package containing various products purchased from other Business Members. In addition, Members were offered perks of membership linked to Meridian venue partnerships.

- Increasing financial confidence is a significant component of our value proposition. Wealth, in partnership with our dealer AVISO, hosted two webinars to help Members get a better handle on their money, understand the current economic and ESG environment when it comes to investing, and understand the role of a Meridian Financial Planner in their financial journey.

- A Member feedback program aimed at gathering early insights on future digital functionality was kicked off late in 2022. Drawing on our cooperative nature, Members were given the opportunity to review early designs and provide their thoughts on the future digital capabilities before functionality was built and released. These insights help the team better understand different perspectives on usability and flow and gives them the chance to adapt those insights before new capabilities are released. The program will be expanding further in 2023.

Capability to Deliver Results (continued)

✓ **Member Journey**

To support Meridian's goals of improving retention and loyalty, two new touchpoints were added to Member mortgage journeys to create memorable experiences for Member on their home-buying journey with Meridian:

- Close to 500 Members received a Meridian-branded coffee-inspired gift box to celebrate and congratulate them on their newly purchased home.
- More than 2,400 Members received a personalized email recognizing their one-year mortgage "homeiversary". Emails gave Members the opportunity to donate $10, via a Meridian-funded e-gift card, to the charity of their choice. Members donated to a total of 150 charities.

The above efforts will be utilized as learnings for 2023. Where we have seen successes, we will further promote these programs; where items need to be optimized, we will enhance them; and where efforts did not resonate with our Membership, we will use them as learnings when developing new campaigns.

✓ **Proactive Member Reach-Out Programs**

Meridian advisors proactively contacted Members to review their current financial needs. Examples include making reminder calls to Members holding Raise the Rate GICs about their ability to increase the rate throughout the term of the product, reaching out to Broker-originated Members on their yearly mortgage anniversary and proactively contacting Members whose mortgages were maturing within the year.

Capability to Deliver Results (continued)

✓ Meridian's Commitment to Communities

Meridian's Commitment to Communities is based on our fundamental belief in our role in empowering Members, employees and community well-being. Creating strong communities is good for people, jobs and economic prosperity. In 2022, Meridian invested $3.8 million into our local communities.

Our three signature community programs play a significant role in delivering on our commitment to community:

- **Good Neighbour Program:** Local charitable, not-for-profit and public organizations across Ontario that share the same values as us and are dedicated to strengthening our shared communities can apply to become a community partner. Our community sponsorship decisions are made by our local teams to address the unique needs of each of our communities. These programs tackle issues in the community and help with our Members' overall well-being.

- **My Commitment to Communities Employee Program:** This is our leading employee community engagement program, where we match employee donations and fundraising to any Canadian charity up to a maximum of $1,000 and provide up to $500 to reward volunteer time with any non-profit organization.

- **Sean Jackson Scholarship:** We award an annual $10,000 scholarship, named in honour of our first CEO, to one graduating Ontario high school student who demonstrates academic excellence and a commitment to community involvement and innovation. All Ontario-based grade 12 students are invited to apply.

Through the 2022 Good Neighbour Program, Meridian supported over 174 non-profit organizations with $500,000 in grants, including Pathstone Mental Health and Ronald McDonald House Charities. Meridian reinforced our commitment to our communities by quickly engaging with disaster relief organizations when needed, most notably in response to Hurricane Fiona and the War in Ukraine. All of this was accompanied by the My Commitment to Communities Employee Program, which saw Meridian employees donate $290,806 to 381 non-profits. Through the Employee Matching Program, Meridian donated an additional $313,000 in support of the causes closest to our community. This was punctuated by our Employee Year End Giving Campaign, which saw employees commit to over $140,000 in donations.

Capability to Deliver Results (continued)

✓ Meridian Sponsored Events

Once COVID-19 restrictions eased in early 2022, we continued planning to leverage partnerships with Meridian's named property venues. Overall objectives were to improve brand awareness, increase consideration among prospects, acquire new Members, and enhance Member engagement and loyalty through unique experiences. In 2022, photo-opportunity activation concepts were introduced and implemented at 15 events, generating more than 1,500 leads. This resulted in more than 3,200 emails sent through prospect journey touchpoints. Objectives for activation events were to provide Members and prospects with consistent, authentic, memorable and innovative experiences with localized enhancements. Working closely with our venue partners, Meridian was also involved in several special events throughout 2022, including da' Kink in my Hair, ProjectPlaid, United for Ukraine, 8th-Annual Traditional Powwow and the Turtle Project.

Meridian was proud to be the official sponsor of the Volunteer Program at the Niagara 2022 Canada Summer Games ("N22 CSG"). The Meridian Volunteer Centre acted as a hub to engage, recruit and train the over 4,500 volunteers required to support all operational areas of the Games. Each volunteer was provided Meridian-branded apparel to wear during the Games. Just under 100 Meridian employees volunteered a total of 2,284 hours during the Games and just over 400 of the volunteers were identified as Meridian Members.

A total of 301,150 spectators attended sporting events, opening and closing ceremonies, and the Niagara Place Festival. Overall, 485,000 unique viewers streamed sport and festival event content, including viewership through CBC Gem and CBC Sports. There were more than 3 million pageviews on the N22 CSG website (niagara2022games.ca) where Meridian's logo was placed prominently on the main page. Meridian was involved in four Games-related media releases; Indigenous Sponsorship, Three Niagara Credit Unions, Meridian Volunteer Centre and Official Volunteer Sponsor.

Meridian participated in several events associated with the Games, including sponsor conferences, golf tournaments, the Niagara-on-the-Lake torch relay leg, opening and closing ceremonies, and box lacrosse medal presentations. In addition, Meridian was a high-profile participant at the 15-day Niagara Place Festival with the Health for Wealth bike activation, resulting in Meridian donating $10,000 to Parasport Ontario (Physical Resilience), Strong Mind Strong Kids (Mental Resilience) and Evergreen (Financial Resilience). During activations, Meridian interacted with over 4,000 prospects, generating almost 2,000 leads that were entered into the two-touchpoint prospect journey.

Capability to Deliver Results (continued)

GROWING OUR BUSINESS

✓ Marketing Innovation

The Credit Union continually operates in a competitive space and the environment is becoming even more competitive amidst economic uncertainty. Meridian has been effective in expanding its share of voice by dedicating efforts to high-impact and differentiated campaigns that leverage Meridian's core purpose, values and attributes. These included:

- Meridian's second annual small business contest, which was rebranded to the "Big Impact Awards," focuses on small businesses making a big environmental or social impact in their community. The campaign generated significant exposure through both earned and paid advertising, and saw a spike in traffic throughout Small Business Month in October.

- A renewed focus on research helped steer much of the Member education and journey efforts in the year. Specific to content, primary pages on the website were updated to reflect improved navigation and journeys, which helped increased engagement and time on site. With respect to education, several external surveys were run in 2022 to help understand how the population felt about financial confidence. Important insights were gleaned and informed the development of new and relevant content. Subsequent wealth campaigns focused on education of key issues that are troubling for Canadians, such as money management.

- Meridian continues to develop tools and resources that help Members and prospects improve their financial confidence. The Financial Resilience tool for business was developed to help businesses assess their current state and plan longer term. On the Retail side, a mortgage quiz was developed to assist mortgage shoppers determine right product and term for their financial situation. These tools received considerable traffic in 2022, and users of these tools were engaged, as they spent a large amount of time on the sites.

Capability to Deliver Results (continued)

✓ Community Marketing

An increase in investment in community marketing was made in 2022 and was accomplished through a mix of acquisition and cross-sell marketing. Primary efforts were focused as follows:

- Market takeovers in key growth areas were deployed numerous times throughout the year and one of the more successful efforts included a full mall footprint takeover in Brampton. Other efforts focused on micro geo-targeting in areas with low market penetration and significant opportunity. These efforts were largely successful in 2022 and helped to increase awareness and sales in each of the markets targeted. Grassroots campaigns to promote our Members and communities were also a focus in 2022. This was accomplished with two large campaigns, the first of which was at the top of the marketing funnel via high-production testimonial videos focusing on successful local Meridian small businesses. The second was internally focused, with a "Surprise & Delight" goal, which shipped new Members "introduction to Meridian" boxes that promoted existing local Members and their businesses.

- Advertising continued to leverage existing local partnerships and community events. Named properties were utilized more throughout the year as the pandemic slowly retreated to normalcy, advertising presence was enhanced and supplemented with new assets at many sporting events across Ontario, and, most importantly, a significant increase in community partnerships was seen with organizations such as Habitat for Humanity, ParaSport Ontario, Right to Play and Kits for a Cause.

Capability to Deliver Results (continued)

INNOVATING FOR MEMBERS AND CUSTOMERS

✓ Product and Service Innovations

Meridian is constantly looking to improve and innovate our product and service offerings. 2022 saw the following initiatives take flight:

- Meridian partnered with the Métis Nation of Ontario ("MNO") to provide citizens of the MNO a mortgage through the MON's Home Buyers Contribution Program focused on first-time home buyers.

- Meridian partnered with two of Canada's leading online will providers to offer Members online wills, powers of attorney and estate planning services at discounted and affordable rates.

- Meridian launched the Diversity Market-Linked GIC ("MLGIC"), providing Members an option to invest in ESG-focused investments. The Diversity MLGIC specifically focuses on the Social and Governance elements of ESG and is composed of companies across a variety of sectors with a dedication to diversity and inclusion, such as companies that have officially adopted diversity policies and companies where women hold a minimum of 30% of board seats.

- Business Banking launched Online Wires to improve Member experience and help remove manual workflows from our Business Banking Centres.

- Meridian has ambitious goals to transform our credit card line of business by designing and delivering innovative products and exceptional cardholder service. To support this transformation, 2022 was dedicated to migrating the Credit Union's existing credit card portfolio to a new processor and building internal capabilities as a VISA direct issuer, which significantly expands our scope of responsibility. The portfolio conversion resulted in unexpected issues that have negatively impacted the Member experience and our primary focus is centred on resolving outstanding Member issues to regain cardholder confidence. Building a top-tier cardholder service model for Retail and Business Members, optimizing our portfolio, and constructing operational and compliance frameworks to support our new business model continue to be our long-term goals.

Meridian continues to strive to bring innovative and market-leading products to our Members to address unmet needs and differentiate ourselves. To focus on the needs of our Members, we anticipate a constant focus on looking for opportunities to address these needs from a product and technology perspective.

Capability to Deliver Results (continued)

BUILDING A FOUNDATION

✓ Diversity, Equity, Inclusion, Belonging & Reconciliation ("DEIBR")

At Meridian we strive to have an inclusive culture where our employees, Members, partners and communities are valued and respected, and feel a sense of belonging. In 2022, Meridian's plans centred on three key objectives: **Educating** ourselves and others, **Building** partnerships and **Evaluating** progress.

Working with the Canadian Centre for Diversity and Inclusion ("CCDI") and Reconciliation Education, foundational programs were made available to employees to educate and enhance awareness of barriers to inclusion. Complementing these programs, Employee Resource Groups ("ERGs") continued to use Days and Months of Significance to share the unique circumstances impacting equity-deserving groups.

Inclusion is about creating the right environment for diverse employees to thrive. In 2022, Meridian introduced an Inclusion Index measuring performance on six inclusion indices, scoring 76.4% (+5.4% higher than industry benchmark). We also use the Diversity survey to gain deeper insight into the demographics of Meridian's workforce and how equity-deserving groups experience working at Meridian. Taking insights from both the survey and an internal equity audit, we continue to better understand who our employees are, so that programs, education and practices can be customized to meet existing and emerging needs of our employees, Members and the communities we serve.

✓ Exceptional Employee Experience

The events of recent years have fundamentally changed the way we work and live, including employee perceptions and expectations of their work experience. Meridian has remained close to employees through the VoE Program, where employees can share their thoughts on their work experience and as noted, our results are strong.

In the Fall 2022, the VoE Program expanded to include a VoE Action Committee. The purpose of this committee is to create and implement an enterprise-level action plan in response to employee feedback through the VoE program. With input across Meridian's lines of business and corporate functions, a VoE Action Plan was developed identifying key focus areas for 2023.

An extensive organization-wide review of our Total Rewards program has been underway throughout 2022. Data was gathered to help understand and assess what is working, and what can be changed or enhanced. This important work and resulting recommendations will be completed in 2023.

A People and Culture plan inclusive of an approach to Change Management is in development and will support our new strategy and goal of being a magnet for high-performing talent.

Capability to Deliver Results (continued)

✓ **Member Well-Being Partnerships**

Aligned to our Digital and Member experience strategic objectives, our Wealth team continues to explore and forge partnerships with Fintech firms that further enable our Wealth Advisors to deliver on our value proposition of delivering a personalized experience. Our partnership with Advisor Stream provides our Wealth Advisors with the ability to send curated, personalized content to our Members, and our newly formed partnership with CapIntel will enable member-centric portfolio visuals and provide for further transparency and easy of understanding.

Business Banking announced a partnership with LifeWorks to provide access to Employee and Family Assistance Programs to Business Member employees, including resources for mental health, disability management and retirement solutions. In addition to the online experience, a mobile app leads people on a self-guided path that encourages productive behaviours while providing support with counselling from qualified experts.

✓ **Business Transformation Initiatives**

In 2022, we continued to focus on the CRM software implementation initiative, a multi-year project that commenced in 2020, which will update legacy systems, centralize Members' information, and strengthen Member relationships. Significant progress was made in 2022 and we expect to fully launch this solution in early 2023. CRM will be strategically populated with data we can use in every interaction with our Members, allowing us to offer the right product for each Member all the time. We have digitally improved our loan application process for our Meridian credit card products. In addition, MOCC's initiative to transform its operational systems and processes and business model to create ongoing capacity for maintenance, innovation and elevated service efficiency was successfully executed. Ultimately, simplifying the way work gets done will allow us to improve our competitive advantage and market share within the commercial equipment finance industry and provide our customers with an enhanced experience.

Capability to Deliver Results (continued)

✓ **Open Banking Readiness**

On March 22, 2022, the federal government announced the next step towards establishing Canada's open banking system with the selection of the open banking lead to further recommendations issued through the final report of the Advisory Committee on Open Banking. The establishment of an open banking system aims to give Canadians and businesses greater control over their financial data and be better equipped to manage their finances. Open banking, or consumer-directed finance, is a system that would enable consumers to transfer their financial data between financial institutions and accredited third parties in a secure and consumer-friendly way.

The open banking lead's recommendations are expected in the second half of 2023.

Development and implementation of our technical capabilities relating to Application Programming Interface ("API") connectivity continued in 2022 including the production implementation of the API management solution MuleSoft. Authentication and authorization within the open banking architecture are expected to be implemented in early Q2 2023 and are the only outstanding components left to complete Meridian's open banking technology readiness. In addition, we will continue to closely follow the next steps related to the open banking lead's work, and determine the implications and preparation required to meet the recommendations.

Capability to Deliver Results (continued)

✓ Digital Banking Strategy

Meridian's online and mobile platforms ratings have remained strong, ranking within the Top 10 of all Canadian financial institutions in Canada offerings for a second straight year. Creating a simple, seamless and feature-rich digital banking experience that meets Members "anytime, anywhere" banking needs remains a primary focus. In that pursuit, we have continued to implement new and improved functionality that matters most to Members.

Digital Banking improvements over the last year concentrated on deepening security and fraud controls, and strengthening availability and responsiveness. Priority was given to items provided though Member feedback, industry assessments and strategic implementations of new products and services. The following are a few examples of work completed in 2022:

- **Strengthening Digital Platform Security:** Security remains a top concern in today's increasingly electronically connected world. At Meridian, a defined focus is placed on the implementation of strengthened cyber-security controls aimed at keeping Members' assets safe from criminals. One of the most notable improvements in 2022 was the implementation of two-factor authentication, which provides Members with an additional layer of security against stolen or compromised login credentials.

- **Mobile Platform Functionality Improvements:** Meridian's Mobile application is quickly becoming the preferred method of accessing digital banking. As such, ensuring that a robust set of services are available on the app is top priority. Over the last year, eStatements, Secure Messages, Wealth Integration and simplified login/password resets were introduced in the Mobile app.

- **Performance and Availability:** Updates have been made to make the digital channels more resilient and responsive. Whether logging in with mobile "biometric" capabilities or moving between online, mobile web or mobile app, Meridian's digital platforms provide a highly adaptive design and ease of use no matter what channel you prefer to use for digital banking.

- **Fraud/AML Prevention:** Fraudsters never stop, nor should improved controls to prevent Members accounts from being impacted. Additional controls in core digital systems have been implemented in 2022 to identify suspicious activity and block criminals from doing harm.

Even more exciting digital banking changes are planned in 2023 such as expanded Mobile app features/functions, new and simplified digital onboarding, more e-documents (such as tax forms), in-application support improvements (including Click-to-Call, Chat and "How-To" guidance), and expanded real-time alerting options that will allow Members to tailor how best to manage actions on their accounts. Focus will also remain on re-engineering key Member omni-channel experiences and look to further humanize our approach to digital banking. For Business Banking Members, a significant investment is being made into digital banking options, such as digital onboarding, digital lending and various other support options that will reduce the time business owners need to spend on day-to-day banking and allow them to focus on running their business.

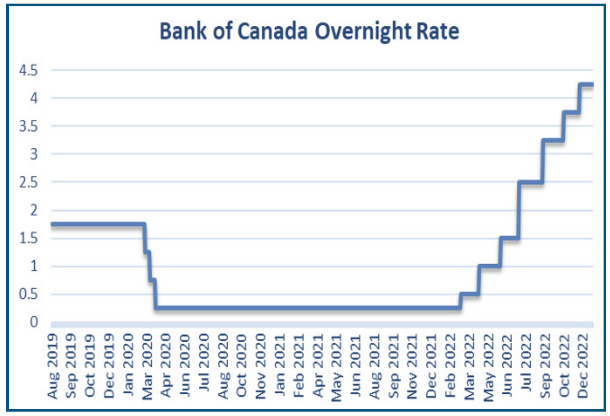
Consolidated Financial Results

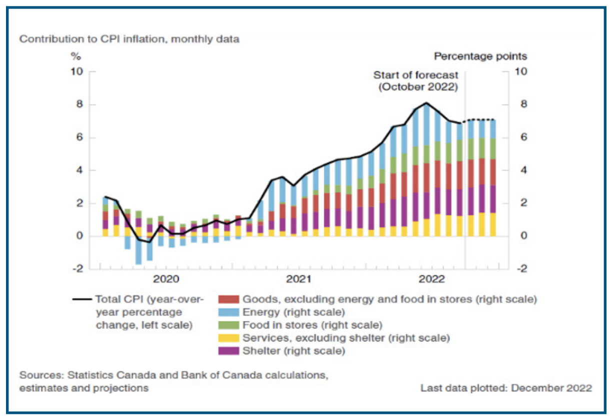
2022 FINANCIAL OVERVIEW

With the onset of COVID-19 in early 2020, the Canadian government and the Bank of Canada ("BOC") were quick to react by rolling out government subsidy programs and reducing the overnight rates to historic lows (0.25%) to support Canadians and the economy. Rates remained at these low levels for over two years. During 2021, inflation started to increase, Canadian housing prices appreciated by double digits, supply chain issues arose and stock markets generated very strong returns.

In Canada, most COVID-19 restrictions were lifted in early 2022. In attempts to rein in inflation, the BOC commenced rate increases in March and rates surged by an unparalleled 400bp, with the year-ending target overnight rate at 4.25%. The BOC raised rates by another 25bp in late January 2023.

While the rate increases had an immediate negative effect on the housing market, inflation continues to remain stubbornly high with ongoing demand pressures.





2022 Financial Overview (continued)

In early 2020, COVID-19 impacted housing sales activity; sales initially declined, only to recover and exceed expectations over the next two years. Sales activity and prices peaked in February 2022 but declined significantly in the following months in conjunction with the rapid rise in interest rates. While prices are down versus the peak and year over year, demand for housing continues and is partially supported by continued immigration inflow.

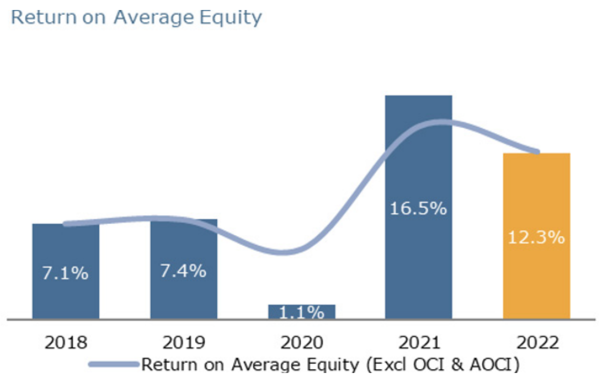
Stock markets in both Canada and the US also exhibited significant volatility during 2022. The markets started the year in positive territory but by late September were down close to 20% year over year, only to recover somewhat by the end of the year, resulting in 8-9% year-over-year declines. Daily volatility was extreme, with "routine" swings of 1-2% relatively commonplace as unemployment, Gross Domestic Product ("GDP") and inflation metrics were announced and digested by the investment community.

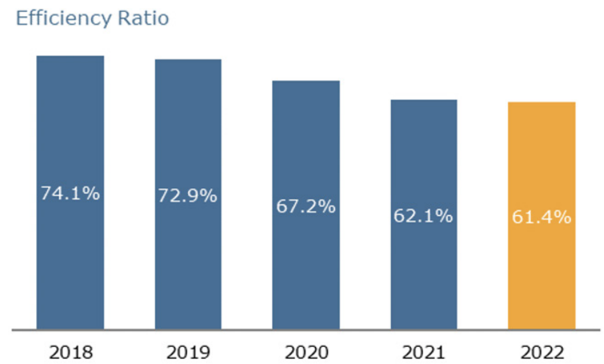
Meridian's financial performance improved during this challenging economic period, with robust asset growth and significantly less losses than were initially expected based on the lingering impacts of the pandemic. Meridian's balanced approach for target setting, investment strategy, earnings performance, risk management and capital deployment safeguards Meridian and allows for sustainable profitability. This is a key ingredient supporting our future and our Members. Meridian and allows for sustainable profitability. This is a key ingredient supporting our future and our Members.

Total assets grew by $2.0 billion or 8% to $26.2 billion at the end of 2022, driven largely by increases in Commercial lending, residential mortgages and OneCap lease receivables. Assets under management, which include off-balance sheet Wealth Management assets, increased by $1.8 billion or 6% to $30 billion. Wealth assets declined $0.3 billion due to market depreciation. Meridian's deposit portfolio grew $1.6 billion or 10% to $18.5 billion, while our loan portfolio increased $1.5 billion or 8% to $20.9 billion in 2022.

Meridian generated $224.4 million in pre-tax earnings, an increase of $6 million over the previous year. The increased earnings were mainly due to higher net interest income and non-interest income. Recoveries in Provision for Credit Losses ("PCL") were lower than the prior year but continue to be in a recovery position as anticipated losses related to the pandemic did not materialize. Return on equity ("ROE") represents total comprehensive income as a percentage of average total equity. The after-tax ROE was 12.3% in 2022, compared to 16.5% achieved in 2021, mainly due to lower total comprehensive income in 2022.

2022 Financial Overview (continued)

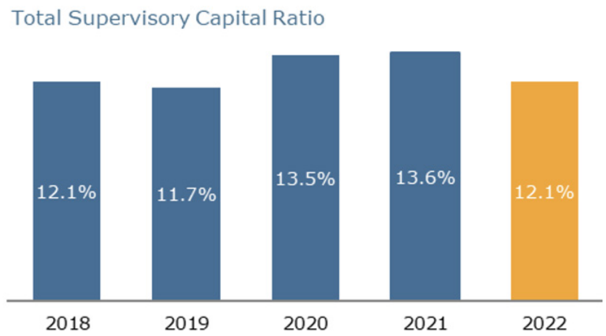


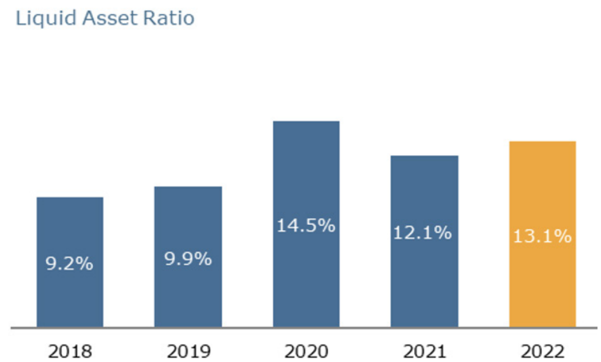


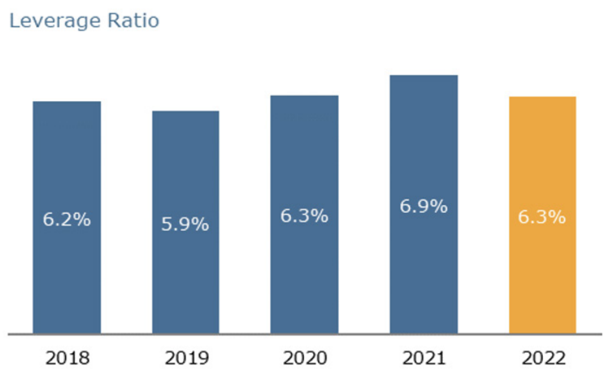
Meridian's net interest and non-interest income was $577.5 million for 2022, a 6.3% increase from 2021 results. The primary cause of this increase was higher net interest and non-interest income partially offset by lower PCL recoveries. Total revenue increased $51.2 million over 2022 mainly due to asset growth, widening spreads and net gains on financial instruments. Non-interest expenses increased $28.2 million from the previous year. The increase was seen in two main areas: the first in salaries and benefits largely as a result of annual merit increases, higher staffing levels and a return to regular branch hours post COVID-19 lockdowns; the second in software and consulting costs. Meridian also grew its investment in foundational initiatives to help drive efficiencies and capital efficient growth in the future.

The efficiency ratio is a measure of productivity and is calculated as total non-interest expense divided by total revenues, not including loan loss provisioning. Growth in revenues relative to slower expense growth, as previously noted, resulted in an improvement in the efficiency ratio to 61.4% in 2022, compared to 62.1% in 2021.

2022 Financial Overview (continued)







Capital ratios prior to 2022 are based on previous Financial Services Regulatory Authority ("FSRA") Capital Rules, as further discussed in the Regulatory Capital Development section under Capital Management. In 2022, Leverage Ratio replaced the Capital Adequacy Ratio and The Supervisory Capital Ratio replaced the Risk Weighted Capital Ratio.

Meridian's Tier 1 Capital Ratio and Total Supervisory Capital Ratio increased to 9.5% and 12.1%, respectively, in 2022 due to strong earnings relative to asset growth. These ratios remain well above the minimum regulatory requirements of 9% and 10.5%, respectively, and within our own risk appetite target ranges. The setting and monitoring of our risk appetite ranges are discussed in more detail in the Risk Management section. Leverage Ratio declined to 6.3% in 2022 as a result of strong asset growth, however it's well above the regulatory minimum of 3.0%.

Meridian's liquid asset ratio improved to 13.1% during 2022 from 12.1% a year earlier due to strong organic funding as well as the new Asset Backed Commercial Paper ("ABCP") program established in 2022.

All regulatory ratios remain well within our risk appetite target ranges and far exceed regulatory minimums.

Capital Position

A key indicator of our financial soundness is the strength of our capital base, which consists mainly of Member capital accounts and retained earnings. A strong capital position allows us to absorb shocks stemming from economic downturns and market risk, invest in activities and ventures that add value to our Members, and protect Members' interests. We continue to focus on maintaining elevated capital ratios and building our capital base through strong retained earnings growth.

✓Meridian's capital and risk weighted capital ratios remained strong and continued to be well within regulatory and risk appetite ranges. We have positioned our Capital well to sustain external economic shocks and provide the ability for future growth.

2022 FINANCIAL PERFORMANCE REVIEW

CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2022

($ thousands)	2022	2021
Net interest income	450,639	420,043
Net recovery of credit losses	(2,867)	(19,847)
Net interest income after recovery of credit losses	453,506	439,890
Fees and other income	92,402	87,619
Securitization income	85	462
Net gain on financial instruments	31,117	15,176
Share of profits from investment in joint venture	345	93
Non-interest income	123,949	103,350
Net interest and non-interest income	577,455	543,240
NON-INTEREST EXPENSES		
Salaries and employee benefits	214,972	204,823
Administration	107,689	88,286
Occupancy	9,158	9,241
Amortization of intangible assets	4,733	5,564
Depreciation	16,495	16,906
Total non-interest expenses	353,047	324,820
Operating earnings	224,408	218,420
Income tax expense	41,830	33,573
Profits for the year attributable to Members	$ 182,578	$ 184,847

Total Revenue

Total revenue, which comprises net interest income and non-interest income before PCL, rose $51.2 million to $574.6 million in 2022. Net interest income increased $30.6 million to $450.6 million. This year the market saw unprecedented interest rate increases, which increased both our asset yields and cost to borrow. Our asset yields offset the increases in cost to borrow due to increased yields from cash and investments, changes in the mix of the lending portfolio and increased deposits from the successful High Interest Savings Account ("HISA") Boost program. In addition, Meridian experienced higher loan fees offset by reduced mortgage prepayment fees. Non-interest income increased $20.6 million to $123.9 million. The year-over-year increase can be attributed to OneCap with higher early lease buy-out gains, higher interim rents and additional document fees due to significantly higher volume.

2022 Financial Performance Review (continued)

Net Interest Income

Net interest income includes interest income on assets such as loans, securities and receivables less interest expense paid on liabilities such as deposits and wholesale funding. For the year, net interest income was $450.6 million, an increase of $30.6 million or 7% over 2021. Interest income on assets increased $154.5 million, while interest expense on liabilities increased $123.9 million.

Net interest margin is the ratio of net interest income to average total assets, expressed as a percentage. In 2022, net interest margin was 1.79%, which is an increase of 1 basis point from 2021. The prime rate increase of 400 basis points over the year was the driving force for net interest income growth with widening spreads on variable products as demand deposit pricing did not keep pace with lending yield increases. This was partially offset by margin compression on fixed products. Contributing to the change was the shift in lending mix with higher growth in Commercial loans than Retail loans.

Meridian experienced decreased mortgage prepayment fees ($22.8 million) as a result of the higher interest rate environment and higher loan fees ($1.7 million) reflecting strong Commercial loan originations. Continued growth from our revenue diversification strategy, including revenue from DriveON and OneCap, also contributed to the increase.

Meridian's average total assets increased $1.6 billion or 6.6% in 2022, through strong loan growth.

Average loan balance growth increased $1.5 billion or 8.1% in 2022, and the interest revenue associated with these loans grew by 17%. Lending and loan revenue growth were both positive with the shift in mix from Retail to Commercial and impact of 400bp in prime rate increases over the year.

Meridian's asset growth was largely organically funded, driven by the HISA Boost offering. Growth in average deposit balances was $1.4 billion or 8.4% in 2022.

	Net Interest Income ($ millions)		Change	Average Assets and Liabilities ($ millions)		Change	Net Interest Margin (in basis points)		
	2022	2021	%	2022	2021	%	2022	2021	Change
Cash and cash equivalents	23.1	4.1	464.8	1,511.1	1,560.6	(3.2)	152.9	26.3	126.6
Investments	28.5	12.5	128.0	1,682.2	1,829.3	(8.0)	169.4	68.3	101.1
Loans	351.1	270.0	30.0	6,629.4	5,870.2	12.9	529.6	460.0	69.6
Lines of credit	69.0	50.3	37.3	1,306.1	1,277.5	2.2	528.3	393.7	134.5
Mortgages	340.6	330.1	3.2	12,241.7	11,525.0	6.2	278.2	286.4	(8.2)
Finance receivables	69.3	60.0	15.5	1,366.3	1,141.4	19.7	507.2	525.7	(18.5)
Other assets				400.5	382.1	4.8			
Interest income / total assets	881.6	727.0	21.3	25,137.3	23,586.1	6.6	350.7	308.2	42.5
Demands	102.6	29.7	245.5	9,160.7	8,595.7	6.6	112.0	34.6	77.4
Fixed terms	199.5	151.1	32.0	8,550.5	7,741.4	10.5	233.3	195.2	38.1
Borrowings	122.2	108.6	12.5	5,527.0	5,504.9	0.4	221.1	197.3	23.8
Subordinated debt	9.2	8.4	9.5	175.5	175.3	0.1	524.3	479.2	45.1
Other liabilities	(2.6)	9.2	(128.3)	268.6	301.6	(11.0)	(96.8)	305.0	(401.8)
Interest expense / total liabilities	430.9	307.0	40.4	23,682.3	22,318.9	6.1	182.0	137.6	44.4
Members' equity				1,455.0	1,267.2	14.8			
Total liabilities and Members' equity	430.9	307.0	40.4	25,137.3	23,586.1	6.6	171.4	130.2	41.3
Total	450.6	420.0	7.3				179.3	178.1	1.2

2022 Financial Performance Review (continued)

Provision for Credit Losses ("PCL")

PCL is measured in accordance with IFRS 9, using a three-stage impairment model. Relevant exposures within the scope of the IFRS 9 impairment model for Meridian include Loans, Finance Receivables, as well as off-balance sheet exposures, including loan commitments and letters of credit. For a more detailed discussion of the models used, refer to Note 3.8 and 35.1 of the Consolidated Financial Statements.

PCL is made up of write-offs, expected losses on specifically identified accounts (stage 3 expense) as well as losses expected but not yet identified on performing accounts (stage 1 and 2 expense). There was an overall PCL recovery of $2.9 million in 2022 ($19.8 million recovery in 2021), which was driven by reversals of stage 1 and 2 allowances across several portfolios, partially offset by modest stage 3 expense on retail loans and finance receivables. In 2020, the Credit Union increased its stage 1 and 2 provisions significantly in expectation of incremental losses relating to the COVID-19 pandemic. These losses did not materialize over the course of 2021 or 2022 to the extent previously anticipated. The improving pandemic environment supported a partial reversal of incremental stage 1 and 2 provisions. Although stage 1 and 2 allowances have been reduced, levels remain higher than before the pandemic to absorb losses that may still be forthcoming due to new economic uncertainties relating to inflation, interest rates, the housing market and others.

The PCL on the Commercial loan portfolio was a recovery of $4.5 million ($13.3 million recovery in 2021). This was comprised of a $4.3 million recovery on stage 1 and 2 provisions ($6.7 million recovery in 2021) and a $0.2 million recovery on stage 3 provisions ($6.6 million recovery in 2021). Recoveries on stage 1 and 2 provisions were driven by the partial reversal of pandemic-related allowances taken in 2020. Stage 3 losses netted to a recovery of $0.2 million due to positive revisions on the allowances for pre-existing impairments.

The PCL on the Retail Banking loan portfolio was an expense of $2.9 million ($1.7 million expense in 2021). This was comprised of a $0.1 million expense on stage 1 and 2 provisions ($1.2 million recovery in 2021) and $2.8 million in stage 3 expense ($2.9 million expense in 2021). Stage 3 expense was driven by one large residential mortgage impairment and a number of smaller losses on unsecured loans.

The PCL on Finance Receivables was a recovery of $1.3 million ($8.3 million recovery in 2021). This was comprised of a $3.0 million recovery on stage 1 and 2 provisions ($8.8 million recovery in 2021) and $1.7 million in stage 3 expense ($0.5 million expense in 2021). Recoveries on the stage 1 and 2 provisions were driven by the continued reversal of pandemic-related allowances taken in 2020, while stage 3 expense was very low versus historical levels due to strong performance of industry sectors in which the portfolio is concentrated as well as a strong resale market for equipment repossessed on defaulted leases.

Historically, a significant driver of stage 1 and 2 expense has been growth, as PCL is required to be taken on all new loans at initial recognition. In 2022, PCL taken on new loans net of those released on loans derecognized contributed $7.6 million of expense on the allowance ($7.7 million recovery in 2021).

The stage 1 and 2 allowance as a percentage of performing loans was 0.28% in 2022, which was a decrease of 0.07% from 2021, where the coverage ratio was 0.35%. This decrease reflects the increased optimism on the continued pandemic environment recovery and the fact that stage 3 losses have not materialized to the extent contemplated at the 2020 and 2021 year-ends. However, the stage 1 and 2 allowance as a percentage of performing loans remains higher than pre-pandemic levels to provide for losses that still may be forthcoming over 2023 considering new economic pressures.

2022 Financial Performance Review (continued)

Credit Portfolio Quality

Loan and Finance Receivable expected credit loss provisioning is determined in accordance with established policy. Management reviews the Loan and Finance Receivable allowance position and impairment levels at least quarterly. Management also reviews the status of all high-risk accounts ("Watchlist" accounts), which are actively monitored. Provisioning is adjusted where necessary to ensure compliance with policies and include management's best estimate of losses based on the currently available information. The PCL is reflected in the Income Statement in the current year.

The gross impaired loans and finance receivables balance is $82.7 million ($98.6 million in 2021) and represents 0.37% of the total Loan and Finance Receivable portfolio (0.48% in 2021). The total allowance for expected credit losses on loans and finance receivables stands at $77.4 million ($87.4 million in 2021). The decrease was driven by lower allowances across all stages. Stage 1 and 2 allowances were reduced to $63.7 million ($70.7 million in 2021); this reflects the recovery from the COVID-19 pandemic but factors in an offset for unfavourable changes in the macroeconomic outlook, considering interest rate and inflationary increases. The stage 3 allowance was reduced to $13.7 million ($16.7 million in 2021) due to improvements on, or the resolution of, several large Retail impairments as well as lower levels of Commercial impairments and impaired Finance Receivables.

A risk rating system is used to assess and monitor the risk profile of the Commercial loan portfolio. The model is based on an in-depth assessment of the borrower's risk of default, which is measured by industry, business, management and financial risk factors, along with the risk of loss given default. The risk of loss given default is based on an assessment of security composition and relative historical recovery experience.

Asset Quality Coverage - Loans and Finance Receivables

($ millions)	2022	2021	Change
Total Loans	22,469.1	20,618.0	1,851.1
Gross Impaired Loans "GIL"	82.7	98.6	(15.8)
Allowance for Expected Credit Losses	77.4	87.4	(10.0)
Provision for Credit Losses	(2.9)	(19.8)	17.0
GIL as % of total loans	0.37%	0.48%	-0.11%
GIL as % of Members equity	5.37%	7.18%	-1.80%
Allowance as % of total loans	0.34%	0.42%	-0.08%
PCL as % of total loans	-0.01%	-0.10%	0.08%
Commercial Loans Risk Rating:			
% Better than average risk	13.3%	16.9%	-3.6%
% Average risk	33.3%	36.0%	-2.7%
% Higher than average risk	53.4%	47.1%	6.3%
Total	100.0%	100.0%	

The Commercial loan portfolio stratified by risk rating ranging from "very low" to "impaired" is reviewed monthly. The proportion of Commercial loans in "higher than average risk" has increased partly as a result of capturing new economic risks and partly due to business strategy. In addition, a comprehensive Early Warning System allows for timely identification of accounts that require follow-up and additional attention through the adjudication process or an increase in risk rating to Watchlist status, with the objective of correcting issues that may otherwise result in future impairment of the account.

The credit quality of the portfolio continues to be actively monitored using a wide array of tools and techniques, with real-time insights and sound financial advice provided to Members to help them maintain their financial well-being.

2022 Financial Performance Review (continued)

Non-Interest Income

Total non-interest income increased by $20.5 million or 19.9% to $123.9 million in 2022. The increase consists of $4.8 million increase in total fees and other income, and $15.9 million net increase in gain on financial instruments. Excluding the increase in financial instruments net gains, non-interest income increased $4.7 million in 2022.

Total fees and other income rose by $4.8 million or 5.5% to $92.4 million in 2022.

Leasing revenue was the biggest contributor accounting for $2.9 million of the increase driven by portfolio growth and improved sales tactics. Close behind the leasing revenue was the increase from foreign exchange income by $2.5 million to $7.5 million, reflecting the return of travel with the lifting of restrictions for COVID-19 mitigation measures.

Credit Card revenue grew by $1.7 million or 44.7% to $5.5 million driven by recording a one-time reduction to the Rewards liability after migrating our existing credit card portfolio to a new processor.

Mutual fund revenue increased $1.1 million year-over-year, growing by 3.8% to $29.8 million. The increase was driven by the growth in Wealth balances due to prior year strong sales reflecting a focus on increasing share of wallet and higher penetration of our Member base. Decline in market appreciation during the year restricted growth.

Dividend income decreased $2.8 million with prior year final dividend of $2.0 million received from Central 1 and a strategic decision by Treasury to move away from preferred share dividends.

Loan servicing fees declined by $1.9 million or 22.1% to $6.7 million driven by Commercial lending. During 2022, our Commercial loan portfolio grew $1,044 million, an increase of 17% over 2021.

Other income increased $0.9 million or 25.0% to $4.5 million driven by term redemption fees driven by the volume of transactions with attractive new rates.

The net increase in gain on financial instruments of $15.9 million over 2021 is made up of a $14.1 million gain in OneCap due to the 2016-1 facility shift to using a majority ABCP funding now, which is not eligible for hedge accounting.

Non-interest income is affected by fluctuations in capital markets beyond normal operating activities. As necessary, Meridian undertakes hedging activities, which may include the transacting of derivative instruments to protect Meridian and its Members from changes in external market conditions. These hedging activities, in turn, generate their own net interest income or loss, countering the impact on the underlying instrument.

Securitization income declined by $0.4 million due to reduced sales volume of multi-unit residential mortgages ("MURMS") loans to the Canada Mortgage and Housing Corporation ("CMHC").

The following table summarizes the composition of Meridian's non-interest income:

Non-Interest Income

($ millions)	2022	2021	% Change
Service fees	20.2	19.4	4.1%
Mutual fund revenue	29.8	28.7	3.8%
Loan servicing fees	6.7	8.6	-22.1%
Insurance commissions	6.4	7.0	-8.6%
Foreign exchange	7.5	5.0	50.0%
Leasing revenue	9.7	6.8	42.6%
Dividend Income	0.6	3.4	-82.4%
Interac revenue	1.5	1.3	15.4%
Credit card revenue	5.5	3.8	44.7%
Other	4.5	3.6	25.0%
Total Fees & Other Income	92.4	87.6	5.5%
Gain/(Loss) on Financial Instruments	31.1	15.2	104.6%
Share of profits from investment in joint venture	0.3	0.1	200.0%
Securitization Income	0.1	0.5	-80.0%
Total Non-Interest Income	123.9	103.4	19.8%

2022 Financial Performance Review (continued)

Non-Interest Expenses

Non-interest expenses increased to $353.0 million in 2022, from $324.8 million in 2021. The 8.7% increase in expenses was mainly associated with salaries and benefits, software and hardware, and marketing.

Personnel expenses, which include all employee salaries, benefits and incentive compensation, accounted for approximately 36% of the increase in expenses. Higher personnel expenses were driven by return to regular branch hours, increases in the employee loan program and increased OneCap commissions due mainly to higher volumes. In addition, in the year, Meridian made a strategic investment in becoming a Living Wage Employer, furthering its commitment to employee well-being. This was offset by reduced Mobile Mortgage Services ("MMS") commissions and severances. Salary expenses increased $10.4 million or 7.6% to $148.0 million in 2022. Higher performance-based sales commissions associated with OneCap growth and annual merit increases contributed to the increase in salary expense.

General operating expenses increased 80.1% or $13.3 million. Higher consulting fees and discretionary expenses and additional funding for initiatives drove the increase.

Transaction services decreased by $1.0 million to $17.1 million through the renegotiation of contracts.

Marketing expenses were relatively flat to 2021 with $11.2 million in 2022. We invested in brand awareness along with increased campaign marketing. Meridian continued with the "What If" campaign to invest in brand recognition to drive increased awareness and consideration plus promote the new VISA credit card conversion.

Meridian has a longstanding Commitment to Communities. This year saw increased focus on investing back into our Member communities with an increase of $1.1 million to $4.7 million, a 30.6% increase. The total investment in programs and sponsorship included our direct branch level granting of $2.9 million and does not reflect additional contributions in the form of "in kind" services. These programs build our brand by making a bold community impact while engaging and empowering our employees, Members and future Members.

Software and hardware expenses increased by $3.9 million to $18.8 million.

This increase is due to our growing workforce and investment in new technology, requiring additional software, hardware and associated licensing costs to ensure we can deliver our unique and personalized experience consistently to our Members, and our conversion to a cloud-based strategy. This strategy drove a decrease in depreciation of $0.4 million to $16.5 million, as some hardware costs were no longer capitalized in 2022.

Deposit insurance increased $0.7 million to $13.2 million. This is driven mainly by the increase in deposit balances. Amortization decreased $0.9 million to $4.7 million due to decreased OneCap broker and vendor relationship intangible asset amortizations, which, as anticipated, has steadily decreased since the acquisition of OneCap in 2016.

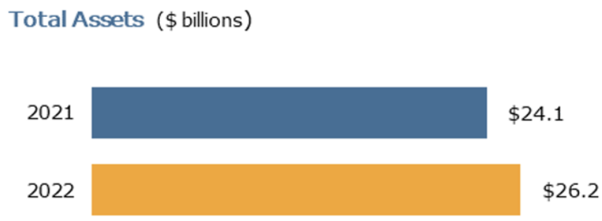
Meridian's investment in strategic initiatives increased $6.7 million to $12.2 million. The increase is related to investments that continue to support Meridian's strategic imperatives and enable us to achieve long-term sustainability. 2022 initiatives were mainly focused on business transformation and digitization, and include an enterprise customer relationship management system, enhancement of our lending processes and technology, credit card strategy, and numerous innovative product and service designs supporting our strategic imperative of delivering a differentiated Member experience. These expenses are reported across various expense categories.

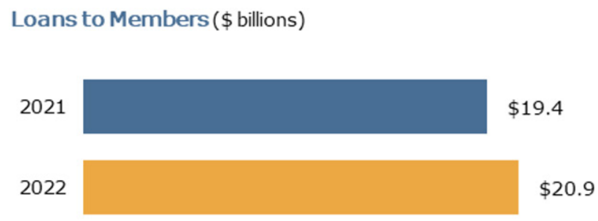
Non-Interest Expense

($ millions)	2022	2021	% Change
Salaries and Benefits	215.0	204.9	4.9%
Salaries	148.0	137.6	7.5%
Benefits	38.6	37.7	2.3%
Variable Incentive	28.4	29.5	-3.7%
General	29.9	16.6	80.1%
Occupancy	9.2	9.2	0.0%
Marketing	11.2	11.4	-1.8%
Community Investment	4.7	3.6	30.6%
Software and Hardware	18.8	14.9	26.2%
Transaction Services	17.1	18.1	-5.5%
Depreciation	16.5	16.9	-2.4%
Deposit Insurance	13.2	12.5	5.6%
Amortization	4.7	5.6	-16.1%
Human Resources	2.4	2.0	20.0%
Other Expenses	10.3	9.1	13.2%
Total	353.0	324.8	8.7%

FINANCIAL CONDITIONS REVIEW

Balance Sheet Summary





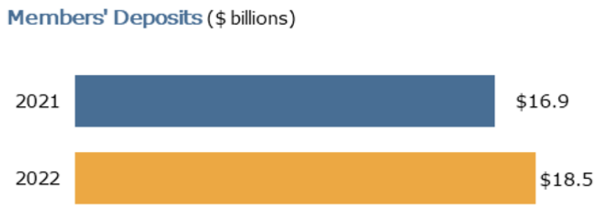
Meridian's total assets grew by 8% to $26.2 billion in 2022, an increase of $2.1 billion over the previous year.

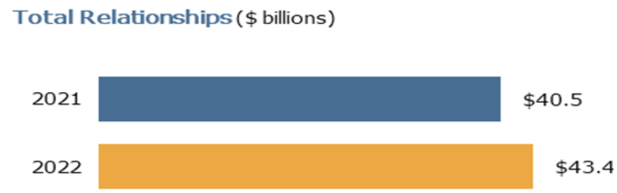
The $2.1 billion increase in total assets was driven by a number of areas. 2022 reflected an increase in Commercial loans to the construction and land development sectors. More than half of Retail growth was achieved through mortgages with line of credits and DriveON loans making up the balance. DriveON growth was $93 million in 2022 due to strong growth in dealerships signed on to the program. OneCap lease assets grew $0.3 billion in 2022. An increase in liquid assets was driven by wholesale funding and strong organic deposit growth.

Loans to Members grew by 8% or $1.5 billion to $20.9 billion. Commercial loans accounted for 64% of this growth, while Residential mortgages contributed 36%.

Strong growth in Commercial loans continued, increasing by $1.0 billion or 17%. This growth was attributable to strong performance in the land development and construction, real estate, and hospitality sectors as well as further loan diversification through syndications. Residential mortgages increased by $0.4 billion or 3% growth over 2021. Mortgage growth was lower than the prior year mainly due to the downturn in the housing market primarily because of higher interest rates. Focus continued on profitability in a very competitive market across all channels, including the branch network, digital lending platform, mobile mortgage specialists, mortgage brokers, and third-party originations.

Financial Conditions Review (continued)





Deposits grew by 10% or $1.6 billion to $18.5 billion in 2022.

Growth in term deposits was the primary driver of the increase, as Members favoured term deposits due to the higher interest rate environment and attractive longer-term rates.

Other than deposits, Meridian's borrowings (including secured) increased by 12% or $0.2 billion.

Meridian's off-balance sheet assets consist of our Wealth portfolio, which is comprised largely of mutual fund assets held by Members.

Meridian's Wealth portfolio experienced a decline of $0.3 billion or 7% in 2022 compared to the previous year. During 2022 the markets experienced significant volatility and key markets in both Canada and the US sustained losses throughout the year. While positive net sales for the year were generated, they were insufficient to offset the market depreciation. In addition, member preference for term deposits with attractive rates subdued net sales growth.

Overall, the total Member relationships managed by Meridian, which includes lending, deposits and wealth, grew by 7% or $2.9 billion to $43.4 billion in 2022.

Notwithstanding the high level of uncertainty and challenges in 2022, Meridian was able to grow relationships across all channels excluding Wealth. This growth allows Meridian to extend its value proposition to a larger number of Canadians. Wealth relationships declined 7% as the stock markets in both Canada and the US ended the year down 8-9%.

Financial Conditions Review (continued)

Liquidity Review

Managing liquidity and funding risk is critical to ensure the stability and soundness of Meridian, depositor confidence, and earnings. Meridian's policies and procedures ensure Meridian holds sufficient liquid assets on the balance sheet and has contingent funding capacity to meet financial commitments in times of stress. As of December 31, 2022, Meridian's liquid asset ratio was 13.1%, compared to 12.1% at the end of 2021, well above the minimum requirement established by the Board. Meridian purposefully enhanced its liquidity levels given the uncertain economic environment.

Meridian maintains a sensible and disciplined approach to managing liquidity risk. Meridian targets a survival horizon, appropriately based on current economic and financial conditions, under a combined Meridian-specific and market-wide stress scenario, maintaining a minimum buffer over regulatory requirements prescribed by the FSRA Liquidity Guidelines. Under the Liquidity Guidelines, Ontario Credit Unions are required to maintain a Liquidity Coverage Ratio ("LCR"), which is the ratio of net cash outflows over a 30-day period calculated using the prescribed liquidity stress scenario to high quality liquid assets held, at a minimum of 100%. As of December 31, 2022, Meridian's Liquidity Coverage Ratio was 364%, compared to 218% at the end of 2021. Meridian monitors and reports no less frequently than monthly our regulatory liquidity metrics to FSRA.

Meridian's funding strategy follows a sustainable growth approach in that the funding of organic lending growth is primarily accomplished through organic deposit growth and securitization. Meridian maintains a large and stable base of deposits that, along with our strong capital base, supports the maintenance of a sound liquidity position.

Meridian regularly securitizes residential mortgages by participating in both government-sponsored and private securitization programs to enhance its liquidity position and diversify sources of funding. In 2022, the Credit Union's total National Housing Authority Mortgage Backed Securities ("NHA MBS") sold to third party investors or the CMHC-sponsored Canada Mortgage Bond program was $952 million (2021 – $1,337 million), and funding outstanding from ABCP conduits was $500 million (December 31, 2021 – nil).

MOCC is a wholly owned subsidiary of Meridian. MOCC established Meridian OneCap Limited Partnership ("LP") to purchase equipment leases and loan assets originated by the OneCap team. The LP is a master trust, a structure designed to provide MOCC with maximum flexibility and ensure sustainable funding to support MOCC's long-term growth. The LP currently issues Asset Backed Notes to finance the purchase of lease assets from MOCC. MOCC maintains a one-year committed credit facility and a three-year committed credit facility, which are funded by Class A and Class B notes. In 2022, MOCC increased securitization balances outstanding to third party investors by $208 million, to a year-ending balance of $1,265 million.

Meridian continues to maintain, and investigate new, diverse funding sources in the event that access to specific programs is limited in the future or only available at significantly higher rates. Diversification of external funding sources is an important aspect of Meridian's overall risk management strategy.

CAPITAL MANAGEMENT

Overview

Meridian is committed to a disciplined approach to capital management and maintaining a strong capital base to support the risks associated with its business activities. Maintaining a strong capital position contributes to safety for our Members, promotes confidence in attracting new Members to Meridian, maintains strong returns to Meridian's Class A Shareholders and allows Meridian to take advantage of growth opportunities.

Meridian's capital management philosophy is to remain adequately capitalized at all times and maintain a prudent cushion of equity to ensure its ongoing economic stability as well as finance new growth opportunities.

The principles and key elements of our capital management framework are outlined in the Board Capital Management Policy. This policy establishes and assigns the responsibilities related to capital and sets forth both general and specific policy guidelines related to capital management and the reporting mechanisms.

The Risk Committee, which reports into the Board of Directors, has oversight of the Capital Management policy and oversees the target risk-based capital requirement determined by the Internal Capital Adequacy Assessment Process ("ICAAP").

The Audit and Finance Committee monitors compliance with the policy and provides ultimate oversight of capital management, including the Annual Capital Plan and the Three-Year Capital Plan. It regularly reviews Meridian's capital position and key capital management activities.

The Executive Leadership Team provides senior management oversight of the capital management process, including review and discussion of significant capital policies, issues and action items. At the operational level, the Treasury Team is responsible for the overall management of capital including planning, forecasting and execution of the Capital Plan.

Managing and Monitoring Capital

Meridian has a comprehensive risk management framework to ensure that the risks taken while conducting business activities are consistent with its risk appetite. In managing our capital position, close attention is paid to the cost and availability of the types of capital, desired leverage, changes in both assets and risk weighted assets, and the opportunities to profitably deploy capital.

Capital Planning is an important element of financial planning and establishment of strategic objectives, and it is developed in accordance with the Capital Management Policy. Each year, a Capital Plan and a Three-Year Outlook are developed as part of the Financial Plan, which establishes targets for coming years and business plans to achieve those targets. Capital levels are monitored monthly and compared to forecast levels for both capital and risk weighted capital.

Our monitoring and forecasting procedures track the expected growth rate in assets relative to earnings to determine if additional share capital is required. These projections also take full account of any future impact of changes in accounting standards. A detailed discussion of capital management is provided in the notes to the audited consolidated financial statements.

Capital Management (continued)

Capital Review

Meridian is well capitalized, with regulatory ratios comfortably exceeding the recently introduced requirements of FSRA Rule 2021-002 Capital Adequacy Requirements for Credit Unions and Caisses Populaires under the Credit Union and Caisses Populaires Act, 2020 (the "Act"), which regulates Ontario Credit Unions and underlies Board policy requirements.

Meridian's Tier 1 Capital Ratio (T1CR) and Total Supervisory Capital Ratio (TSCR) was 9.5% and 12.1%, respectively, as of December 31, 2022, compared to 10.9% and 13.6%, respectively, at the end of 2021 under the previous FSRA capital rules under the Credit Union and Caisses Populaires Act, 2014 (the "Previous Act"). These are well in excess of the 6.5% and 8.0% minimum requirement, as well as the additional 2.5% capital conservation buffer stipulated in the Act and highlight strength in Meridian's capital position and asset quality.

Meridian's Leverage Ratio was 6.3% at the end of 2022, compared to 6.9% at end of 2021 under the previous FSRA capital rules under the Previous Act. This is well in excess of the 3.0% requirement stipulated in the Act.

Meridian's strong capital positions are due to strong earnings and optimisation of capital utilization and risk-adjusted returns. These ratios underscore Meridian's strength and long-term stability and commitment to a disciplined approach to capital management that balances the interests and requirements of Members and regulators.

Regulatory Capital Development

On March 1, 2022, the new Credit Union and Caisses Populaires Act, 2020 (the "Act") came into effect. With it, the FSRA Rule 2021-002 Capital Adequacy Requirements for Credit Unions and Caisses Populaires was introduced. The new rules promote a stronger credit union sector through the assessment and maintenance of adequate and appropriate forms of internal capital, and better alignment with international standards.

It sets new requirements for the following:

- Calculation of capital ratios and supervisory minimums (Tier 1 Capital Ratio of 6.5%, Total Supervisory Capital Ratio of 8%, Capital Conservation Buffer of 2.5%, and Leverage Ratio of 3.0%)
- Capital reporting of subsidiaries on a consolidated basis
- Calculation of Credit Risk of Risk Weighted Assets in alignment with Office of the Superintendent of Financial Institutions ("OSFI") capital standards
- Internal Capital Adequacy Assessment Process ("ICAAP")

Since FSRA had a lengthy consultation period with the industry, Meridian was operationally prepared and well capitalized to meet the new requirements prior to their implementation.

Capital Management (continued)

Internal Capital Adequacy Assessment Process

Meridian performs an ICAAP and maintains a Stress Testing program, in line with FSRA requirements. Meridian performs an ICAAP for the purpose of setting internal capital targets and developing strategies to achieve them. The ICAAP builds on Meridian's minimum regulatory capital requirements, using a comprehensive assessment of risks and consideration of relevant stress testing to determine minimum capital levels that are appropriate to support Meridian's unique risk profile. The ICAAP is integrated with Meridian's strategic and business planning function, operational departments, and Enterprise Risk Management ("ERM") function.

RISK MANAGEMENT

Effective risk management is critical to the attainment of the strategic imperatives of Meridian. Meridian has built a strong overall risk culture that empowers all employees to be engaged in the identification and management of risk within its risk appetite. The Board of Directors and all employees are responsible to ensure that the risks to which Meridian is exposed are aligned to the Board-approved risk appetite. Meridian has established a risk appetite framework across the organization for Management and the Board of Directors to communicate, understand and assess the level of risk that they are willing to accept. A clear risk appetite enables Meridian to make better strategic and tactical decisions based on a risk-reward basis with consideration for its capacity to manage associated risks.

Meridian uses ERM to fully consider risk in all decision-making to ensure that the risk exposures of Meridian are effectively and prudently managed. Meridian's ERM framework complies with the FSRA Sound Business and Financial Practices Rule, and considers guidance provided by other relevant regulatory bodies and industry best practices.

Risk Management (continued)

Meridian maintains an ERM framework to identify, assess, respond to and monitor risk, including the following:

Meridian maintains an ERM framework to identify, assess, respond to and monitor risk, including the following:

i. Technology and tools that facilitate the efficient and convenient execution of its ERM processes;
ii. A risk register of the risks to which Meridian is exposed;
iii. Processes to identify, assess and monitor its risks;
iv. Processes to respond to risk exposures in excess of the Board-approved risk appetite; and
v. A risk culture embodying the philosophy that risk management is the responsibility of everyone at Meridian, including the Board of Directors, Management and all employees.

Meridian adheres to the Three Lines of Defence model of risk management such that:

i. Business units within Meridian form the First Line of Defence, performing day-to-day risk management activities;

ii. Risk oversight functions form the Second Line of Defence, facilitating the first line to effectively manage risk, and providing independent, effective challenge to first-line risk management actions; and

iii. Internal Audit Services forms the Third Line of Defence, providing independent, objective assurance.

Meridian's subsidiaries maintain similar ERM frameworks, appropriate to their size and complexity, and provide ongoing reporting to inform Meridian's broader ERM processes. Meridian recognizes five broad types of risk: Strategic Risk, Operational Risk, Regulatory Risk, Credit Risk and Financial Risk. There are numerous specific risks, many of which are beyond Meridian's direct control. Their impact can be difficult to predict and could cause results to differ significantly from plans, imperatives and estimates. Meridian considers it critical to regularly assess its operating environment and highlight top and emerging risks. Risks are identified, discussed and actioned by Members of the Senior Leadership Team and reported quarterly to the Management Risk Committee, the Risk Committee of the Board and the Board of Directors. Specific plans to mitigate top and emerging risks are prepared, monitored and adjusted as required.

Meridian has in place a full complement of risk management programs, policies, standard operating procedures and internal controls that are designed to mitigate risks to acceptable levels. Appropriate consideration has been given to all relevant risks, and controls are consistently applied, implemented and adhered to throughout the organization. Meridian has successfully invoked risk management programs and appropriately adapted its risk appetite and existing controls to mitigate the potential risk impacts related to operational changes required in response to external challenges, such as the COVID-19 pandemic.

Risk Management (continued)

Strategic Risk

Strategic Risk is the risk that Meridian is unable to develop or implement appropriate business plans and strategies, effectively allocate resources, build or maintain a sustainable competitive advantage, or meet the ongoing needs and expectations of its Members. As described herein, Meridian considers a range of potential future situations in developing its strategies and develops plans that provide optimal outcomes. Over time, the key assumptions used to determine the strategies are monitored and may be adjusted appropriately. Meridian continuously evolves its business model to support its planned growth and maintain a culture of improving the financial well-being of our Members.

Climate change risk is a strategic consideration given the potential long-term exposure of Meridian to the physical and transitional risks associated with ongoing climate change. Management has developed and provided to the Board analysis identifying the exposure and potential impacts of climate change, including direct impacts to Meridian, impacts on our Members and implications to the organization's strategic plans. Robust processes and a proactive risk aware culture help ensure that trends in climate-related risks are identified and prioritized as appropriate on an ongoing basis.

Operational Risk

Operational Risk is the risk that Meridian's processes, technology or people fail to deliver the required results. This can include responding to external threats. Meridian has a number of programs that manage specific risks under the Operational Risk umbrella, including people-related risks, criminal risks (fraud), physical and information security risks (cyber risk), business continuity risk, as well as outsourcer and vendor risks. Meridian maintains an Operational Risk Management Framework that integrates the various operational risk programs. Meridian effectively balances the risk it accepts in its day-to-day operations while striving to enable business solutions that create Member value.

Regulatory Risk

Regulatory Risk is the risk that Meridian fails to comply with applicable regulations, laws and market codes of conduct. Meridian maintains robust programs in the areas of regulatory compliance management, anti-money laundering and anti-terrorist financing, and privacy to manage compliance and minimize overall regulatory risk. Meridian will not, under any circumstances, intentionally or knowingly violate any law, statute or regulation.

Risk Management (continued)

Credit Risk

Credit Risk is the risk of financial loss when a borrowing Member fails to meet their contractual obligations. Credit Risk can be exacerbated by broad impacts to markets in which Meridian's business is concentrated. Meridian's lending philosophy is established by the Board of Directors through the Credit Risk Management Policy. The Credit Risk Management Policy provides direction to Management relative to operational credit policies, lending authorities, assessment and limits of specific and aggregate credit risk, individual and industry sector concentration limits, as well as monitoring and reporting requirements. Meridian will extend credit to Members and businesses of strong character with a demonstrated willingness and ability to repay. A detailed discussion of the management of credit risk is provided in the audited consolidated financial statements.

Financial Risk

Financial Risk is the risk that Meridian is unable to secure adequate, timely and reasonably priced funding or that key factors in financial markets change resulting in financial impacts to Meridian.

These risks include changes to interest rates and foreign exchange rates, risks that Meridian's pension is not adequately funded, and funding and liquidity risks. Liquid assets are a critical element of Meridian's ongoing operations, both to manage short-term cash flows in normal operations and to fund the lending growth laid out in Meridian's financial plans. Meridian's strategy includes planned levels of both deposits and diverse external funding sources.

Meridian updates funding requirement levels daily to ensure both funding diversification and adequate contingency lines. Meridian manages interest rate, liquidity and funding risks in line with its risk appetite and in support of its profitability objectives. A detailed discussion of the management of funding and liquidity risk is provided in the audited consolidated financial statements.

2023 OUTLOOK

The global economy reached a turning point in 2022. Growth has been disrupted in the past 12 months by the war in Ukraine, sanctions on Russia and a slowdown in China. In 2023, economic growth is anticipated to fall below its potential and be characterized by a high degree of uncertainty. A slowdown in economic activity is deemed necessary in order to curb inflation, as the risk of inadequate action outweighs the risk of excessively aggressive measures.
Canada's economy has remained resilient despite these global challenges.

Several factors have contributed to this sustained performance, including:

- Resilient job market;
- High household savings;
- Strong commodity prices;
- Rise in business investment; and
- Strong demand for services after COVID-19 restrictions were lifted.

As per estimates, GDP grew by 3.5% in 2022. It is widely believed that the economy is poised to decelerate in 2023, regardless of whether or not a recession occurs. The slowdown is a result of the Bank of Canada's ("BOC") efforts to bring an overheated economy under control by combating inflation. Despite this, there remains a significant degree of uncertainty regarding the impact of tighter monetary policy on the current economic climate. In order to bring inflation back to its target level, it is necessary to align demand with supply. Consequently, the BOC projects that GDP growth will fall below its potential of 2.0% in 2023 and 2024.

In Canada, household spending is the primary driver of economic growth. It is estimated that consumption represented approximately 80% of GDP growth in 2022, a notable increase from its typical 60%. During an economic downturn, working adults typically exhibit a tendency to reduce spending and increase savings in anticipation of potential job loss. Despite a decline in household savings from the peak levels observed in 2020, they remain significantly higher than pre-pandemic levels.

The BOC implemented a 400-basis point increase in its key interest rate over the course of 2022, and inflation has been decelerating since June 2022, with the most recent estimate, as of February 2023, indicating a rate of 6.3%. The central bank current policy rate stands at 4.50%, and it is expected that the central bank will take a hiatus from rate increases and allow previous rate hikes to fully impact the economy. The possibility of a reduction in interest rates at some point in 2023 is being considered, and it will take an extended period of time before the neutral rate of 2.5% is attained.

The upward trend in interest rates has had a detrimental effect on the price of shares and real estate, and it is anticipated that this trend will persist throughout 2023. The number of Canadian home sales since October of last year has decreased by 36% from its peak in February, resulting in a decline of 17.4% compared to pre-pandemic levels. As demand for housing diminishes, prices have also decreased, with the average resale price of a home in October being more than 20% lower than its peak in February. The outlook for the housing market over the next two years is grim, with residential investment projected to decline by an additional 7.9% this year, following a decline of 10.6% in 2022. Despite the expected pause in interest rate increases, mortgage rates will remain elevated until the end of 2023, limiting the ability of many potential homebuyers to enter the market, resulting in further declines in home ownership transfer costs.

2023 Outlook (continued)

The reduction in asset prices will have a negative impact on household spending, as the post-pandemic consumer spending boom continues to dissipate. All of these factors contribute to a slowdown in consumer spending.

The slowdown in spending is expected to have a notable impact on business sales. The decrease in activity may prompt organizations to reassess their investment strategies given business sentiment has displayed a negative trajectory over recent months. Additionally, the scarcity of labour in Canada has necessitated the implementation of measures to improve productivity, such as investments in capital equipment, to alleviate staff shortages.

Further, current business inventory levels are unsustainable, which will serve as a disincentive for investment in new capacity until such time as existing stockpiles are reduced. As a result, while it is expected that companies will increase spending, the extent of spending is likely to be modest given the cautious approach that organizations are likely to adopt regarding investment during 2023.

Despite a potential economic slowdown in 2023, Meridian believes its focus on Member relationships, strong employee engagement and commitment to communities will continue to drive membership growth and higher revenues. Continued strong earnings will also support investment in strategic initiatives and maintain a strong capital base. As well, a focus on structural cost optimization will help increase earnings, efficiencies and, in turn, our ability to reinvest back into the business to help expand our value proposition.

Meridian maintains a sensible and disciplined approach to managing liquidity risk. Holding high levels of liquid assets protects Meridian's balance sheet from potential market events while optimizing new funding sources as we capitalize on Meridian's position in the Canadian financial system.

Capital is essential to allow Meridian to continue to invest strategically to support Members' future needs. Management is committed to implementing strategies to maintain capital levels that are financially sound and will employ long-term strategies to further strengthen Meridian's capital base.

Consolidated Financial Statements of

MERIDIAN CREDIT UNION LIMITED

Year ended December 31, 2022

MERIDIAN CREDIT UNION LIMITED
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

Independent auditor's report

To the Members of Meridian Credit Union Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Meridian Credit Union Limited and its subsidiaries (together, the Credit Union) as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

What we have audited
The Credit Union's consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies 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 consolidated 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 Credit Union in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the Management's Discussion and Analysis.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, pwc

as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 10, 2023

MERIDIAN CREDIT UNION LIMITED
CONSOLIDATED BALANCE SHEET
As at December 31, 2022 with comparative figures for 2021

(thousands of Canadian dollars)	Note		December 31 2022		December 31 2021
ASSETS					
Cash and cash equivalents	5	$	1,513,807	$	1,508,413
Receivables	6		26,432		15,358
Current income tax receivable			5,025		-
Investments in debt instruments	7		1,702,370		1,547,910
Investments in equity instruments	8		52,869		61,345
Loans	9		20,939,823		19,414,746
Finance receivables, net	10		1,529,285		1,203,254
Derivative financial assets	11		93,194		47,658
Investment in joint venture	12		669		393
Intangible assets	13		23,460		23,597
Goodwill	14		73,232		73,232
Property, plant and equipment	15		30,392		30,753
Deferred income tax assets	16		30,884		53,192
Right-of-use assets	17		59,076		62,651
Other assets	18		75,149		77,101
Total assets		$	26,155,667	$	24,119,603
LIABILITIES					
Deposits	19	$	18,526,220	$	16,896,177
Borrowings	20		301,325		300,287
Lease liabilities	17		65,050		68,596
Payables and other liabilities	21		136,363		142,913
Current income tax payable			-		12,529
Secured borrowings	22		1,738,189		1,523,300
Mortgage securitization liabilities	23		3,618,798		3,572,125
Derivative financial liabilities	11		5,414		5,762
Pension and other employee obligations	24		48,842		52,446
Membership shares	25		382		378
Subordinated debt	26		175,581		175,367
Total liabilities			24,616,164		22,749,880
MEMBERS' EQUITY					
Members' capital accounts	25		637,867		620,075
Contributed surplus			104,761		104,761
Retained earnings			810,043		660,146
Accumulated other comprehensive income (loss)			(13,168)		(15,259)
Total equity attributable to Members			1,539,503		1,369,723
Total liabilities and Members' equity		$	26,155,667	$	24,119,603

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

MERIDIAN CREDIT UNION LIMITED
CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2022 with comparative figures for 2021

(thousands of Canadian dollars)	Note	2022	2021
INTEREST INCOME			
Interest income - loans		$ 760,642	$ 650,442
Interest income - other		120,912	76,600
Total interest income		881,554	727,042
INTEREST EXPENSE			
Interest expense - deposits		301,574	185,812
Interest expense - other		129,341	121,187
Total interest expense		430,915	306,999
Net interest income	27	450,639	420,043
Net recovery of credit losses	9, 10	(2,867)	(19,847)
Net interest income after recovery of credit losses		453,506	439,890
Fees and other income	28	92,402	87,619
Securitization income	29	85	462
Net gain on financial instruments	30	31,117	15,176
Share of profits from investment in joint venture	12	345	93
Net interest and non-interest income		577,455	543,240
NON-INTEREST EXPENSES			
Salaries and employee benefits	24	214,972	204,823
Administration		107,689	88,286
Occupancy		9,158	9,241
Amortization of intangible assets	13	4,733	5,564
Depreciation of property, plant and equipment	15	8,526	8,806
Depreciation of right-of-use assets	17	7,969	8,100
Total non-interest expenses		353,047	324,820
Operating earnings		224,408	218,420
Income tax expense	31	41,830	33,573
Profits for the year attributable to Members		$ 182,578	$ 184,847

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

MERIDIAN CREDIT UNION LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2022 with comparative figures for 2021

(thousands of Canadian dollars)	Note	2022	2021
Profits for the year attributable to Members		$ 182,578	$ 184,847
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss			
Actuarial (losses) gains in defined benefit pension plans and other post-retirement obligations	24	(6,611)	8,516
Losses on equity instruments designated as FVTOCI		(389)	(395)
Asset ceiling adjustment on defined benefit plans	24	5,905	(7,132)
Related income tax recovery (expense)	31	202	(174)
		(893)	815
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges - effective portion of changes in fair value	11	46,355	36,070
Cash flow hedges - reclassified to profit or loss	11	(12,769)	1,302
Unrealized losses on debt instruments classified as FVTOCI		(35,411)	(6,525)
Related income tax expense	11, 31	(587)	(6,950)
		(2,412)	23,897
Other comprehensive income (loss) for the year, net of income taxes		(3,305)	24,712
Total comprehensive income for the year attributable to Members		$ 179,273	$ 209,559

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

MERIDIAN CREDIT UNION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2022 with comparative figures for 2021

(thousands of Canadian dollars)	Note	Members' capital	Contributed surplus	Retained earnings	Fair value reserve	Hedging reserve	Pension reserve	Total equity
Balance as at January 1, 2022		$ 620,075	$ 104,761	$ 660,146	$ (5,276)	$ (4,149)	$ (5,834)	$ 1,369,723
Dividends on Members' capital accounts	25	-	-	(27,285)	-	-	-	(27,285)
Net Member share issuance (redemption)	25	(4,433)	-	-	-	-	-	(4,433)
Shares issued as dividends	25	22,225	-	-	-	-	-	22,225
Transactions with owners		17,792	-	(27,285)	-	-	-	(9,493)
Profits for the year attributable to Members		-	-	182,578	-	-	-	182,578
Other comprehensive income (loss) for the year, net of income taxes:								
Actuarial gains (losses) in defined benefit pension plans and other post-retirement obligations	24	-	-	(5,396)	-	-	4,820	(576)
Cash flow hedges - effective portion of changes in fair value	11	-	-	-	-	35,752	-	35,752
Cash flow hedges - reclassified to profit or loss	11	-	-	-	-	(9,260)	-	(9,260)
Loss on debt and equity instruments designated as FVTOCI		-	-	-	(29,221)	-	-	(29,221)
Total comprehensive income (loss) for the year attributable to Members		-	-	177,182	(29,221)	26,492	4,820	179,273
Balance as at December 31, 2022		$ 637,867	$ 104,761	$ 810,043	$ (34,497)	$ 22,343	$ (1,014)	$ 1,539,503

MERIDIAN CREDIT UNION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2022 with comparative figures for 2021

(thousands of Canadian dollars)	Note	Members' capital	Contributed surplus	Retained earnings	Fair value reserve	Hedging reserve	Pension reserve	Total equity
Balance as at January 1, 2021		$ 599,494	$ 104,761	$ 492,687	$ 378	$ (33,383)	$ -	$ 1,163,937
Dividends on Members' capital accounts	25	-	-	(24,354)	-	-	-	(24,354)
Shares issued as dividends	25	20,581	-	-	-	-	-	20,581
Transactions with owners		20,581	-	(24,354)	-	-	-	(3,773)
Profits for the year attributable to Members		-	-	184,847	-	-	-	184,847
Other comprehensive income (loss) for the year, net of income taxes:								
Actuarial gains (losses) in defined benefit pension plans	24	-	-	6,966	-	-	(5,834)	1,132
Cash flow hedges - effective portion of changes in fair value		-	-	-	-	29,234	-	29,234
Loss on debt and equity instruments designated as FVTOCI		-	-	-	(5,654)	-	-	(5,654)
Total comprehensive income (loss) for the year attributable to Members		-	-	191,813	(5,654)	29,234	(5,834)	209,559
Balance as at December 31, 2021		$ 620,075	$ 104,761	$ 660,146	$ (5,276)	$ (4,149)	$ (5,834)	$ 1,369,723

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

MERIDIAN CREDIT UNION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2022 with comparative figures for 2021

(thousands of Canadian dollars)	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		$ 870,617	$ 734,697
Interest paid		(389,308)	(327,747)
Fee and commission receipts		77,113	73,813
Other income received		30,354	14,064
Premiums paid on index-linked option contracts		(3,262)	(3,598)
Recoveries on loans previously written off	9	912	544
Payments to employees and suppliers		(358,918)	(318,665)
Payments on settlement of derivatives		(20,969)	(4,374)
Income taxes paid		(44,175)	(4,092)
Net cash flows from operating activities before adjustments for changes in operating assets and liabilities		162,364	164,642
Adjustments for net changes in operating assets and liabilities:			
Net change in loans		(1,498,841)	(1,472,303)
Purchase of leasing equipment		(938,707)	(667,319)
Principal payments received on finance receivables		621,777	557,621
Net change in receivables		(11,298)	(7,205)
Net change in other assets and liabilities		(5,073)	(4,645)
Net change in deposits		1,594,231	1,127,269
Net cash flows used in operating activities		(75,547)	(301,940)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments in debt and equity instruments		(1,111,659)	(2,781,662)
Proceeds from the sale and maturity of investments in debt and equity instruments		966,970	3,217,177
Dividend income		594	3,261
Proceeds from (purchase of) investment in joint venture	12	69	(300)
Purchase of intangible assets	13	(4,596)	(2,738)
Purchase of property, plant and equipment	15	(8,184)	(4,122)
Proceeds on sale of property, plant and equipment	15	3	4
Net cash flows from (used in) investing activities		(156,803)	431,620
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from securitization of mortgages		971,501	1,298,269
Payments on mortgage securitization liabilities		(924,868)	(2,085,630)
Net change in borrowings		15	1
Net change in subordinated debt		257	160
Payments related to lease obligations		(7,974)	(7,872)
Issuance of secured notes, net		210,626	568,018
Dividends paid on Members' capital accounts		(7,384)	(7,010)
Net cash from changes in Membership shares		4	(10)
Net change in Member capital accounts		(4,433)	-
Net cash flows from (used in) financing activities		237,744	(234,074)
Net increase (decrease) in cash and cash equivalents		5,394	(104,394)
Cash and cash equivalents, beginning of year		1,508,413	1,612,807
Cash and cash equivalents, end of year [1]	5	$ 1,513,807	$ 1,508,413

1 Cash and cash equivalents includes restricted funds in the amount of $36,823 (2021 – $27,017).

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

MERIDIAN CREDIT UNION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022 with comparative figures for 2021

1 Nature of operations

Meridian Credit Union Limited (“the Credit Union” or “Meridian”) is incorporated in Canada under the Credit Unions and Caisses Populaires Act (the “Act”), and its activities are regulated by the Financial Services Regulatory Authority of Ontario (“FSRA”). The Credit Union is a member of Central 1 Credit Union (“Central 1”). The Credit Union is headquartered at 75 Corporate Park Drive in St. Catharines, Ontario.

The Credit Union is primarily involved in the raising of funds and the application of those funds in providing financial services to Members. The Credit Union has 89 branches and 15 business-banking centres across Ontario.

On April 22, 2016, the Credit Union acquired Meridian OneCap Credit Corp. (“OneCap”), a wholly owned subsidiary that is primarily involved in lease financing that operates throughout Canada. On August 29, 2018 the Credit Union incorporated Meridian Holdco Limited (“Holdco”) and on October 3, 2018 Motus Bank (“motusbank”) received Letters Patent of Incorporation from the Minister of Finance. On January 10, 2019 motusbank received Orders to Commence and Carry on Business from the Minister of Finance. motusbank is a wholly-owned subsidiary of the Holdco, which in turn is a wholly owned subsidiary of the Credit Union. Motusbank is primarily involved in the raising of funds and the application of those funds in providing financial services to customers. Its business is primarily conducted using an online platform. The activities of motusbank are regulated by the Office of the Superintendent of Financial Institutions ("OSFI").

2 Basis of presentation

2.1 Statement of compliance

The consolidated financial statements of the Credit Union have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board ("IASB") and legislation for Ontario’s Credit Unions and Caisses Populaires. There were no modifications as required by FSRA or OSFI regulations to the preparation of the consolidated financial statements.

Unless otherwise indicated, all amounts except for per share figures are expressed in thousands of Canadian dollars.

2.2 Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, net income and related disclosures. Actual results could differ from such estimates. Estimates and judgments are continually evaluated and are made based on historical experience and expectations of future events that are reasonable under the circumstances.

The economic environment has continued to evolve during the year which could affect the Credit Union’s future results, liquidity and financial condition. Changing risks include inflation, short and long-term interest rates, real estate pricing, the COVID-19 pandemic, and increasing geopolitical conflicts. The effect of these risks on the Credit Union’s business and members depends on future developments that are uncertain at this time. Due to the nature of this volatility, the estimates and judgments made for the purposes of preparing our consolidated financial statements are inherently uncertain.

The items subject to the most significant application of judgment and estimates are as follows:

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities cannot be derived from active markets, the Credit Union uses valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs, such as discount rates and prepayment rates.

Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Note 35.4 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments.

Allowance for expected credit losses on financial assets

Allowances for ECL are applied to financial assets measured at amortized cost or non-equity instruments measured at or fair value through other comprehensive income (“FVTOCI”). The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of Members defaulting and the resulting losses).

MERIDIAN CREDIT UNION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022 with comparative figures for 2021

2 Basis of presentation (continued)

2.2 Use of estimates and judgments (continued)

Allowance for expected credit losses on financial assets (continued)

Several other significant judgments and estimates are required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for credit impairment;
- Determining the value and timing of receipts from collateral and other credit risk enhancements;
- Determining the criteria for a significant increase in credit risk ("SICR");
- Establishing appropriate levels of aggregation for products and business lines for the purposes of expected credit loss modelling;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number, design and relative weightings of forward-looking scenarios to be incorporated into the measurement of ECL.

The approach used for measuring allowances for ECL and the use of significant estimates and judgments is disclosed in more detail in note 35.1.

Impairment of non-financial assets

The Credit Union performs an assessment of its intangible assets and goodwill at each consolidated balance sheet date to determine whether an impairment loss should be recorded in the consolidated income statement. Broker and vendor relationships comprise most of the Credit Union's intangible assets.

The carrying value of broker and vendor relationships is significantly impacted by estimates about the future earnings expected from new lease originations relating to the relationship with pre-acquisition vendors and brokers. Management assesses the recoverability of the carrying value at least annually.

Management assesses the carrying amount of goodwill for impairment at least annually. The estimation of the recoverable amount for the cash-generating unit ("CGU") requires the use of significant judgment; and the models are sensitive to changes in future cash flows, discount rates, and terminal growth rates. The environment is rapidly evolving and as a result, management's economic outlook has a higher than usual degree of uncertainty, which may, in future periods, materially change the expected future cash flows of the CGU and result in an impairment charge. Actual experience may differ materially from current expectations, including the duration and severity of a potential economic contraction and the ultimate timing and extent of a future recovery.

Further details on impairment of intangible assets are disclosed in note 3.12 and note 13.

Recognition and derecognition of securitization arrangements

As part of its liquidity, capital and interest rate risk management programs, the Credit Union funds growth by entering into mortgage securitization arrangements. As a result of these transactions and depending on the nature of the arrangement, the Credit Union may be subject to the recognition of the funds received as secured borrowings and the continued recognition of the securitized assets. Other securitization arrangements may meet the criteria for derecognition. Judgment is required in determining the requirements for continued recognition or derecognition of financial assets under such arrangements. Where securitization arrangements result in the derecognition of financial assets, estimation is required in determining the fair value of new assets recognized relating to residual interests and the fair value of associated liabilities.

Further details of securitization arrangements are disclosed in note 23.

Deferred income taxes

Deferred income tax assets are recognized relating to unused tax losses or deductible temporary differences to the extent it is probable that taxable income will be available against which to use them. Judgment is required in determining the amount of deferred income tax assets that can be recognized or written off, based on the likely timing and level of future taxable profits, together with future tax planning strategies.

Further details on deferred income taxes are included in note 3.16 and note 16.

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2 Basis of presentation (continued)

2.2 Use of estimates and judgments (continued)

Retirement benefit obligations

The present value of retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using several assumptions. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Any changes in these assumptions will impact the carrying value of the pension obligations.

Note 24 provides detailed information about the key assumptions used in the valuation of retirement benefit obligations, as well as the detailed sensitivity analysis for these assumptions.

Valuation of right-of-use assets and lease liabilities

The valuation of right-of-use assets and lease liabilities require assumptions about the lease term and the interest rate used for discounting future cash flows. Given that contractual terms of lease contracts often contain renewal options, judgment is required to determine the likelihood that these options will be exercised. Where implicit interest rates are not determinable from a lease contract, judgment is used to determine an appropriate discount rate that is reflective of the rate that would be incurred if the Credit Union were to purchase the assets outright.

Further details on leased assets and liabilities are included in note 3.13 and note 17.

Recognition of interests in subsidiaries, associates and joint arrangements.

The Credit Union has ownership interests in entities that give rise to control, joint control, or significant influence. These can be classified as investments in associates, subsidiaries or joint ventures. The definitions of control, joint control and significant influence as pronounced in IFRS 3, IFRS 11 and IAS 28 guide the Credit Union in making these determinations. Management balances qualitative and quantitative factors to determine the presence of control, joint control or significant influence at each reporting date to determine the appropriate classification for these interests.

2.3 Regulatory compliance

Regulations to the Act specify that certain items are required to be disclosed in the consolidated financial statements that are presented at annual meetings of Members. This information has been integrated into these consolidated financial statements and notes. When necessary, reasonable estimates and interpretations have been made in presenting this information.

Note 34 contains additional information disclosed to support regulatory compliance.

3 Summary of significant accounting policies

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities, including derivative financial instruments, at fair value.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Except for the changes explained in note 4, the Credit Union has consistently applied the following accounting policies to all periods presented in the consolidated financial statements.

3.1 Basis of consolidation

The financial results of wholly-owned subsidiaries of the Credit Union are included within these consolidated financial statements. All intercompany balances and transactions have been eliminated on consolidation.

Investments in which the Credit Union exerts joint control or significant influence but not control over operating and financing decisions are accounted for using the equity method. Under equity accounting, investments are initially recorded at cost and adjusted for the Credit Union's proportionate share of the net income or loss which is recorded in the consolidated income statement.

MERIDIAN CREDIT UNION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3 Summary of significant accounting policies (continued)

3.2 Business combinations

Business combinations are accounted for using the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they are recorded in the acquiree's financial statements prior to acquisition. At acquisition date, the assets and liabilities of the acquired subsidiary are included in the consolidated balance sheet at their fair value, which are also used as the basis for subsequent measurement in accordance with the Credit Union's accounting policies. Goodwill, if any, is stated after separating out identifiable intangible assets if the fair value of identifiable net assets at the date of acquisition is less than the consideration paid at the date of acquisition. Any excess of identifiable net assets over consideration paid is recognized in the consolidated income statement immediately after acquisition. Costs incurred in connection with the acquisition are recognized in profit or loss as incurred.

3.3 Foreign currency translation

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

Monetary assets and liabilities denominated in foreign currencies, primarily United States ("U.S.") dollars, are translated into Canadian dollars at prevailing exchange rates on the consolidated balance sheet date. Income and expenses are translated at the exchange rates in effect on the date of the transaction. Exchange gains and losses arising on the translation of monetary items are included in non-interest income for the year.

3.4 Financial instruments

Classification and measurement of financial assets

Financial assets are initially recognized at fair value, and are classified and subsequently measured at (i) amortized cost, (ii) fair value through profit or loss ("FVTPL"), or (iii) FVTOCI. The classification and measurement of financial assets is based on the type of financial asset, the business model to which it belongs, and its contractual cash flow characteristics.

Financial assets and financial liabilities, including derivative financial instruments, are recognized on the consolidated balance sheet of the Credit Union at the time the Credit Union becomes a party to the contractual provisions of the instrument. The Credit Union recognizes financial instruments at the trade date.

(a) Debt Instruments

Financial assets that are debt instruments include loans, bonds, and securities purchased under reverse repurchase agreements. Classification and subsequent measurement of debt instruments depends on: (i) the Credit Union's business model for managing the financial asset and (ii) its contractual cash flow characteristics. Finance receivables are outside the scope of IFRS 9 classification and measurement requirements and are not subject to the policies outlined below.

Business model evaluation:
The business model reflects how the Credit Union manages a portfolio of assets to generate returns. That is, whether the Credit Union's objective for the portfolio of financial assets is to generate returns through the collection of contractual cash flows, through both the collection of contractual cash flows and selling, or through active trading. Factors considered by the Credit Union in determining the business model of a portfolio of financial assets include: past experience on the collection of contractual cash flows and selling within the portfolio, how the portfolio's performance is evaluated and reported to management, and how the portfolio's risks are assessed and managed. For example, the Credit Union's business model for residential mortgages is to collect the associated contractual cash flows.

Cash flow characteristics evaluation:
Once the business model of a portfolio of financial assets is assessed, individual financial assets therein are evaluated for their cash flow characteristics and whether these represent solely payments of principal and interest ("SPPI"). In making this assessment, the Credit Union considers whether contractual cash flows are consistent with a basic lending arrangement (e.g. interest including only consideration for the time value of money, other basic lending risks, and a profit margin that is consistent with a basic lending arrangement).

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3 Summary of significant accounting policies (continued)

3.4 Financial instruments (continued)

Amortized cost:
Where a debt instrument is managed in a business model where returns are generated through the collection of contractual cash flows which represent SPPI, it is measured at amortized cost. Debt instruments measured at amortized cost are recorded at fair value at initial recognition plus or minus directly attributable transaction costs and provisions for ECL. Interest income is recognized using the effective interest rate method and is recorded in total interest income. Impairment losses are recognized in profit or loss at each balance sheet date in accordance with the three-stage impairment model outlined in note 3.8. Upon derecognition of financial assets measured at amortized cost, any difference between disposal proceeds and the carrying value is recognized immediately in profit or loss. The Credit Union has classified its cash and cash equivalents, receivables, loans and certain investments in debt instruments as amortized cost.

FVTPL:
Where a debt instrument is managed in a business model that is held for trading or its cash flows do not represent SPPI, it is measured at FVTPL. Debt instruments measured at FVTPL are recorded at fair value at initial recognition with all subsequent re-measurements being recognized in profit or loss. At the reporting date, the Credit Union had not classified any debt instruments as FVTPL.

FVTOCI:
Where a debt instrument is managed in a business model where returns are generated both through the collection of contractual cash flows and through selling, and its contractual cash flows represent SPPI, it is classified as FVTOCI. Debt instruments measured at FVTOCI are recorded at fair value plus directly attributable transaction costs at initial recognition. Subsequent re-measurements in fair value are recorded in other comprehensive income, except for interest recognized using the effective interest rate method or the re-measurement of ECL, both of which are recognized in profit or loss. Impairment losses are recognized in profit or loss in accordance with the three-stage impairment model outlined in note 3.8. Upon derecognition of debt instruments measured at FVTOCI, cumulative fair value movements recognized in OCI are recycled to profit or loss. The Credit Union holds a portfolio of debt instruments which are measured at FVTOCI.

(b) Equity instruments

Equity instruments are instruments that do not contain a contractual obligation to pay, evidence a residual interest in the issuer's net assets, and are considered equity from the perspective of the issuer. Examples of equity instruments include common shares.

Equity instruments are classified as FVTPL unless they are not held for trading purposes and an irrevocable election is made at inception to designate the asset as FVTOCI. Equity instruments measured at FVTOCI are recorded at fair value at initial recognition. Subsequent re-measurements of fair value are recorded in OCI. Dividends are recorded directly in profit or loss. Upon derecognition of debt instruments measured at FVTOCI, cumulative fair value movements are not recycled and remain permanently in equity. The Credit Union holds investments in preferred shares which it has elected to designate as FVTOCI. Other investments in equity instruments held by the Credit Union are private equity investments which are classified as FVTPL.

Classification and measurement of financial assets and financial liabilities

Derivative financial instruments:
Derivative financial instruments are contracts, such as options, swaps, and forward contracts, where the value of the contract is derived from the price of an underlying variable. The most common underlying variables include stocks, bonds, commodities, currencies, interest rates and other market rates. The Credit Union periodically enters derivative contracts to manage financial risks associated with movements in interest rates and other financial indices as well as to meet the requirements to participate in the Canada Mortgage Bond Program ("CMB Program") for securitization purposes as discussed in note 23. The Credit Union's policy is not to use derivative financial instruments for trading or speculative purposes.

Assets or liabilities in this category are measured at fair value. Gains or losses are recognized in profit or loss in net gain (loss) on financial instruments, unless the derivative is designated as a hedging instrument. For designated hedging instruments, the recognition of the gain or loss will depend on the hedge accounting rules described below. Gains or losses on derivative financial instruments are based on changes in fair value determined by reference to active market transactions or using a valuation technique where no active market exists.

Embedded derivatives:
Certain derivatives embedded in other financial liabilities, such as the embedded option in an index-linked term deposit product, are treated as separate derivative financial instruments when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not measured at FVTPL. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in profit or loss.

MERIDIAN CREDIT UNION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3 Summary of significant accounting policies (continued)

3.4 Financial instruments (continued)

Hedge accounting:
The Credit Union documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as the risk management objectives and strategies for undertaking various hedge transactions. The Credit Union also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk.

In a cash flow hedge, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss in net gain (loss) on financial instruments. Amounts accumulated in OCI are reclassified to profit or loss in the periods when the hedged item affects profit or loss and are recorded within net interest income. The Credit Union uses cash flow hedges primarily to convert floating rate assets and liabilities to fixed rate.

When a hedging instrument in a cash flow hedging relationship expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in AOCI at that time remains in AOCI and is recognized in the statement of comprehensive income as the hedged item affects earnings. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the income statement within net gain (loss) on financial instruments. If a forecast transaction is no longer highly probable of occurring, but is still likely to occur, hedge accounting will be discontinued and the cumulative gain or loss existing in AOCI at that time remains in AOCI and is amortized to net interest income in the statement of comprehensive income at the same time the hedged item affects earnings.

In a fair value hedge, the full change in the fair value of derivatives is recognized in profit or loss. Where derivatives are designated and qualify as fair value hedges, the carrying value of the hedged item is adjusted to reflect its change in fair value since the inception of the hedge relationship. The full amount of the fair value adjustment is also taken to profit or loss to offset fair value changes on the derivative. Any difference between the change in fair value of the derivatives and fair value adjustments on the hedged items are recognized within net gain (loss) on financial instruments.

When a hedging instrument in a fair value hedging relationship expires or is sold, it no longer meets the criteria for hedge accounting, or the hedging relationship is voluntarily discontinued, any cumulative fair value adjustment is recognized in profit or loss over the remaining life of the hedged item by adjusting its effective interest rate. Where the hedged item is derecognized prior to the end of the hedging relationship, any cumulative fair value adjustment recognized is immediately recognized in profit or loss.

At the reporting date, the Credit Union had not elected to adopt the hedge accounting aspects of IFRS 9 and continues to apply hedge accounting per IAS 39. Although IFRS 9 hedge accounting has not been adopted, the Credit Union has implemented the IFRS 7 hedge accounting disclosure requirements that became effective concurrently with IFRS 9.

Classification and measurement of financial liabilities

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost, except for derivative financial liabilities which are subsequently measured at FVTPL. Financial liabilities measured at amortized cost include: deposits, borrowings, payables, secured borrowings, mortgage securitization liabilities, membership shares, and subordinated liabilities.

Obligations related to securities sold under repurchase agreements
Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated balance sheet. The cash received from the security is recognized in the consolidated balance sheet with a corresponding obligation to return it, including accrued interest. This is recognized as a liability within obligations related to securities sold under repurchase agreements, reflecting the transaction's economic substance as a loan to the Credit Union. The difference between the sale and repurchase price is treated as interest and recognized over the life of the agreement using the effective interest method. These agreements are classified as financial liabilities at amortized cost.

Derecognition of financial instruments

Financial assets are derecognized when contractual rights to the cash flows from the asset have expired, or when substantially all the risks and rewards of ownership are transferred. If the Credit Union has neither transferred nor retained substantially all the risks and rewards of ownership, it assesses whether it has retained control over the transferred asset. Control is represented by the practical ability to sell the transferred asset without the need to impose additional restrictions. If the Credit Union retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement. When a financial asset is derecognized, a gain or loss is recognized in net income for an amount equal to the difference between the carrying value of the asset and the value of the consideration received, including any new assets and / or liabilities recognized.

MERIDIAN CREDIT UNION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3 Summary of significant accounting policies (continued)

3.4 Financial instruments (continued)

A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Reclassifications

The Credit Union reclassifies debt instruments 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 period.

Modification of financial assets measured at amortized cost

The Credit Union sometimes renegotiates or otherwise modifies the contractual cash flows of loans. When this occurs, the Credit Union assesses whether the new terms are substantially different from the original terms by considering the following factors:

- If the borrower is in financial difficulty or whether the modifications merely reduce the contractual cash flows to amount the borrower is expected to pay
- Whether any substantial new terms are introduced, such as profit sharing or equity-based returns, that substantially affect the risk profile of the loan
- Significant extension of the loan term when the borrower is not in financial difficulty
- Significant change in interest rate
- 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 Credit Union derecognizes the original financial asset, recognizes a new financial asset with a new effective interest rate. The date of renegotiation is consequently considered to be the date of initial recognition for impairment purposes. The Credit Union also assesses whether the new financial asset recognized is credit impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor's financial difficulties. Differences in the carrying amount are recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition. The Credit Union recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or 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).

3.5 Interest income and expense

Interest-bearing financial instruments

Interest income and expense for all interest-bearing financial instruments, except those classified as FVTPL and finance receivables, are recognized within interest income or interest expense in the consolidated income statement as they accrue using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability to its fair value at inception. The effective interest rate is established at the initial recognition of the financial asset or liability and incorporates any fees or transaction costs that are integral to establishing the contract.

Finance receivables

Meridian provides financing to customers through loans and direct financing leases.

Retail loans and dealer financing loans are recorded at amortized cost using the effective interest rate method. Interest income is allocated over the expected term of the loan by applying the effective interest rate to the carrying amount of the loan.

Direct financing leases, which are contracts under terms that provide for the transfer of substantially all the benefits and risks of the equipment ownership to customers, are measured at amortized cost. These leases are recorded at the aggregate minimum payments plus residual values accruing to the Credit Union less unearned finance income. Revenue is recognized in interest income.

MERIDIAN CREDIT UNION LIMITED
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3 Summary of significant accounting policies (continued)

3.5 Interest income and expense (continued)

Finance receivables (continued)

At lease inception, the aggregate future minimum lease payments and contractual residual value of the leased asset less unearned income are recorded as finance receivables. Revenue is recognized over the lease term to approximate an equal rate of return on the outstanding net investment. Contractual residual values of finance leases represent an estimate of the values of the equipment at the end of the lease contracts. During the term of each lease, management evaluates the adequacy of its estimate of the residual value and makes allowances to the extent the fair value at lease maturity is estimated to be less than the contractual lease residual value.

Initial direct costs that relate to the origination of the finance receivables are capitalized and amortized as part of effective interest. These costs are incremental to individual leases or loans and comprise certain specific activities related to processing requests for financing, such as underwriting costs and commissions.

3.6 Dividend income

Dividends are recognized on the ex-dividend date, which is the day on which new purchasers of the shares are no longer entitled to the next dividend. Dividends are presented in fees and other income.

3.7 Fee and commission income

Fee and commission income not directly attributable to the acquisition of financial instruments is recognized as the related performance obligation is satisfied, either over time or at a point in time.

Revenue is recognized by determining the transaction price of distinct goods or services and allocating the price to the satisfaction of each performance obligation (i.e. the delivery of each distinct good or service). The result is to recognize revenue in a manner that depicts the amount of consideration due to the transfer of each good or service.

Fees and commissions that are directly attributable to acquiring financial assets or issuing financial liabilities not measured at FVTPL are added to or deducted from the initial carrying value of the related financial instruments. Such fees and commissions are then included in the calculation of the effective interest rate and amortized through profit or loss over the term of the financial asset or financial liability. For financial instruments measured at FVTPL, transaction costs are immediately recognized in profit or loss on initial recognition.

3.8 Impairment of financial assets

At initial recognition, the Credit Union recognizes allowances for ECL on all debt instruments measured at amortized cost or FVTOCI. ECL are also recognized for finance receivables, contract assets, loan commitments and financial guarantees. In the section below, the use of the term "financial asset" should be assumed to apply to all assets and exposures within the scope of the IFRS 9 impairment framework.

At each reporting date, the Credit Union measures the loss allowance for a financial asset at an amount equal to its lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition and it was not originated as credit impaired, the Credit Union measures the loss allowance for the financial asset at an amount equal to its 12-month ECL.

The Credit Union's measurement of ECL incorporates an assessment of the following parameters:

- Probability of default ("PD")
- Exposure at default ("EAD")
- Loss given default ("LGD")

The Credit Union's measurement of ECL also reflects:

- An unbiased and probability-weighted amount determined by evaluating a range of outcomes
- The time value of money
- Information about past events, current conditions and forward-looking information

Note 35.1 includes more detailed descriptions of the Credit Union's methodologies for determining PD, EAD and LGD. The note also includes descriptions of how the Credit Union determines a SICR, the definition of default, the approach for incorporating forward-looking information, and other information pertaining to the measurement of ECL.

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3 Summary of significant accounting policies (continued)

3.8 Impairment of financial assets (continued)

A three-stage framework is used for the establishment of ECL based on changes in a financial asset's credit quality since initial recognition. The measurement of ECL and recognition of interest revenue is dependent on the stage to which the financial asset belongs.

Stage 1 includes all financial assets that, at the reporting date, have not had a SICR since initial recognition and were not originated as credit impaired. Loss allowances at an amount equal to 12-month ECL are recognized on all financial assets in stage 1 with interest income recognized using the effective interest rate on the financial asset's gross carrying amount.

Stage 2 includes all financial assets that, at the reporting date, have had a SICR since initial recognition, but are not credit impaired. Loss allowances at an amount equal to lifetime ECL are recognized on all financial assets in stage 2 with interest income recognized using the effective interest rate on the financial asset's gross carrying amount.

Stage 3 includes all financial assets for which a default event has occurred (i.e. the asset has become credit impaired). Loss allowances at an amount equal to lifetime ECL are recognized on all financial assets in stage 3 with interest income recognized using the effective interest rate on the financial asset's amortized cost carrying amount (i.e. net of the loss allowance). In determining whether a default event has occurred, the Credit Union considers evidence such as delinquency, bankruptcy, breach of covenants, or other evidence as determined by management.

Stage 3 loss allowances on financial assets are assessed on an individual basis. They are measured at the amount required to reduce the carrying value of the impaired asset to its estimated realizable amount. This is generally the fair value of the underlying security of the asset, net of expected costs of realization. Expected costs of realization are determined by discounting the security at the financial asset's original effective interest rate.

Write offs

The Credit Union directly reduces the gross carrying amount of a financial asset along with the associated impairment allowance when it has no reasonable expectations of recovering the financial asset either partly or in full.

3.9 Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately include computer software, other than software which is an integral part of property classified as property, plant and equipment which is included in computer hardware and software, as well as design plans which will be used in the future construction or renovation of branch locations or business banking centres. Intangible assets acquired separately are recorded at cost. Cost includes expenditures that are directly attributable to bringing the asset to its state of intended use.

Intangible assets acquired through business combinations

Intangible assets acquired through business combinations have limited lives and include broker and vendor relationships.

Broker and vendor relationships represent the fair value of future earnings expected to be generated from new lease originations with equipment vendors and brokers at the time of acquisition. This intangible is amortized as earnings are realized based on forecasted originations, anticipated annual retention rates and earnings projections over a twenty-three-year period.

Other intangible assets are amortized to income on a straight-line basis over the period during which the assets are anticipated to provide economic benefit, which currently ranges from three to ten years.

Intangible assets are subject to impairment review as described in note 3.12.

The Credit Union does not have any intangible assets with indefinite lives.

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3 Summary of significant accounting policies (continued)

3.10 Property, plant and equipment

Recognition and measurement

Land is carried at cost less impairment losses. Buildings and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the computer hardware.

Depreciation

Land is not depreciated. Depreciation of other assets commences when the asset is available for use and is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and improvements	5-40 years
Furniture and office equipment	5-10 years
Computer hardware and software	3-5 years
Leasehold improvements	lease term to a maximum of 10 years

Where components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Residual value estimates and estimates of useful life are reviewed, and adjusted if appropriate, at each consolidated balance sheet date.

Assets are subject to impairment review as described under note 3.12.

3.11 Goodwill

Goodwill is initially measured at cost and is calculated as the excess of the purchase price for an acquired business over the fair value of acquired net identifiable assets and liabilities and is allocated to the cash-generating units ("CGU") to which it relates.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Subsequent reversals of goodwill impairment are prohibited.

Goodwill is subject to impairment review as described in note 3.12.

3.12 Impairment of non-financial assets

Non-financial assets that are subject to amortization or depreciation, and goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount.

To assess impairment, Credit Union assets are grouped at branch level, which is considered to be the lowest level or CGU for which they are separately identifiable. Meridian's wholly-owned subsidiary OneCap is considered to be the CGU for non-financial assets relating to that business. The recoverable amount of a CGU is determined based on the higher of value in use or fair value less costs to sell.

For broker and vendor relationship intangibles, current assumptions about future lease originations, retention rates and earnings projections of OneCap are used to assess whether future cash flows on leases generated through acquired brokers and vendors are in excess of the carrying value of the intangible asset.

For other non-financial assets the recoverable amount is the higher of an asset's fair value less costs to sell and the value in use of the CGU to which the asset relates.

Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill is evaluated for impairment against the carrying amount of the CGU at least annually. The carrying amount of the CGU includes the carrying amounts of assets, liabilities and allocated goodwill. If the recoverable amount is less than the carrying value, the impairment loss is first allocated to reduce the carrying amount of any allocated goodwill and then to the other non-financial assets of the CGU proportionally based on the carrying amount of each asset. Any impairment loss is charged to profit or loss in the period when the impairment is identified.

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3 Summary of significant accounting policies (continued)

3.12 Impairment of non-financial assets (continued)

Key assumptions used in the estimation of the recoverable amount include discount rates and growth rates used to extrapolate cash flow projections. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from both external and internal sources. The cash flow projections include specific estimates for five years and a terminal growth rate thereafter. Given that key assumptions are based on estimates, uncertainty exists with respect to the valuation of the recoverable amount. Details of the goodwill impairment analysis are included in note 14.

As at the balance sheet date, OneCap assesses for impairment triggers that have taken place since the last impairment test that may indicate further impairment has occurred.

3.13 Leases

At inception, the Credit Union assesses whether a contract is or contains a lease. A lease arrangement conveys to the user the right to control the use of an identified asset for a period of time in exchange for consideration.

Meridian as Lessee:

The Credit Union recognizes a right-of-use ("ROU") asset and lease liability at the commencement of the lease.

The ROU asset is initially measured at cost, which comprises:

- the initial measurement of the lease liability as described below;
- any lease payments made at or before commencement date, less any lease incentives received that are not considered compensation for leasehold improvements;
- any initial direct costs incurred; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset to the condition required by the terms and conditions of the lease if there is an obligation for those costs.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term and is subject to impairment testing if there is an indicator of impairment.

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

Lease payments included in the measurement of the lease liability include the following:

- all contractual payments such as fixed payments, less any lease incentives receivable that are not considered compensation for leasehold improvements;
- variable lease payments that depend on an index or rate;
- residual value guarantees; and
- exercise price of purchase if it is reasonably certain that the option will be exercised

When the lease contains a renewal option that the Credit Union considers reasonably certain to be exercised, the cost of one renewal option period is included in the lease payments.

The lease liability is subsequently measured at amortized cost using the effective interest method. The liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the Credit Union's assessment of whether it will exercise a renewal option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

For leases with terms not exceeding twelve months and for leases of low-value assets, the Credit Union has elected not to recognize ROU assets and liabilities. The lease payments under these contracts are recognized on a straight-line basis over the lease term within non-interest expenses.

MERIDIAN CREDIT UNION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3 Summary of significant accounting policies (continued)

3.13 Leases (continued)

Meridian as Lessor:

When the Credit Union acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards of owning the underlying asset.

When the Credit Union is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. The classification of a sub-lease should follow from the classification of the head lease. If the head lease has been classified as an operating lease, the sub-lease will also be classified as an operating lease. Otherwise, the sub-lease will be classified by reference to the right-of-use asset arising from the head lease.

Lease classification is only reassessed if there is a lease modification. Changes in estimates or circumstances do not give rise to a new classification.

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

3.14 Provisions

Provisions are recognized when the Credit Union has a present legal or constructive obligation from past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Credit Union expects a provision to be reimbursed, the reimbursement is recognized as an asset only when the reimbursement is virtually certain. At each consolidated balance sheet date, the Credit Union assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary based on actual experience and changes in future estimates.

Provisions are measured at the present value of the estimated expenditure required to settle the present obligation and are recorded within operating expenses on the consolidated income statement.

3.15 Employee benefits

(a) Pension obligations
The Credit Union provides post-employment benefits through defined benefit plans as well as a defined contribution plan.

A defined contribution plan is a pension plan under which the Credit Union pays fixed contributions into a separate entity. The Credit Union has no legal or constructive obligation to pay further contributions after its payment of the fixed contribution. The contributions are recognized as employee benefit expense when they are due.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. The cost of the plan is actuarially determined using the projected unit cost method pro-rated on service and management's best estimate of discount rates, expected plan investment performance, salary escalation, and retirement ages of employees. The plans include an annual indexation of the lesser of 4% or the increase in the previous calendar year's Consumer Price Index.

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

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

The net defined benefit liability or asset recognized in the consolidated balance sheet is the plans' deficit or surplus at the balance sheet date, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The plans' deficit or surplus is the present value of the defined benefit obligation less the fair value of plan assets.

(b) Other post-retirement obligations
Other post-retirement obligations include health and dental care benefits for eligible retired employees. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to defined benefit pension plans along with management's best estimate of expected health care costs.

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3 Summary of significant accounting policies (continued)

3.15 Employee benefits (continued)

All employees are eligible for a retirement service award effective July 1, 2015. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to defined benefit pension plans.

(c) Other short-term benefits
Liabilities for employee benefits for wages, salaries, termination pay and vacation pay represent the undiscounted amount which the Credit Union expects to pay as at the consolidated balance sheet date including related costs.

3.16 Income taxes

Income tax expense on the consolidated income statement comprises current and deferred income taxes. Income taxes are recognized in profit or loss, except to the extent they relate to items recognized directly in OCI, in which case they are recognized in OCI.

Current income taxes are the expected taxes refundable or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the consolidated balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are recognized using the liability method, providing for temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying value of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated balance sheet date.

A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be utilized.

Dividends paid by the Credit Union are treated as a reduction to retained earnings but are deductible for tax purposes. As such, these are reflected as a reduction to current tax expense.

3.17 Share capital

(a) Member shares
Shares are classified as liabilities or Members' equity according to their terms. Where shares are redeemable at the option of the Member, either on demand or on withdrawal from membership, the shares are classified as liabilities. Residual value more than the face value on Member share liabilities, if any, is classified as equity. Where shares are redeemable at the discretion of the Credit Union's Board of Directors, the shares are classified as equity.

(b) Distributions to Members
Dividends on shares classified as liabilities are charged to profit or loss, while dividends on shares classified as equity are charged to retained earnings. Dividends declared on the Membership shares are paid in cash. Members may elect to receive dividends declared on Class A shares by way of cash or newly issued fully paid equity shares of the same class. Dividends payable in cash are recorded in the period in which they are declared by the Credit Union's Board of Directors. Dividends payable by way of newly issued shares are recorded in the period in which the shares are issued.

(c) Share issue costs
Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of income taxes, from the proceeds.

MERIDIAN CREDIT UNION LIMITED
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4 Changes in accounting policies

Issued standards now effective

Updates to Interbank Offered Rate (IBOR) Reform:

In August 2020, the IASB issued Phase 2 of IBOR Reform, with amendments to IFRS 9, IAS 39 and IFRS 7. The Phase 2 Amendments address issues that arise upon replacing an existing interest rate benchmark with the alternative benchmark and introduces additional disclosure requirements. The Phase 2 amendments provide two key reliefs and became effective for the Credit Union on January 1, 2021:

- If qualifying criteria are met, hedging relationships that are directly impacted by the reform would be able to continue hedge accounting upon transition to the alternative benchmark.
- For modifications to financial instruments resulting from the reform which are transacted on an economically equivalent basis, entities are allowed to reflect the benchmark change prospectively in the effective interest rate rather than as an immediate gain or loss.

The Credit Union's exposure to IBOR Reform is limited to the Canadian Dollar Offered Rate ("CDOR"). Regulators have recommended that markets start to adopt alternative risk-free rates. On May 16, 2022, the Refinitiv Benchmark Services (UK) Limited announced that all tenors of CDOR would no longer be published after June 28, 2024. The Canadian Alternative Reference Rate working group recommended a two-stage transition approach. By the end of the first stage on June 30, 2023, they expect all new derivative contracts and securities to have transitioned to the Canadian Overnight Repo Rate Average ("CORRA"), with the exception of derivatives that hedge or reduce CDOR exposures of derivatives or securities transacted before June 30, 2023, or for loans entered into before June 28, 2024. All remaining CDOR exposures should be transitioned to CORRA by June 28, 2024, marking the end of the second stage.

The Credit Union is both a holder and issuer of IBOR related instruments, which means there is exposure to financial and regulatory risks. These risks are mitigated by continually working towards meeting industry and regulatory recommended milestones, ensuring all legacy contracts have fallback clauses for new alternative reference rates, and updating hedge designations to CORRA. The management of this is supported by an organization wide team of stakeholders from the Treasury and Finance departments to meet the transition timeline.

The following table presents the Credit Union's exposures to financial instruments that have yet to transition to an alternative benchmark rate as at December 31, 2022 and are due to mature after June 28, 2024 for CDOR settings.

	2022
	CDOR
Non-derivative liabilities (1)	1,022,175
Derivative notional amounts (2)	2,037,836

(1) All amounts are presented based on carrying value.
(2) The notional amount represents the base to which an agreed upon rate is applied in order to calculate the amount of cash to be exchanged between parties. These do not represent assets or liabilities.

Issued standards not yet effective

Definitions and Terminology:

On February 12, 2021, the IASB published an amendment to IAS 1 stating that complete financial statements should include notes comprising "Material Accounting Policy Information", replacing the previous term "Significant Accounting Policy." Material Accounting Policy Information is defined as information, that when considered together with other information in the statements, can be reasonably expected to influence decisions taken by users of the financial statements. This amendment will be effective for periods beginning on or after January 1, 2023.

On February 12, 2021, the IASB published an amendment to IAS 8, which helps entities distinguish between accounting policies and accounting estimates. The amendment defines "accounting estimates" as monetary amounts in financial statements that are subject to measurement uncertainty.

These amendments are effective for periods beginning on or after January 1, 2023 and are not expected to impact the Credit Union.

MERIDIAN CREDIT UNION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4 Changes in accounting policies (continued)

Issued standards not yet effective (continued)

Income Taxes:

In May 2021, an amendment to IAS 12 was issued regarding Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, effective for reporting periods beginning on or after January 1, 2023. This amendment is not expected to impact the Credit Union as the exemption is not currently applied.

5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, restricted funds, short-term investments and deposits with other financial institutions.

	2022	2021
Cash on hand	47,533	39,404
Deposits with other financial institutions	1,429,451	1,432,102
Short-term investments	-	9,890
Restricted funds	36,823	27,017
Total cash and cash equivalents	1,513,807	1,508,413

Included in deposits with other financial institutions is $116,385 (2021 – $70,559) held as an unscheduled prepayment cash reserve, a requirement of the Credit Union's participation in the National Housing Act Mortgage-Backed Securities ("NHA MBS") program. The use of these funds is restricted to those allowed as provided for by the NHA MBS program.

Restricted funds represent cash reserve accounts which are held in trust as security for secured borrowings.

6 Receivables

	2022	2021
Commodity tax receivables	12,579	641
Other receivables	13,853	14,717
Total receivables	26,432	15,358
Current	25,235	13,693
Non-current	1,197	1,665

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7 Investments in debt instruments

	2022	2021
Amortized cost:		
Securities purchased under reverse repurchase agreements	-	26,265
Other investments in debt instruments	198,901	439,493
Fair value through OCI:		
Debt securities	1,503,469	1,082,152
All investments in debt instruments	1,702,370	1,547,910

Debt securities

The Credit Union manages a portfolio of debt securities which qualify as high-quality liquid assets ("HQLA") for regulatory purposes. The portfolio includes products issued or insured by federal and provincial governments, crown corporations of federal or provincial governments, and high-quality Canadian corporations. The cash flow characteristics of these debt instruments are SPPI. As such the portfolio is measured as FVTOCI.

Securities purchased under reverse repurchase agreements

The Credit Union sells mortgage-backed securities to Canada Housing Trust ("CHT") as part of the Canada Mortgage Bond ("CMB") program. This program requires financial institutions to maintain a certain balance of eligible securities in their Principal Reinvestment ("PRA") account. The Credit Union purchases eligible assets for this purpose through reverse repurchase agreements.

Other investments in debt instruments

The Credit Union held one (2021 – one) interest bearing deposit with one (2021 – one) Canadian financial institution for CHT pledge. These financial instruments are pledged in trust with CHT for CMB reinvestment purposes.

The Credit Union held fourteen (2021 – thirteen) interest bearing deposits with eight (2021 – nine) Canadian financial institutions. In addition, motusbank held one (2021 – four) Government of Canada T-Bills, zero (2021 – one) Corporate bonds with Canadian corporations, and zero (2021 – three) interest bearing deposits with Canadian financial institutions.

8 Investments in equity instruments

	2022	2021
Fair value through profit or loss:		
Central 1 Class A shares	7,047	7,092
Central 1 Class E shares	15,070	15,070
Real estate investments	7,750	7,500
Private equity investments	17,487	6,830
Other shares or units	284	213
Fair value through other comprehensive income:		
Investment in preferred shares	5,231	24,640
Total investments in equity instruments	52,869	61,345

Shares in Central 1
As a condition of maintaining membership in Central 1, the Credit Union is required to maintain an investment in shares of Central 1, as determined by the Central 1 Board of Directors. They may be surrendered upon withdrawal from membership for proceeds equal to the paid-in value, to be received in accordance with a Central 1 by-law providing for the redemption of its share capital.

Central 1 Class A shares are measured at fair value. These shares are subject to rebalancing at least annually and the redemption value is equal to par value. Accordingly, fair value is considered to be equivalent to par value or redemption value.

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8 Investments in equity instruments (continued)

Central 1 Class E shares are measured at fair value. There is no secondary market for Class E shares. Fair values for certain FVTPL assets are considered to approximate their par value based on the terms of those shares. The Credit Union continues to monitor these shares for any indication that a new measure of fair value is available and any change in the resulting fair value would be recognized in profit or loss.

Real estate investments
The Credit Union has a portfolio of strategic real estate investments. These are investments in partnership units that qualify as equity investments and are measured at FVTPL. The Credit Union reviews these investments at least annually to determine whether adjustments to their carrying value are required.

Private equity investments
The Credit Union has a portfolio of investments in private equity funds, which are held for the purpose of revenue enhancement and diversification. These are measured at FVTPL.

Investments in preferred shares
The Credit Union invests in preferred shares issued by Canadian financial institutions as part of its liquidity management strategy. An irrevocable election was made at initial recognition to classify these investments as FVTOCI.

Other shares or units
The Credit Union holds an insignificant number of shares or units in cooperative and other entities.

9 Loans

	2022	2021
Residential mortgages	12,436,334	12,074,882
Personal loans	1,384,108	1,270,548
Commercial loans	7,182,632	6,138,656
	21,003,074	19,484,086
Allowance for impaired loans	(63,251)	(69,340)
Total net loans	20,939,823	19,414,746
Current	5,124,703	4,189,859
Non-current	15,815,120	15,224,887

Residential mortgage loans are repayable in monthly instalments of blended principal and interest over a maximum term of ten years, based on a maximum original amortization period of 35 years. Open mortgages may be paid off at any time without notice or penalty and closed mortgages may be paid off at the discretion of the borrowers but are subject to penalty. Commercial loans and personal loans are generally repayable in monthly instalments of blended principal and interest over a maximum amortization period of 30 years, except for line of credit and dealer floorplan loans, which are repayable on a revolving credit basis and require minimum monthly payments. Outstanding balances on credit card loans, included in personal and commercial loans, may be repaid with any amount equal to or exceeding the minimum required payment. The minimum required payment is based on a percentage of the outstanding balance.

To support our members during the COVID-19 pandemic, the Credit Union participated in a number of programs designed by the Government of Canada to support businesses impacted by policies restricting economic activity during the pandemic. These include:

The Canada Emergency Business Account (“CEBA”) – Under this program, Canadian financial institutions facilitate interest-free loans of up to $60,000 to eligible small business Members as a source of liquidity for immediate operating costs. The loans are funded entirely by the Government of Canada, with the Credit Union retaining no credit risk. As such, these loans are not recognized on the Credit Union’s consolidated balance sheet. Outstanding loans advanced under this program amounted to $183,345 at year end (2021 - $202,544).

BDC Co-Lending Program – Under this program the Business Development Bank of Canada (“BDC”) partners with Canadian financial institutions in jointly providing loans, which are funded based on an 80/20 split, respectively, to eligible business Members to meet their operational and liquidity needs. All risks and rewards of such loans are shared between BDC and the Credit Union based on the proportional stake of each. As such, the Credit Union recognizes only its 20% share in each loan. Outstanding loans advanced under this program amounted to $26,325 at year end (2021 - $30,117).

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9 Loans (continued)

BDC Highly Affected Sectors Credit Availability Program (“HASCAP”) Guarantee – Under this program, the Business Development Bank of Canada (“BDC”) partners with Canadian financial institutions in issuing loans to eligible borrowers who have seen at least a 50% decline in business as a result of COVID-19. Loans issued through this program must meet eligibility and adjudication criteria that are integral to the underwriting process, and if such loans experienced a default event, the principal amounts would be guaranteed by BDC. The Credit Union recognizes these loans on the consolidated balance sheet and recognizes anticipated guarantee payments as reductions of Expected Credit Loss (“ECL”). Outstanding loans advanced under this program amounted to $38,153 at year end (2021 - $31,242).

EDC Business Credit Availability Program (“BCAP”) - Under this program, Export Development Canada (“EDC”) provides guarantees of up to $6.25 million on loans advanced by the Credit Union to businesses, allowing them to access working capital to cover operational costs as a result of the COVID-19 pandemic. Outstanding loans advanced under this program amounted to $94 at year end (2021 - $469).

Movements in Loss Allowance

Allowances for credit losses are impacted by a variety of factors. The following tables describe the movement in allowances for credit losses by loan category:

Residential Mortgages	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2022	64	206	1,014	1,284
Transfers:				
Transfer from Stage 1 to Stage 2	(5)	5	-	-
Transfer from Stage 2 to Stage 1	1	(53)	-	(52)
Transfer from Stage 2 to Stage 3	-	(1)	4	3
New originations	1	2	-	3
Derecognized loans	(8)	(41)	-	(49)
Changes within each stage	(28)	(58)	1,742	1,656
Changes to macro-economic and other qualitative adjustments	(19)	507	-	488
Write-offs	-	-	(2,760)	(2,760)
Balance as at December 31, 2022	6	567	-	573
Movement in loss allowance	(58)	361	(1,014)	(711)
Recoveries	-	-	(367)	(367)
Write-offs	-	-	2,760	2,760
P&L charge for the period	(58)	361	1,379	1,682

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9 Loans (continued)

Personal Loans	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2022	1,706	8,917	1,113	11,736
Transfers:				
Transfer from Stage 1 to Stage 2	(217)	2,350	-	2,133
Transfer from Stage 1 to Stage 3	(11)	-	690	679
Transfer from Stage 2 to Stage 1	182	(2,050)	-	(1,868)
Transfer from Stage 2 to Stage 3	-	(294)	1,901	1,607
Transfer from Stage 3 to Stage 2	-	14	(45)	(31)
Transfer from Stage 3 to Stage 1	-	-	(17)	(17)
New originations	248	1,511	187	1,946
Derecognized loans	(128)	(1,023)	(649)	(1,800)
Changes within each stage	(130)	302	(72)	100
Changes to macro-economic and other qualitative adjustments	(436)	(407)	-	(843)
Write-offs	-	-	(2,279)	(2,279)
Balance as at December 31, 2022	1,214	9,320	829	11,363
Movement in loss allowance	(492)	403	(284)	(373)
Recoveries	-	-	(621)	(621)
Write-offs	-	-	2,279	2,279
P&L charge for the period	(492)	403	1,374	1,285

Commercial Loans	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2022	10,730	33,180	12,410	56,320
Transfers:				
Transfer from Stage 1 to Stage 2	(3,411)	8,438	-	5,027
Transfer from Stage 1 to Stage 3	(11)	-	471	460
Transfer from Stage 2 to Stage 1	1,444	(15,626)	-	(14,182)
Transfer from Stage 2 to Stage 3	-	(21)	23	2
Transfer from Stage 3 to Stage 2	-	-	(685)	(685)
Transfer from Stage 3 to Stage 1	-	-	(3)	(3)
New originations	1,108	7,974	12	9,094
Derecognized loans	(2,532)	(3,235)	(1,867)	(7,634)
Changes within each stage	(1,361)	(8,354)	1,897	(7,818)
Changes to macro-economic and other qualitative adjustments	1,236	10,029	-	11,265
Write-offs	-	-	(531)	(531)
Balance as at December 31, 2022	7,203	32,385	11,727	51,315
Movement in loss allowance	(3,527)	(795)	(683)	(5,005)
Recoveries	-	-	(16)	(16)
Write-offs	-	-	531	531
P&L charge for the period	(3,527)	(795)	(168)	(4,490)

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9 Loans (continued)

Residential Mortgages	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2021	54	293	698	1,045
Transfers:				
Transfer from Stage 1 to Stage 2	(6)	35	-	29
Transfer from Stage 2 to Stage 1	4	(46)	-	(42)
New originations	25	39	-	64
Derecognized loans	(8)	(83)	-	(91)
Changes within each stage	(3)	(20)	1,316	1,293
Changes to macro-economic and other qualitative adjustments	(2)	(12)	-	(14)
Write-offs	-	-	(1,000)	(1,000)
Balance as at December 31, 2021	64	206	1,014	1,284
Movement in loss allowance	10	(87)	316	239
Recoveries	-	-	(29)	(29)
Write-offs	-	-	1,000	1,000
P&L charge for the period	10	(87)	1,287	1,210

Personal Loans	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2021	1,996	9,700	1,138	12,834
Transfers:				
Transfer from Stage 1 to Stage 2	(195)	1,933	-	1,738
Transfer from Stage 1 to Stage 3	(8)	-	562	554
Transfer from Stage 2 to Stage 1	129	(1,620)	-	(1,491)
Transfer from Stage 2 to Stage 3	-	(318)	1,442	1,124
Transfer from Stage 3 to Stage 2	-	12	(68)	(56)
Transfer from Stage 3 to Stage 1	-	-	(25)	(25)
New originations	214	1,080	124	1,418
Derecognized loans	(160)	(1,128)	(77)	(1,365)
Changes within each stage	(110)	(619)	142	(587)
Changes to macro-economic and other qualitative adjustments	(160)	(123)	-	(283)
Write-offs	-	-	(2,125)	(2,125)
Balance as at December 31, 2021	1,706	8,917	1,113	11,736
Movement in loss allowance	(290)	(783)	(25)	(1,098)
Recoveries	-	-	(494)	(494)
Write-offs	-	-	2,125	2,125
P&L charge for the period	(290)	(783)	1,606	533

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9 Loans (continued)

Commercial Loans	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2021	9,819	40,811	22,493	73,123
Transfers:				
Transfer from Stage 1 to Stage 2	(712)	1,798	-	1,086
Transfer from Stage 1 to Stage 3	(1)	-	25	24
Transfer from Stage 2 to Stage 1	1,107	(3,576)	-	(2,469)
Transfer from Stage 2 to Stage 3	-	(1,533)	1,643	110
Transfer from Stage 3 to Stage 1	1	-	(20)	(19)
New originations	5,479	5,419	156	11,054
Derecognized loans	(2,524)	(8,393)	(8,898)	(19,815)
Changes within each stage	(809)	4,777	605	4,573
Changes to macro-economic and other qualitative adjustments	(1,630)	(6,123)	-	(7,753)
Write-offs	-	-	(3,594)	(3,594)
Balance as at December 31, 2021	10,730	33,180	12,410	56,320
Movement in loss allowance	911	(7,631)	(10,083)	(16,803)
Recoveries	-	-	(43)	(43)
Write-offs	-	-	3,594	3,594
P&L charge for the period	911	(7,631)	(6,532)	(13,252)

Although all loans are originated in stage 1 (except those originated as credit impaired), to the extent that loans were originated in the year and were subsequently moved to another stage, they will show on the new originations line in the stage in which they ended the year. To the extent that certain adjustments to ECL as described in note 35.1 were calculated at product level, they have been presented in the main body of the tables above and not on the other qualitative adjustments line.

There was a 3% increase in the gross carrying value of residential mortgages over the period (2021 - 10% increase); however growth did not contribute to an overall increase in the allowance as the impact of write-offs of stage 3 residential mortgages offsets the impact of loan growth on ECL. The write-off of residential mortgages with a gross carrying value of $2,760 resulted in a reduction in the loss allowance by the same amount (2021 $1,000). There was a 9% increase in the gross carrying value of personal loans over the period (2021 - 1% decrease); however, a decrease in stage 3 allowance resulted in a $372 decrease in allowance (2021 - $53 increase). The write-off of personal loans with a gross carrying value of $2,279 resulted in a reduction in the loss allowance by the same amount (2021 - $2,125 reduction). There was a 17% increase in the gross carrying value of commercial loans over the period (2021 - 7% increase). However, this did not contribute to an overall increase in the allowance as the release of COVID-19 related allowances on existing loans resulted in a $5,005 decrease in allowance. The write-off of commercial loans with a gross carrying value of $531 resulted in a reduction in the loss allowance by the same amount (2021 - $3,594 reduction).

	Residential mortgages	Personal loans	Commercial loans	Total
Gross impaired loans	5,432	2,298	72,681	80,411
Related security, net of expected costs	(5,432)	(1,469)	(60,954)	(67,855)
Balance as at December 31, 2022	-	829	11,727	12,556
Interest income recognized on impaired loans				4,504

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9 Loans (continued)

	Residential mortgages	Personal loans	Commercial loans	Total
Gross impaired loans	5,212	2,854	87,169	95,235
Related security, net of expected costs	(4,198)	(1,741)	(74,759)	(80,698)
Balance as at December 31, 2021	1,014	1,113	12,410	14,537
Interest income recognized on impaired loans				5,708

Maximum exposure to credit risk

The following tables contain an analysis of the credit risk exposure of loans. The gross carrying amount of the loans below also represent the Credit Union's maximum exposure to credit risk on these loans.

Retail Mortgages	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Unrated	72,473	23,289	-	95,762
A+	7,593,273	296,174	-	7,889,447
A	2,424,810	371,638	-	2,796,448
B	801,770	195,831	-	997,601
C	369,484	118,765	-	488,249
D	87,845	41,675	-	129,520
E	17,168	16,707	-	33,875
Defaulted	-	-	5,432	5,432
Gross carrying amount	11,366,823	1,064,079	5,432	12,436,334
Loss allowance	6	567	-	573
Carrying amount as at December 31, 2022	11,366,817	1,063,512	5,432	12,435,761

Personal Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Unrated	108,196	59,270	-	167,466
A+	476,472	315,949	-	792,421
A	136,688	150,143	-	286,831
B	43,380	49,005	-	92,385
C	12,143	20,052	-	32,195
D	2,641	5,630	-	8,271
E	402	1,839	-	2,241
Defaulted	-	-	2,298	2,298
Gross carrying amount	779,922	601,888	2,298	1,384,108
Loss allowance	1,214	9,320	829	11,363
Carrying amount as at December 31, 2022	778,708	592,568	1,469	1,372,745

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9 Loans (continued)

Commercial Loans	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Credit grade				
Unrated	680	415	-	1,095
Very low	146	73	-	219
Low	56,621	1,356	-	57,977
Better	855,013	39,792	-	894,805
Average	1,532,667	861,404	-	2,394,071
Higher	1,640,733	1,891,918	-	3,532,651
Watch List	-	142,796	-	142,796
Distressed	-	86,337	-	86,337
Defaulted	-	-	72,681	72,681
Gross carrying amount	4,085,860	3,024,091	72,681	7,182,632
Loss allowance	7,203	32,385	11,727	51,315
Carrying amount as at December 31, 2022	4,078,657	2,991,706	60,954	7,131,317

Retail Mortgages	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Credit grade				
Unrated	81,032	28,346	-	109,378
A+	6,273,452	1,135,785	-	7,409,237
A	2,119,374	665,296	-	2,784,670
B	749,543	318,745	-	1,068,288
C	323,750	169,438	-	493,188
D	101,480	62,515	-	163,995
E	20,446	20,468	-	40,914
Defaulted	-	-	5,212	5,212
Gross carrying amount	9,669,077	2,400,593	5,212	12,074,882
Loss allowance	64	206	1,014	1,284
Carrying amount as at December 31, 2021	9,669,013	2,400,387	4,198	12,073,598

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9 Loans (continued)

Personal Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Unrated	50,596	32,144	-	82,740
A+	608,896	137,699	-	746,595
A	203,240	71,088	-	274,328
B	60,540	28,541	-	89,081
C	23,342	34,074	-	57,416
D	5,049	7,679	-	12,728
E	2,868	1,938	-	4,806
Defaulted	-	-	2,854	2,854
Gross carrying amount	954,531	313,163	2,854	1,270,548
Loss allowance	1,706	8,917	1,113	11,736
Carrying amount as at December 31, 2021	952,825	304,246	1,741	1,258,812

Commercial Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Unrated	846	416	-	1,262
Very low	1,055	-	-	1,055
Low	20,252	186	-	20,438
Better	961,256	53,579	-	1,014,835
Average	1,940,304	268,587	-	2,208,891
Higher	1,341,457	1,279,765	-	2,621,222
Watch List	110	118,650	-	118,760
Distressed	68	64,956	-	65,024
Defaulted	-	-	87,169	87,169
Gross carrying amount	4,265,348	1,786,139	87,169	6,138,656
Loss allowance	10,730	33,180	12,410	56,320
Carrying amount as at December 31, 2021	4,254,618	1,752,959	74,759	6,082,336

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9 Loans (continued)

Loans past due but not impaired

	< 30 days	30-59 days	60-89 days
Retail	204,056	20,315	6,196
Commercial	212,628	99	24
Total as at December 31, 2022	416,684	20,414	6,220

	< 30 days	30-59 days	60-89 days
Retail	128,738	15,594	2,425
Commercial	59,537	117	-
Total as at December 31, 2021	188,275	15,711	2,425

Collateral

There are documented policies and procedures in place for the valuation of financial and non-financial collateral. The fair valuation of non-financial collateral is performed if there has been a significant change in the terms and conditions of the loan and/or the loan is considered impaired. For impaired loans, an assessment of the collateral is taken into consideration when estimating the net realizable amount of the loans.

The amount and type of collateral and other credit enhancements required depend on the Credit Union's assessment of counterparty credit quality and repayment capacity. Non-financial collateral is used in connection with both Commercial and Retail loan exposure. The Credit Union standards for collateral valuation, frequency of recalculation of the collateral requirement, documentation, registration and perfection procedures and monitoring are in effect. Non-financial collateral taken by the Credit Union includes vehicles, residential real estate, real estate under development, commercial real estate and business assets, such as accounts receivable, inventory and fixed assets. The main types of financial collateral taken by the Credit Union include cash and negotiable securities issued by governments and investment grade issuers, and assignment of life insurance. Guarantees are also taken to reduce credit exposure risk.

	2022	2021
Fair value of collateral held on assets either past due >30 days or impaired	136,637	137,694

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10 Finance receivables

	2022	2021
Gross investment in finance leases	1,539,142	1,205,282
Unearned revenue	(157,854)	(102,742)
Unguaranteed residual values on finance leases	575	383
Net investment in finance receivables	1,381,863	1,102,923
Retail and dealer loans	173,896	128,745
Unamortized deferred costs and subsidies	10,506	7,950
Security deposits	(22,827)	(18,324)
Allowance for credit losses	(14,153)	(18,040)
Total finance receivables	1,529,285	1,203,254

Contractual maturities of finance leases, retail loans and dealer financing loans

The contractual maturities of finance leases and retail loans and dealer financing loans are summarized as follows:

	Finance leases	Retail and dealer loans	Total
0 to 12 months	93,599	20,300	113,899
1 to 3 years	389,499	73,347	462,846
3 to 5 years	757,040	70,295	827,335
Over 5 years	141,725	9,954	151,679
Balance as at December 31, 2022	1,381,863	173,896	1,555,759

	Finance leases	Retail and dealer loans	Total
0 to 12 months	82,418	14,490	96,908
1 to 3 years	415,089	52,508	467,597
3 to 5 years	524,795	53,578	578,373
Over 5 years	80,621	8,169	88,790
Balance as at December 31, 2021	1,102,923	128,745	1,231,668

Finance leases and retail and dealer loans past due

The following table is an analysis of finance receivables that are past due as at the statement of financial position date but not impaired:

	Finance leases	Retail and dealer loans	Total
<30 days	-	56	56
30-59 days	3,168	104	3,272
60-89 days	939	58	997
Past due but not impaired as at December 31, 2022	4,107	218	4,325

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10 Finance receivables (continued)

	Finance leases	Retail and dealer loans	Total
< 30 days	-	-	-
30-59 days	2,197	139	2,336
60-89 days	324	-	324
Past due but not impaired as at December 31, 2021	2,521	139	2,660

As at December 31, 2022 the value of finance receivables for customers who participated in COVID-19 abatement programs is $38,822 (2021 - $83,146). Of the amount, $38,724 (2021 - $82,914) relates to customers who have made payments as agreed under the program and are classified as current. A total of $98 (2021 - $179) relates to customers who have missed a scheduled payment and are included in the past due amounts above, and $nil (2021 - $53) relates to accounts that are now impaired. No finance receivables were added to the abatement programs in 2022.

Allowance for credit losses

The following table represents the reconciliation of the changes in the allowance for credit losses:

	Stage 3 allowance	Stage 1 & 2 allowance	Total allowance
Year ended December 31, 2022			
Balance as at January 1, 2022	2,182	15,858	18,040
Finance receivables written off	(3,894)	-	(3,894)
Recoveries on finance receivables previously written off	1,130	221	1,351
Provision for credit losses, net of recoveries	1,705	(3,049)	(1,344)
Balance as at December 31, 2022	1,123	13,030	14,153

	Stage 3 allowance	Stage 1 & 2 allowance	Total allowance
Year ended December 31, 2021			
Balance as at January 1, 2021	3,862	24,664	28,526
Finance receivables written off	(3,795)	-	(3,795)
Recoveries on finance receivables previously written off	1,647	-	1,647
Provision for credit losses, net of recoveries	468	(8,806)	(8,338)
Balance as at December 31, 2021	2,182	15,858	18,040

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10 Finance receivables (continued)

Movements in Loss Allowance

Allowances for credit losses are impacted by a variety of factors. The following tables describe the movement in allowances for credit losses on finance receivables:

Finance receivables	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2022	7,455	8,403	2,182	18,040
Transfers:				
Transfer from Stage 1 to Stage 2	(241)	846	-	605
Transfer from Stage 1 to Stage 3	(33)	-	2,793	2,760
Transfer from Stage 2 to Stage 1	128	(3,023)	-	(2,895)
Transfer from Stage 2 to Stage 3	-	(122)	1,248	1,126
Transfer from Stage 3 to Stage 2	-	9	(224)	(215)
Transfer from Stage 3 to Stage 1	-	-	(17)	(17)
New originations	4,253	813	346	5,412
Finance receivables paid out	(540)	(840)	(716)	(2,096)
Changes within each Stage	(3,196)	(1,878)	(595)	(5,669)
Macro-economic adjustments	1,260	(264)	-	996
Write-offs	-	-	(3,894)	(3,894)
Balance as at December 31, 2022	9,086	3,944	1,123	14,153

Finance receivables	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2021	6,664	18,000	3,862	28,526
Transfers:				
Transfer from Stage 1 to Stage 2	(439)	705	-	266
Transfer from Stage 1 to Stage 3	(19)	-	649	630
Transfer from Stage 2 to Stage 1	1,208	(10,545)	-	(9,337)
Transfer from Stage 2 to Stage 3	-	(272)	2,634	2,362
Transfer from Stage 3 to Stage 2	-	108	(999)	(891)
New originations	3,173	817	564	4,554
Finance receivables paid out	(457)	(2,320)	(752)	(3,529)
Changes within each Stage	(3,512)	(2,030)	19	(5,523)
Macro-economic adjustments	837	3,940	-	4,777
Write-offs	-	-	(3,795)	(3,795)
Balance as at December 31, 2021	7,455	8,403	2,182	18,040

Although all finance receivables are originated in stage 1 (except those originated as credit impaired), to the extent that finance receivables were originated in the year and were subsequently moved to another stage, they will show on the new originations line in the stage in which they ended the year.

The gross carrying value of finance receivables increased by 1% during the year (2021 - 1% increase). The loss allowance decreased by $3,887 (2021 - $10,487 decrease) or 22% (2021 - 37%). The write-off of finance receivables with a gross carrying value of $3,894 (2021 - $3,795) generated a reduction in the loss allowance by the same amount. Further details on the measurement of ECL are included in note 35.1.

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10 Finance receivables (continued)

Maximum exposure to credit risk

The following tables contain an analysis of the credit risk exposure of finance receivables. The gross carrying amount of finance receivables below also represent the Credit Union's maximum exposure to credit risk on these finance receivables. The Credit Union has not purchased any credit-impaired finance receivables.

	Finance receivables			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Standard monitoring	1,476,605	76,855	-	1,553,460
Default	-	-	2,299	2,299
Gross carrying amount	1,476,605	76,855	2,299	1,555,759
Loss allowance	(9,086)	(3,944)	(1,123)	(14,153)
Carrying amount at December 31, 2022	1,467,519	72,911	1,176	1,541,606

	Finance receivables			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Standard monitoring	1,052,221	176,124	-	1,228,345
Default	-	-	3,323	3,323
Gross carrying amount	1,052,221	176,124	3,323	1,231,668
Loss allowance	(7,455)	(8,403)	(2,182)	(18,040)
Carrying amount at December 31, 2021	1,044,766	167,721	1,141	1,213,628

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11 Derivative financial instruments

The tables below provide a summary of the Credit Union's derivative portfolio and the notional value of the financial assets or financial liabilities to which the derivatives relate.

	Maturities of derivatives (notional amount)				Fair value	
	Within 1 year	1 to 5 years	More than 5 years	Total	Derivative instrument assets	Derivative instrument liabilities
Year ended December 31, 2022						
Foreign exchange derivatives:						
Forward contracts	1,510	-	-	1,510	76	(81)
Equity index-linked options:						
Purchased equity options	39,950	140,114	-	180,064	19,447	-
Interest rate derivatives:						
Designated cash flow hedges	250,000	865,600	29,394	1,144,994	35,714	(1,484)
Economic hedges	25,000	506,588	651,254	1,182,842	37,957	(3,849)
Total derivative contracts as at December 31, 2022	316,460	1,512,302	680,648	2,509,410	93,194	(5,414)

	Maturities of derivatives (notional amount)				Fair value	
	Within 1 year	1 to 5 years	More than 5 years	Total	Derivative instrument assets	Derivative instrument liabilities
Year ended December 31, 2021						
Foreign exchange derivatives:						
Forward contracts	607	-	-	607	2	(1)
Equity index-linked options:						
Purchased equity options	65,104	138,654	-	203,758	31,011	-
Interest rate derivatives:						
Designated cash flow hedges	125,000	811,722	450,542	1,387,264	8,062	(5,755)
Economic hedges	-	302,900	4,100	307,000	8,583	(6)
Total derivative contracts as at December 31, 2021	190,711	1,253,276	454,642	1,898,629	47,658	(5,762)

The notional amounts are used as the basis for determining payments under the contracts and are not actually exchanged between the Credit Union and its counterparties. They do not represent credit exposure.

The Credit Union has credit risk which arises from the possibility that its counterparty to a derivative contract could default on their obligation to the Credit Union. However, credit risk associated with derivative contracts is normally a small fraction of the notional principal amount of the contract. Derivative contracts expose the Credit Union to credit losses where there is a favourable change in market rates from the Credit Union's perspective and the counterparty fails to perform. The Credit Union only enters derivative contracts with counterparties it has determined to be creditworthy.

Foreign exchange forward contracts
As part of its ongoing program for managing foreign currency exposure, the Credit Union enters foreign exchange forward contracts to purchase or sell U.S. dollars. These agreements function as an economic hedge against the Credit Union's net U.S. dollar denominated liability position. Gains/losses on foreign exchange forward contracts are included in non-interest income.

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11 Derivative financial instruments (continued)

Equity index-linked derivatives and options
The Credit Union has $180,064 (2021 - $203,758) of commodity and equity index-linked term deposit products outstanding to its Members. These term deposits have maturities of up to five years and pay interest to the depositors, at the end of the term, based on the performance of various market indices. The Credit Union has purchased index-linked options agreements with certain counterparties to offset the exposure to the indices associated with these products. The Credit Union pays a fixed amount based on the notional amount at the inception of the index-linked option contract. At the end of the term the Credit Union receives from the counterparties payments equal to the amount that will be paid to the depositors based on the performance of the respective indices.

The purpose of the options agreements is to provide an economic hedge against market fluctuations. These options agreements have fair values that vary based on changes in commodity and equity indices. The fair value of these options agreements amounted to $19,447 as at December 31, 2022 (2021 - $31,010). The fair value of the embedded written option in the equity index-linked term deposit products amounted to $19,052 as at December 31, 2022 (2021 – $30,360) and is included as part of Members' deposits (see note 19). Although hedge accounting is not applied, these agreements continue to be effective as economic hedges.

Interest rate swaps
As part of its interest rate risk management process, the Credit Union and motusbank utilize interest rate swaps to maintain interest rate exposure within the preset limits defined by the Board of Directors' (the "Board") approved policy. In compliance with agreements for the secured borrowing facilities, OneCap utilizes interest rate swaps to manage interest rate exposure risk in connection with financing variable rate equipment contract backed notes.

Designated cash flow or fair value hedges are interest rate swap agreements which qualify as hedging relationships for accounting purposes under IAS 39, Financial Instruments: Recognition and Measurement. All other interest rate swaps agreements are considered economic hedges. The Credit Union has designated certain hedging relationships involving interest rate swaps that convert variable rate deposits to fixed rate deposits or variable rate loans to fixed rate loans as cash flow hedges. The Credit Union has also designated certain hedging relationships involving interest rate swaps that convert variable rate loans to fixed rate loans. Interest rate swaps that convert variable rate notes to fixed rate notes are also designated as cash flow hedges.

Previously, the Credit Union also designated certain hedging relationships involving interest rate swaps to convert fixed rate loans into variable rate loans as fair value hedges. All previous fair value hedge relationships have now been discontinued. The remaining hedge accounting adjustments recognized relating to fair value hedges are $188 (2021 – $(306)).

Interest rate swap agreements (including forward interest rate swaps) are valued by netting discounted variable and fixed cash flows with a credit adjustment. Variable cash flows are calculated using implied interest rates as determined by current CDOR or Canadian Dollar Overnight Indexed Swap ("CAD OIS") rates, and term relationships. Fixed cash flows are calculated based on the rates stated in the agreements. These cash flows are discounted using the relevant points on the zero interest rate curve as derived from the month-end CDOR and swap rates. As at December 31, 2022, the fixed interest rates on the Credit Union's interest rate swaps is between 0.6% and 4.3% (2021 – 0.6% and 2.8%). The fixed interest rate on OneCap's interest rate swaps is between 0.7% and 4.2% (2021 – 0.7% and 2.7%). The fixed interest rate on motusbank's interest rate swaps is between 0.7% and 0.9% (2021 - 0.7% and 0.9%).

Bond forward contracts
As part of its interest rate risk management process, the Credit Union and OneCap utilize bond forwards to maintain their interest rate exposure on forecast debt issuances associated with securitization activity. These hedging relationships are designated as cash flow hedges. The effective portion of realized gains (losses) on these derivatives are deferred and amortized in accordance with the effective interest rate method along with the debt originated.

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11 Derivative financial instruments (continued)

The following tables present the effects of derivatives in hedging relationships on the consolidated statements of income and the consolidated statements of comprehensive income:

Year ended December 31, 2022	Change in fair value of the hedged item for ineffectiveness measurement	Change in fair value of the hedging instrument for ineffectiveness measurement	Hedge ineffectiveness gain (loss)	Hedging gain (loss) recognized in OCI (before tax)	Amount reclassified from AOCI to net income (pre-tax basis)	Effect on OCI (before tax)
Cash flow hedges						
Interest rate risk						
Loans	311	(313)	(2)	(311)	(5)	(316)
Deposits	(1,396)	2,331	935	1,396	(483)	913
Borrowings	(14,108)	14,306	198	14,108	-	14,108
Mortgage securitization liabilities	(2,252)	2,251	(1)	2,252	1,328	3,580
Secured borrowings	(25,731)	26,001	270	25,731	(14,170)	11,561
Subordinated liabilities	(3,179)	3,518	339	3,179	561	3,740
Total cash flow hedges	(46,355)	48,094	1,739	46,355	(12,769)	33,586

Year ended December 31, 2021	Change in fair value of the hedged item for ineffectiveness measurement	Change in fair value of the hedging instrument for ineffectiveness measurement	Hedge ineffectiveness gain (loss)	Hedging gain (loss) recognized in OCI (before tax)	Amount reclassified from AOCI to net income (pre-tax basis)	Effect on OCI (before tax)
Cash flow hedges						
Interest rate risk						
Loans	1,238	(1,286)	(48)	(1,238)	(30)	(1,268)
Deposits	(6,070)	6,079	9	6,070	-	6,070
Borrowings	(10,621)	10,819	198	10,621	-	10,621
Mortgage securitization liabilities	(2,368)	2,554	186	2,368	1,893	4,261
Secured borrowings	(16,194)	16,323	129	16,194	(1,198)	14,996
Subordinated liabilities	(2,055)	2,573	518	2,055	637	2,692
Total cash flow hedges	(36,070)	37,062	992	36,070	1,302	37,372

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11 Derivative financial instruments (continued)

The following tables provides a reconciliation of AOCI related to cash flow hedges (before tax):

Year ended December 31, 2022	Opening AOCI	Other comprehensive income (loss)	Closing AOCI	AOCI on designated hedges	AOCI on de-designated hedges
Cash flow hedges					
Interest rate risk					
Loans	46	(316)	(270)	(270)	-
Deposits	906	913	1,819	484	1,335
Borrowings	1,946	14,108	16,054	16,054	-
Mortgage securitization liabilities	(6,823)	3,580	(3,243)	(1,172)	(2,071)
Secured borrowings	1,880	11,561	13,441	13,170	271
Subordinated liabilities	(2,729)	3,740	1,011	2,893	(1,882)
Total cash flow hedges	(4,774)	33,586	28,812	31,159	(2,347)

Year ended December 31, 2021	Opening AOCI	Other comprehensive income (loss)	Closing AOCI	AOCI on designated hedges	AOCI on de-designated hedges
Cash flow hedges					
Interest rate risk					
Loans	1,314	(1,268)	46	41	5
Deposits	(5,164)	6,070	906	906	-
Borrowings	(8,675)	10,621	1,946	1,946	-
Mortgage securitization liabilities	(11,084)	4,261	(6,823)	-	(6,823)
Secured borrowings	(13,116)	14,996	1,880	1,865	15
Subordinated liabilities	(5,421)	2,692	(2,729)	(286)	(2,443)
Total cash flow hedges	(42,146)	37,372	(4,774)	4,472	(9,246)

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12 Investment in joint venture

The Credit Union participates in DriveON, a joint venture incorporated in Ontario with a fiscal year ending December 31. DriveON provides automobile dealer finance in the Province of Ontario. The Credit Union's ownership is 50%. The investment is structured as a separate legal entity and provides the Credit Union and the other party to the arrangement with the rights to the net assets of the limited company under the arrangement. The activities of the joint venture are not considered strategic to the Credit Union. The investment meets the requirements for being classified as a joint venture and is accounted for using the equity method as of December 31.

13 Intangible assets

	Broker and vendor relationships	Software	Other	Total
Year ended December 31, 2022				
As at January 1, 2022, net carrying value	19,227	4,082	288	23,597
Additions	-	4,596	-	4,596
Amortization	(3,240)	(1,343)	(150)	(4,733)
As at December 31, 2022, net carrying value	15,987	7,335	138	23,460
As at December 31, 2022				
Cost	51,300	26,384	1,312	78,996
Accumulated amortization	(35,313)	(19,049)	(1,174)	(55,536)
Net carrying value	15,987	7,335	138	23,460

	Broker and vendor relationships	Software	Other	Total
Year ended December 31, 2021				
As at January 1, 2021, net carrying value	23,285	2,551	586	26,422
Additions	-	2,739	-	2,739
Amortization	(4,058)	(1,208)	(298)	(5,564)
As at December 31, 2021, net carrying value	19,227	4,082	288	23,597
As at December 31, 2021				
Cost	51,300	21,788	1,312	74,400
Accumulated amortization	(32,073)	(17,706)	(1,024)	(50,803)
Net carrying value	19,227	4,082	288	23,597

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14 Goodwill

	2022	2021
Balance at the beginning and end of the period	73,232	73,232

Goodwill arose upon the acquisition of OneCap. There have been no fundamental changes to the core business since acquisition, and as such, the whole business is regarded as the CGU for impairment testing purposes.

Annual goodwill impairment testing is performed at September 30. Management has assessed OneCap for impairment triggers at December 31, 2022 and noted that no events have taken place subsequent to the last impairment test that indicate that impairment has occurred.

The recoverable amount of the CGU has been determined based on a discounted value in use ("VIU") calculation which uses cash flow projections based on financial forecasts approved by the Board of Directors covering a five-year period. Financial forecasts incorporate actual historical performance updated to reflect current market trends and strategic decisions and goals as set by management. The discount rate is based on the rate of 10-year government bonds, adjusted for a risk premium to reflect both the increased risk of investing in equities in general and the systematic risk of the specific CGU.

Cash flows beyond that five-year period have been extrapolated using a steady 2% per annum growth rate. The terminal growth rate was determined based on management's estimate of the long-term compound annual growth in cash flows, consistent with the assumptions that a market participant would make.

Impairment analysis for 2022

Although the current economic environment has resulted in a high level of uncertainty which makes it difficult to forecast future cash flows, the OneCap business has seen steady and positive growth over 2022. As a result, for 2022 impairment testing, management has prepared financial forecasts under two scenarios, and weighted these scenarios based on expected probability of occurrence. These scenarios and the respective weightings are as follows:

- Plan (65%) - The target scenario is based on the financial plan set by Management, and reflects Management's planning assumption of a moderate recession in 2023.
- Downside (35%) – This scenario is more conservative and assumes slower growth. The conservative scenario is considered less likely and therefore has been assigned a lower probability of 35%. Note that the target scenario already reflects Management's planning assumption of a moderate recession in 2023 and the alternative scenario incorporates additional conservatism.

The recoverable amount was then determined by taking the weighted average of VIU of the two scenarios.

As noted above, the discount rate incorporates a risk premium reflecting both equity premiums in the general market as well as entity specific risk. Significant judgment is used to determine the discount rate. Analysis indicates that an appropriate discount rate would be in the range of 8.65% to 13.65%. The mid-point of this range was used for the impairment test.

Key assumptions and the resulting VIU for each scenario are as follows:

	Undiscounted forecast cash flows for October 1, 2022 to September 30, 2027				
	Operating cash flows	Capital investment	Terminal growth rate	Discount rate	Value in use
Plan	163,444	(116,752)	2 %	11.15 %	229,850
Downside	148,015	(104,852)	2 %	11.15 %	209,251

The recoverable amount of the CGU was $222,640 which exceeded the carrying amount of $212,567 by $10,073. As such, no impairment has been recorded.

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14 Goodwill (continued)

Sensitivity analysis

The estimation of VIU involves significant judgment in the determination of inputs to the discounted cash flow model and is most sensitive to changes in future cash flows, and discount rates. The sensitivity of the VIU to key inputs and assumptions used was tested by recalculating the recoverable amount using reasonably possible changes to those parameters. Management has conducted an analysis of the sensitivity of the impairment test to reasonably plausible changes in the key assumptions used to determine the recoverable amount for the CGU. The following table summarizes the impact that these changes in these key assumptions have on the recoverable amount and the excess of recoverable amount over carrying value or the resulting impairment, keeping all other assumptions constant.

	Change to carrying value	Excess / (impairment)
Net cash flows		
Decrease in 10% in monthly net cash flows	(38,901)	(28,828)
Increase of 10% in monthly net cash flows	38,901	48,974
Terminal growth rate		
Decrease of 0.5%	(3,839)	6,234
Increase of 0.5%	4,207	14,280
Discount rate (1)		
Decrease by 2.5% to 8.65%	105,010	115,083
Increase by 2.5% to 13.65%	(58,411)	(48,337)
Increase by 1.0% to 12.15%	(27,013)	(16,940)
Scenario weighting		
-10% Plan, +10% Downside	(2,060)	8,013
+10% Plan, -10% Downside	2,060	12,133

(1) Sensitivity to the upper and lower limits of the discount rate range assumptions were tested, as well as sensitivity to a 1% increase in the discount rate.

Impairment analysis for 2021

Key assumptions and the resulting recoverable amount for the 2021 impairment test were as follows:

	Undiscounted forecast cash flows for October 1, 2021 to September 30, 2026				
	Operating cash flows	Capital investment	Terminal growth rate	Discount rate	Value in use
Plan	143,100	(114,200)	2 %	10.3 %	226,493
Downside	137,762	(108,006)	2 %	10.3 %	202,158

The recoverable amount of the CGU as of September 30, 2021 was $217,976, which exceeded the carrying amount of $192,714 by $25,261.

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15 Property, plant and equipment

	Land	Building and improvements	Furniture and office equipment	Computer hardware and software	Leasehold improvements	Total
Year ended December 31, 2022						
As at January 1, 2022, net carrying value	2,337	6,107	6,881	3,849	11,579	30,753
Additions	-	791	1,842	4,526	1,146	8,305
Disposals	-	-	(120)	(17)	(3)	(140)
Depreciation	-	(851)	(2,135)	(2,976)	(2,564)	(8,526)
As at December 31, 2022, net carrying value	2,337	6,047	6,468	5,382	10,158	30,392
As at December 31, 2022						
Cost	2,337	25,511	39,099	50,244	41,685	158,876
Accumulated depreciation	-	(19,464)	(32,631)	(44,862)	(31,527)	(128,484)
Net carrying value	2,337	6,047	6,468	5,382	10,158	30,392

	Land	Building and improvements	Furniture and office equipment	Computer hardware and software	Leasehold improvements	Total
Year ended December 31, 2021						
As at January 1, 2021, net carrying value	2,337	6,701	7,943	5,037	13,431	35,449
Additions	-	330	1,455	1,655	684	4,124
Disposals	-	-	(9)	(4)	(1)	(14)
Depreciation	-	(924)	(2,508)	(2,839)	(2,535)	(8,806)
As at December 31, 2021, net carrying value	2,337	6,107	6,881	3,849	11,579	30,753
As at December 31, 2021						
Cost	2,337	24,720	37,388	46,094	40,544	151,083
Accumulated depreciation	-	(18,613)	(30,507)	(42,245)	(28,965)	(120,330)
Net carrying value	2,337	6,107	6,881	3,849	11,579	30,753

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16 Deferred income taxes

	2022	2021
Deferred income tax		
Deferred tax assets	65,712	79,407
Deferred tax liabilities	34,828	26,215
Net deferred income tax assets	30,884	53,192

The movement in the deferred income tax account is as follows:

		Recognized in		
	January 1, 2022	Profit or loss	OCI	December 31, 2022
Non-capital losses available for carry-forward[1]	5,270	(1,476)	-	3,794
Allowance for impaired loans and leases	15,273	(1,723)	-	13,550
Employee future benefits	1,980	(316)	131	1,795
Other accrued expenses	2,076	41	-	2,117
Property, plant and equipment	2,471	(88)	-	2,383
Intangible assets arising from acquisition	(3,228)	(270)	-	(3,498)
Right-of-use assets	(11,891)	641	-	(11,250)
Deferred expenses	(2,497)	(715)	-	(3,212)
Finance receivables	35,179	(9,678)	-	25,501
Financial instruments adjustments	(2,956)	(1,830)	-	(4,786)
Deferred loan fees	2,981	82	-	3,063
Mortgage securitization fees	(4,783)	457	-	(4,326)
Right of use lease obligation	12,591	(544)	-	12,047
Cash flow hedges	726	34	(7,096)	(6,336)
Investments	-	(131)	-	(131)
Other	-	173	-	173
Total	53,192	(15,343)	(6,965)	30,884

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16 Deferred income taxes (continued)

	January 1, 2021	Recognized in Profit or loss	Recognized in OCI	December 31, 2021
Non-capital losses available for carry-forward	3,560	1,710	-	5,270
Allowance for impaired loans and leases	19,999	(4,726)	-	15,273
Employee future benefits	2,989	(757)	(252)	1,980
Other accrued expenses	1,945	131	-	2,076
Property, plant and equipment	2,342	129	-	2,471
Intangible assets arising from acquisition	(3,100)	(128)	-	(3,228)
Right-of-use assets	(12,731)	840	-	(11,891)
Deferred expenses	(4,874)	2,377	-	(2,497)
Finance receivables	36,497	(1,318)	-	35,179
Financial instruments adjustments	658	(3,614)	-	(2,956)
Deferred loan fees	2,686	295	-	2,981
Mortgage securitization fees	(4,964)	181	-	(4,783)
Right of use lease obligation	13,314	(723)	-	12,591
Cash flow hedges	9,236	(372)	(8,138)	726
Total	67,557	(5,975)	(8,390)	53,192

1 In 2022, a subsidiary of the Credit Union derecognized deferred tax assets related to non-capital loss carry forwards. These non-capital loss carry forwards expire as follows: $6,367 - 2040, $7,066 - 2041, $6,314 - 2042, $4,437 - 2043.

17 Leased assets and liabilities

Leased assets	**Property**	**Equipment**	**Total**
Year ended December 31, 2022			
As at January 1, 2022, net carrying value	62,651	-	62,651
Additions	4,394	-	4,394
Amortization	(7,969)	-	(7,969)
As at December 31, 2022, net carrying value	59,076	-	59,076
As at December 31, 2022			
Cost	90,955	-	90,955
Accumulated amortization	(31,879)	-	(31,879)
Net carrying value	59,076	-	59,076

Leased assets	**Property**	**Equipment**	**Total**
Year ended December 31, 2021			
As at January 1, 2021, net carrying value	67,025	-	67,025
Additions	3,726	-	3,726
Amortization	(8,100)	-	(8,100)
As at December 31, 2021, net carrying value	62,651	-	62,651
As at December 31, 2021			
Cost	86,561	38	86,599
Accumulated amortization	(23,910)	(38)	(23,948)
Net carrying value	62,651	-	62,651

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17 Leased assets and liabilities (continued)

	2022	2021
Lease liabilities		
Current	8,139	8,031
Non-current	56,911	60,565
Total lease liabilities	65,050	68,596

Payments associated with short-term leases during 2022 were $15 (2021 - $21) and were included within non-interest expenses.

Lessor:

	2022	2021
Lease receivable		
Current	623	625
Non-current	2,224	2,793
Total lease receivable	2,847	3,418

The Credit Union leases office space in buildings owned and partially co-occupied by the Credit Union. These properties are not considered investment properties and the leases are classified as operating leases. Future minimum operating lease payments due to the Credit Union are as follows:

	2022	2021
Within 1 year	87	84
2 years	83	84
3 years	73	80
4 years	53	70
5 years	29	50
Over 5 years	64	90
Total	389	458

Total operating lease payments received during 2022 were $85 (2021 - $55) and are included on the consolidated income statement within non-interest income.

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18 Other assets

	2022	2021
Employee discounts[1]	28,200	25,090
Deferred securitization fees	23,238	26,282
Prepaid assets	9,485	8,883
Securitization receivables	10,504	12,010
Other	3,722	4,836
Total other assets	75,149	77,101
Current	50,089	47,622
Non-current	25,060	29,479

1 Employees are offered discounted rates on loans and mortgages that are recognized as an asset and amortized into salaries and employee benefits expense over the term of the products.

19 Deposits

	2022	2021
Demand deposits	8,239,426	8,158,516
Term deposits	6,755,336	5,423,169
Registered plans	3,531,458	3,314,492
Total deposits	18,526,220	16,896,177
Current	15,451,189	13,985,517
Non-current	3,075,031	2,910,660

Term deposits include equity index-linked deposits and the embedded derivatives as described in note 11.

20 Borrowings

	2022	2021
Borrowings	301,325	300,287
Current	1,352	328
Non-current	299,973	299,959

The Credit Union was in compliance with all financial and reporting covenants with all of its lenders at December 31, 2022 and 2021.

Canadian Imperial Bank of Canada facility

The Credit Union has a $150,000 (2021 - $150,000) revolving secured credit facility with the Canadian Imperial Bank of Commerce ("CIBC"). As at December 31, 2022, the credit facility had a $nil balance (2021 - $nil). The credit facility is secured by eligible mortgages insured through either Canadian Mortgage and Housing Corporation ("CMHC") or Sagen (formerly Genworth).

The Credit Union has a $300,000 (2021 - $300,000) secured term facility with CIBC. As at December 31, 2022, the credit facility had a $300,000 balance (2021 - $300,000). The secured term facility is secured by mortgages not eligible for securitization.

Bank of Nova Scotia credit facility

OneCap has a credit facility with The Bank of Nova Scotia totaling $2,000 (2021 - $2,000) to be used for working capital purposes. The agreement is a revolver facility. The operating line of credit is secured by a standby letter of credit in the amount of $2,000 (2021 - $2,000) issued by Meridian Credit Union. As at December 31, 2022, the credit facility has a balance of $nil (2021 - $nil).

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20 Borrowings (continued)

National Bank of Canada credit facility

OneCap has a credit facility with National Bank of Canada totaling $40,000 (2021 - $40,000) to finance the acquisition of assets and for operations. The credit agreement has a maturity date of October 31, 2023 and is secured by eligible equipment leases and loans. As at December 31, 2022, the credit facility has a balance of $nil (2021 - $nil).

Federation des Caisses Desjardins du Quebec

The Credit Union has a secured credit facility with Federation des Caisses Desjardins du Quebec ("Desjardins") totaling $250,000 (2021 - $250,000). As at December 31, 2022, the credit facility has a balance of $nil (2021 - $nil). The credit facility is secured by eligible insured residential mortgages.

Other credit facilities

The Credit Union has a settlement risk line totaling $25,000 (2021 - $25,000) with the Bank of Montreal. As at December 31, 2022, the settlement line had a balance of $nil (2021 - $nil).

Motusbank has a settlement risk line totaling $100 (2021 - $100) with the Bank of Montreal. As at December 31, 2022, the settlement line had a balance of $nil (2021 - $nil).

The Credit Union has an overdraft line totaling $850 (2021 - $850) with Caisse Centrale Desjardins ("CCD"). As at December 31, 2022, the overdraft line had a balance of $nil (2021 - $nil).

Motusbank had an overdraft line totaling $20 (2021 - $20) with Royal Bank of Canada. As at December 31, 2022, the overdraft line had a balance of $nil (2021 - $nil).

Motusbank had an overdraft line totaling $20 (2021 - $20) with CCD. As at December 31, 2022, the overdraft line had a balance of $nil (2021 - $nil).

The Credit Union has established a credit facility with Central 1 which is composed of liquidity and contingency facilities. The Credit Union can borrow up to $268,000 and US $10,000 (2021 - $268,000 and US $10,000) on its liquidity facility for which the balance outstanding was $nil at December 31, 2022 (2021 – $nil). A contingency credit facility is established in the amount of $422,000 (2021 - $422,000).

Motusbank established a credit facility with Central 1 which is composed of liquidity and contingency facilities. Motusbank can borrow up to $44,500 and US $500 (2021 - $44,500 and US $500) on its liquidity facility for which the balance outstanding was $nil at December 31, 2022 (2021 - $nil). A contingency credit facility has been established in the amount of $5,000 (2021 - $5,000) for which the balance outstanding was $nil (2021 - $nil) as at December 31, 2022.

Assets have been pledged as security for the credit facility with Central 1 by an assignment of book debts and a general security arrangement subject to adjustment for mortgage collateral pledged against bank borrowings. The Credit Union provides a financial guarantee for motusbank to maintain its own Central 1 credit facility, for obligations up to a maximum of $50,000.

21 Payables and other liabilities

	2022	2021
Accounts payable and accrued liabilities	116,545	129,784
Deferred income	187	306
Cheques and other items in transit	19,631	12,823
Total payables and other liabilities	136,363	142,913
Current	133,458	142,569
Non-current	2,905	344

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22 Secured borrowings

	2022	2021
Obligations related to securities sold under repurchase agreements	-	465,526
Variable rate equipment contract backed notes	1,074,568	862,202
Fixed rate equipment contract backed notes	191,422	195,572
Collateralized borrowings	472,199	-
Total secured borrowings	1,738,189	1,523,300
Current	890,425	845,196
Non-current	847,764	678,104

The Credit Union was in compliance with all financial and reporting covenants with all of its lenders at December 31, 2022 and 2021.

In accordance with a Master Sales Agreement, the Company sells lease contracts to Meridian OneCap Limited Partnership ("the Partnership"), which is a bankruptcy remote limited partnership in which the Company has an interest and is included in these consolidated financial statements. Through the Partnership, the Company then enters securitized borrowing arrangements with investors. Meridian Credit Union acts as Support Party to these arrangements. For further details on transactions with the Partnership, refer to note 23.

Variable rate equipment contract backed notes (Series 2016-1):

In accordance with a Note Purchase Agreement, OneCap sells variable rate equipment contract backed notes to investors. The notes are collateralized by a specific portfolio of loan and lease contracts secured by new and used small and medium ticket equipment (Portfolio of Assets) originated in Canada. The principal and interest are paid monthly from collections on the Portfolio of Assets. The Note Purchase Agreement has a commitment expiration date of October 1, 2023 (2021 - October 31, 2022).

The carrying value of finance receivables that are pledged as collateral for the notes at December 31, 2022 is $1,034,736 (2021 - $929,941). In addition, OneCap has cash reserves of $24,986 (2021 - $22,672) held as collateral for the notes as disclosed in note 5.

Fixed rate equipment contract backed notes (Series 2021-1):

In accordance with a Note Purchase Agreement, OneCap sells fixed rate equipment contract backed notes to investors. The notes are collateralized by a specific portfolio of loan and lease contracts secured by equipment ("Portfolio of Assets") originated in Canada. No recourse provisions exist that allow the holders of notes issued or loans advanced in such securitization transactions to put those notes or loans back to the Company or the Support Party and neither the Company or the Support Party guarantees any notes issued or loans advanced in such securitization transactions and therefore the company's exposure under such programs is limited. The principal and interest on the fixed rate notes are paid monthly from collections on the Portfolio of Assets. The Note Purchase Agreement has a commitment expiration date of March 3, 2024. The stated maturity of the notes is seven years following the expiration date, during which time the notes will amortize and collections from the Portfolio of Assets will be allocated to the notes until they pay in full.

The carrying value of finance receivables that are pledged as collateral for the notes at December 31, 2022 is $190,930 (2021 - $213,345). In addition, the company has cash reserves of $4,337 (2021 - $4,346) held as collateral for the notes as disclosed in note 5.

Collateralized borrowings

In accordance with the Mortgage Loan Co-Ownership and Servicing Agreement made as of August 30, 2022, the Credit Union transfers undivided co-ownership interests of certain eligible conventional mortgages into a co-ownership asset portfolio. Co-owners mean the Credit Union as the seller of interests and Mercury Receivables Trust (the "Trust") as the purchaser of interests. Interests are purchased by the Trust through the issuance of Asset Backed Commercial Paper ("ABCP") to investors, collateralized by the eligible conventional mortgages transferred to the co-ownership asset portfolio. The principal and interest on the ABCP outstanding is paid monthly from collections on the co-ownership asset portfolio.

The carrying value of mortgages that are pledged as collateral for the ABCP at December 31, 2022 is $526,316. In addition, the Credit Union has cash reserves of $7,500 held as collateral for the notes as disclosed in note 5.

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23 Mortgage securitization liabilities

	2022	2021
Mortgage securitization liabilities	3,618,798	3,572,125
Current	176,233	335,987
Non-current	3,442,565	3,236,138

As part of its program of liquidity, capital and interest rate risk management, the Credit Union enters arrangements to fund growth by entering into mortgage securitization arrangements. These arrangements allow the Credit Union to transfer fully insured residential mortgages to unrelated third parties, generally through the transfer of these assets to multi-seller conduits which issue securities to investors.

These transactions are derecognized from the consolidated balance sheet when the transaction meets the derecognition criteria described in note 3.4. In instances where the Credit Union's mortgage securitizations do not result in a transfer of contractual cash flows of the mortgages or an assumption of an obligation to pay the cash flows of the mortgages to a transferee, the Credit Union does not derecognize the asset and instead records a secured borrowing with respect to any consideration received.

During the year, the Credit Union had outstanding mortgage securitization liabilities pertaining to the use of a securitization vehicle to access liquidity.

Under the securitization vehicle the Credit Union packages insured mortgage loan receivables into NHA MBS and in turn sells the MBS to CHT directly through the CMB Program. CHT is financed through the issuance of government-guaranteed mortgage bonds, which are sold to third party investors. Proceeds from the issuances are used by CHT to purchase the government-guaranteed MBS from approved Issuers.

The terms of the CMB program require CHT to ultimately receive the return on a CMB bond which has a fixed principal balance. As the NHA MBS created by the Credit Union to sell into the CMB program have amortizing principal balances in line with principal repayments on the underlying mortgages, the Credit Union is required to provide eligible replacement assets to CHT to top up the aggregate principal balance on the account. The Credit Union engages a third-party financial institution to facilitate this replacement process with CHT.

The Credit Union engages financial institutions to enter a total return swap with CHT in which they pay CHT the return on a CMB in return for receiving the return on the NHA MBS. The financial institution is compensated for this service through the pricing on the NHA MBS. Accordingly, the Credit Union's liability under this arrangement is the NHA MBS.

All mortgages securitized by the Credit Union are fully insured prior to sale. As such, they pose minimal to no credit risk to the Credit Union immediately before or any time after the securitization transaction. The Credit Union remains exposed to prepayment risk on securitized mortgages that are open to prepayment. As such, it has not transferred materially all the risks and rewards of the assets and continues to recognize them on its balance sheet along with a securitization liability. Interest income and expense is recognized on each respectively using the effective interest rate method.

The Credit Union also securitizes some mortgages that are closed to prepayment. Where these are also securitized using the structure which outsources replacement asset requirements to a third party, reinvestment risk is transferred. As such, it has been determined that on such securitization structures, materially all the risks and rewards on the assets have been transferred. Therefore, the assets are derecognized and no liability is recognized. A gain on sale is recorded upon the derecognition of the assets, which is calculated by comparing the fair value of the assets at the point of sale versus the consideration received. An asset relating to the Credit Union's retained interest in the securitized mortgages is recognized at fair value and is subsequently measured at amortized cost. The Credit Union's retained interest in securitized mortgages is presented in Other Assets, with the associated income recognized in interest income.

Costs incurred on securitization transactions are amortized over the life of the issue as part of mortgage securitization cost of funds included within interest expense – other.

Active management of the securitization program and the reinvestment portfolio helps to minimize exposure and ensure that sufficient assets are maintained to meet reinvestment requirements.

The following summarizes the carrying and fair values of assets of the Credit Union that have been securitized and sold by the Credit Union to third parties, but not derecognized, as well as the carrying and fair values of the corresponding mortgage securitization liabilities:

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23 Mortgage securitization liabilities (continued)

	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
Securitized mortgages sold via CMB Program	1,679,587	1,580,318	1,582,981	1,508,716
Sold MBS to third parties	2,004,153	1,876,234	1,889,065	1,773,193
Securities purchased under reverse repurchase agreements, asset backed commercial paper, and Government of Canada bonds (included in financial investments)	-	-	129,978	129,978
Unscheduled principal payment reserve (included in cash and cash equivalents)	116,385	116,385	70,559	70,559
Total designated assets	3,800,125	3,572,937	3,672,583	3,482,446
Mortgage securitization liabilities	(3,618,798)	(3,502,848)	(3,572,125)	(3,575,177)
Net amount	181,327	70,089	100,458	(92,731)

24 Pension and other employee obligations

	2022	2021
Short-term employee benefits payable	40,040	43,319
Retirement benefit obligations	8,802	9,127
Total pension and other employee obligations	48,842	52,446

The Credit Union provides several pension and other retirement benefits to its current and retired employees. These plans include the following:

Contributory Defined Benefit Pension Plans

The Credit Union has two contributory defined benefit pension plans.

The first defined benefit plan (“DB1”) provides retirement income and related benefits for eligible employees based on length of credited service and final average earnings. This plan was closed to new members effective January 1, 2005 and the service and final average earnings were frozen effective December 31, 2014. Members of this plan became members of the Credit Union’s defined contribution pension plan ("DC") starting January 1, 2015. Effective January 1, 2015, members of the DB1 Plan are neither required nor permitted to contribute to the plan. As at October 31, 2021, the Credit Union declared a wind-up of this plan, details of which are described below.

The second defined benefit plan (“DB2”) provides retirement income and related benefits for eligible employees based on length of credited service and final average earnings. This plan was closed to new members effective June 1, 2011 and the service and final average earnings were frozen effective December 31, 2012. Members of this plan became members of the DC plan starting January 1, 2013. Effective January 1, 2013, members of the DB2 Plan are neither required nor permitted to contribute to the plan. As at October 31, 2021, the Credit Union declared a wind-up of this plan, details of which are described below.

At December 31, 2021 and 2022 100% of the DB1 and DB2 plan assets were held in fixed income investments in trust by CIBC Mellon. All the benefit plan assets have a quoted market price in an active market.

Both defined benefit pension plans are operated under Ontario’s Pension Benefits Act. The Pension Benefits Act is administered by the Superintendent of Financial Services appointed by FSRA. Plan valuations must be filed with both FSRA and with the Canada Revenue Agency.

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

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24 Pension and other employee obligations (continued)

Plan Wind-ups

As at October 31, 2021, the Credit Union declared wind-ups of the DB1 and DB2 plans. Prior to this date, the DC and DB1 Plans existed as separate components within the same registered pension plan. Since the DB component is being wound up, a new defined contribution pension plan ("New DC Plan") was established effective October 31, 2021. On May 26, 2022, after obtaining approval from FSRA, the DC plan assets held within the combined registered pension plan were transferred into the New DC Plan.

In 2021 written notice of the wind-ups was provided to FSRA as well as to Plan members, pensioners and other persons entitled to benefits under the DB1, DB2 and DC plans. In April of 2022 the required wind-up reports were filed with the Chief Executive Officer of FSRA. FSRA approved the wind-up of the DB1 plan on September 16, 2022 and the DB2 plan on January 3, 2023.

In 2022 all non-retired members under the DB Plans were sent an information package providing options for payment of the benefits they have earned. Members were able to select receipt of a lump-sum commuted value, a lump-sum transfer to a locked-in retirement arrangement or a monthly pension. Upon receipt of FSRA's regulatory approval of the wind-ups and subject to the full funding of the Plans, the monthly pension payments for non-retired members who elected the pension option and current pensioners will be secured through an annuity contract with a Canadian insurance company and the lump sum payments will be made for those who elected one of the lump-sum options.

The Credit Union is responsible for contributing annual payments as outlined in the wind-up reports until such time as the wind-ups have been completed and the Plans have been terminated. Accordingly, a payment of $562 was made under the DB1 Plan and $473 for the DB2 Plan.

Non-contributory Defined Benefit Supplemental Executive Retirement Plan 1

This plan is a defined benefit retirement plan which provides designated employees benefits in excess of the benefits payable to such employees under the DB1 Plan, under which benefits are restricted by the maximum permitted under the Income Tax Act (Canada). The benefits payable under the Supplemental Plan are based on the benefit formula under the DB1 Plan. The Credit Union has established a trust fund, pursuant to a trust agreement between the Credit Union and the trustee, for the purpose of providing security for the benefits accrued under the Supplemental Plan. A member of this plan will neither be required nor permitted to make any contribution to this plan.

Supplemental Employee Retirement Plan 2

This plan mirrors the structure of the Defined Contribution ("DC") Plan and contains employer pension contributions to all DC Plan members who exceed the maximum permitted under the Income Tax Act (Canada). Plan members accrue contributions and investment returns on a notional basis paid out to employees upon termination or retirement. A member of this plan will neither be required nor permitted to make any contribution to this plan.

Defined Contribution Pension Plan and Group Registered Retirement Savings Plan ("RRSP")

For periods of service prior to December 18, 2016, an employee who became a member of the DC Plan was not required or permitted to contribute to the DC Plan but was required to contribute 3% of earnings to a group RRSP. Thereafter, mandatory contributions of 3% of earnings are directed to the DC Plan. Employees are also permitted to contribute additional amounts to a group RRSP, up to a maximum of 7% of earnings. The Credit Union will contribute each plan year a portion thereof, in respect of a member who is accruing continuous service in Canada, a percentage of the member's earnings based on the member's completed years of continuous service.

Post-Employment Benefits

The Credit Union provides health and dental care benefits for eligible retired employees through various plans. Each plan has its own membership and eligibility criteria and offers unique benefits. Only one plan remains open to new entrants who are at least 55 years of age with a minimum of 10 years of service. The plan provides healthcare coverage only and ceases at age 65.

Additionally, the Credit Union provides a retirement service award program which covers all permanent employees who work at least 15 hours per week. Employees who are at least 55 years of age with a minimum of 10 years of service receive a service lump sum payment of $0.2 per year of service upon retirement.

In 2015 the Credit Union curtailed the post-employment medical benefit plan. Affected employees will no longer be eligible for certain health and dental benefits unless they are aged 55 or older as of July 1, 2017.

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24 Pension and other employee obligations (continued)

In 2015 the Credit Union introduced a new retirement service award program for all employees effective July 1, 2015. All employees, other than those grandfathered above, receive the new retirement service award.

For financial reporting purposes, the Credit Union measures the benefit obligations and pension plan assets as at December 31 each year.

Components of the net benefit plan expense are as follows:

(a) Service cost is the increase in the present value of the accrued benefit obligation resulting from employee service in the current period or prior periods and from any gain or loss on settlement.

(b) Net interest cost is the change in the net defined benefit liability or asset that arises from the passage of time.

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

	2022	2021
Consolidated balance sheet obligations for:		
Pension benefit plans	2,406	1,338
Post-employment benefits	6,396	7,789
	8,802	9,127
The amounts recognized in the consolidated balance sheet are determined as follows:		
Present value of funded obligations	49,193	58,345
Fair value of plan assets	(48,301)	(59,092)
Funded plans' (surplus) deficit	892	(747)
Present value of unfunded obligations	7,654	9,127
Net liability recognized in the consolidated balance sheet	8,546	8,380
Consolidated income statement charged to salaries and employee benefits for:		
Defined benefit pension plans	534	560
Defined contribution pension plan	8,134	7,157
Total pension plans	8,668	7,717
Post-employment benefits	549	754
	9,217	8,471
Amounts included in other comprehensive income:		
Re-measurement gain (loss):		
Pension benefit plans	(8,112)	6,631
Post-employment benefits	1,501	1,885
	(6,611)	8,516
Asset ceiling adjustment:		
Pension benefit plans	5,905	(7,132)
	(706)	1,384

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24 Pension and other employee obligations (continued)

	Defined benefit pensions		Post-employment benefits	
	2022	2021	2022	2021
The movement in the present value of the defined benefit obligation over the year is as follows:				
Defined benefit obligation, January 1	52,550	58,260	7,789	9,319
Current service cost	144	169	320	526
Interest cost	1,626	1,467	224	228
Benefits paid	(1,426)	(2,039)	(437)	(398)
Remeasurement loss (gain) due to:				
Changes in demographic assumptions	-	(468)	-	(1,297)
Changes in financial assumptions	(6,130)	(4,881)	(1,468)	(408)
Experience losses (gains)	2,231	42	(32)	(181)
Defined benefit obligation, December 31	48,995	52,550	6,396	7,789

	Defined benefit pensions		Post-employment benefits	
	2022	2021	2022	2021
The movement in the fair value of plan assets for the year is as follows:				
Fair value of plan assets, January 1	59,092	52,299	-	-
Interest income	1,855	1,394	-	-
Return on plan assets, excluding interest income	(12,011)	1,324	-	-
Employer contributions	1,104	6,407	437	398
Benefits paid	(1,358)	(2,025)	(437)	(398)
Administrative expenses	(381)	(307)	-	-
Fair value of plan assets, December 31	48,301	59,092	-	-
Net defined benefit liability (asset) prior to asset ceiling adjustment	694	(6,542)	6,396	7,789
Asset ceiling adjustment	1,456	7,132	-	-
Net defined benefit liability	2,150	590	6,396	7,789

The net defined liability of $2,150 (2021 - $590) is comprised of net assets of $256 (2021 - $747) and net liabilities of $2,406 (2021 - $1,338) in respect of the Supplemental Retirement Plans. The net asset amounts are included in other assets in the consolidated balance sheet.

Under the provisions of IAS 19, net defined benefit assets are restricted to the lower of the plan surplus and the asset ceiling, which is defined as the present value of any future economic benefits. In the case of the DB1 and DB2 plans, economic benefits have been identified as the ability to offset future administrative expenses relating to the plans against a portion of the surplus. The remainder of the surplus has been recorded in OCI as an asset ceiling adjustment.

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24 Pension and other employee obligations (continued)

Actuarial assumptions

	Total pension benefits		Post-employment benefits	
	2022	2021	2022	2021
The principal actuarial assumptions used were as follows:				
Discount rate	5.30%	3.20%	5.30%	3.00%
Pension growth rate	2.00%	2.00%	-	-
Long-term increase in health care costs	-	-	4.00%	4.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Canada. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65 as follows:

	2022	2021
Retiring at the end of the reporting period:		
Male	87.2	87.1
Female	89.9	89.8
Retiring 20 years after the end of the reporting period:		
Male	88.7	88.6
Female	91.2	91.2

The weighted average duration of the defined benefit obligation as at December 31, 2022 is 5 years (2021 – 13.1 years).

The following shows the expected maturity analysis of undiscounted defined benefit pension and post-employment benefits:

	Within 1 year	1 to 5 years	Over 5 years	Total
As at December 31, 2022				
Weighted average duration	53,923	208	678	54,809
Post-employment benefits	476	2,247	16,937	19,660
Total	54,399	2,455	17,615	74,469
As at December 31, 2021				
Weighted average duration	2,468	11,056	70,530	84,054
Post-employment benefits	470	2,103	17,582	20,155
Total	2,938	13,159	88,112	104,209

Contributions for the upcoming fiscal year are anticipated to be approximately $6,437 (2021 - $1,259) for defined benefit pension plans, $9,774 (2021 - $8,484) for defined contribution plans and $476 (2021 - $469) for other employee benefit plans.

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24 Pension and other employee obligations (continued)

The following table outlines the key weighted-average economic assumptions used in measuring the accrued benefit obligation:

			Accrued benefit obligation	
	Defined benefit pensions		Post-employment benefits	
	2022	2021	2022	2021
Discount rate				
Impact of 1% increase	(2,221)	(6,117)	(501)	(788)
Impact of 1% decrease	2,596	7,670	582	943
Pension growth rate				
Impact of 1% increase	2,725	7,077	-	-
Impact of 1% decrease	(2,431)	(5,826)	-	-
Life expectancy				
Impact of 1% increase	1,297	1,398	129	172
Impact of 1% decrease	(1,306)	(1,409)	(129)	(170)
Health care cost trend				
Impact of 1% increase	-	-	457	719
Impact of 1% decrease	-	-	(437)	(612)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the consolidated balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Risks:

Through its defined benefit pension plans and post-employment plans, the Credit Union is exposed to several risks, the most significant of which are detailed below:

a) Equity Risk
Effective March 30, 2021 the two DB plans adopted a new Statement of Investment Policies and Procedures ("SIPP"). As required under this SIPP, the plans moved from a mix of equity and fixed income investments to 100% fixed income investments.

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

c) Inflation risk
The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. Caps on the level of inflationary increases are in place to protect the plan against extreme inflation. A portion of the plans' assets are invested in real return bonds, which are expected to provide some protection against changes in inflation. However, a significant portion of the plans' assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

d) Life expectancy
The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

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25 Share capital

	Par value per share	2022	2021
Membership shares classified as liabilities			
Membership shares	1	382	378
As at December 31		382	378
"50th Anniversary" Class A shares	1	79,346	77,328
Series 96 Class A shares	1	53,329	54,048
Series 98 Class A shares	1	4,759	4,618
Series 01 Class A shares	1	73,144	69,991
Series 09 Class A shares	1	89,316	86,588
Series 15 Class A shares	1	145,256	141,302
Series 17 Class A shares	1	192,717	186,200
As at December 31	-	637,867	620,075

(number of shares)	Membership Shares	"50th Anniversary" Class A shares	Series 96 Class A shares	Series 98 Class A shares
Issued as at January 1, 2021	387,833	74,663,861	52,203,488	4,461,273
Shares redeemed by Members	(10,145)	-	-	-
Shares issued as dividends	-	2,664,275	1,844,977	157,143
Issued as at December 31, 2021	377,688	77,328,136	54,048,465	4,618,416
Shares issued to Members net of redemptions	4,184	(730,280)	(2,588,855)	(26,593)
Shares issued as dividends	-	2,747,826	1,868,892	167,572
Issued as at December 31, 2022	381,872	79,345,682	53,328,502	4,759,395

(number of shares)	Series 01 Class A shares	Series 09 Class A shares	Series 15 Class A shares	Series 17 Class A shares
Issued as at January 1, 2021	67,645,204	83,959,544	136,974,878	180,785,957
Shares issued as dividends	2,345,391	2,845,134	4,617,892	6,106,788
Issued as at December 31, 2021	69,990,595	86,804,678	141,592,770	186,892,745
Shares redeemed by Members	-	(244,376)	(839,321)	(3,212)
Shares issued as dividends	3,153,554	2,972,196	4,793,635	6,520,207
Issued as at December 31, 2022	73,144,149	89,532,498	145,547,084	193,409,740

(a) Authorized share capital

The authorized share capital of the Credit Union consists of the following:
(i) an unlimited number of Class A special shares, issuable in series ("Class A shares");
(ii) an unlimited number of Class B special shares, issuable in series ("Class B shares"); and
(iii) an unlimited number of Membership shares.

Membership shares rank junior to Class A shares and to Class B shares for priority in the payment of dividends and, in the event of the liquidation, dissolution or winding up of the Credit Union. In addition, Class B shares rank junior to Class A shares. There are no Class B shares outstanding.

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25 Share capital (continued)

(b) Class A shares

"50th Anniversary" Class A shares

The "50th Anniversary" Class A shares are non-cumulative, non-voting, non-participating shares with a minimum dividend rate adjusted every five years. The new dividend rate for each five-year period will be set by the Board in its absolute discretion at a rate not less than the chartered bank average five-year GIC rate published by the Bank of Canada Review. The dividend rate for the five-year period beginning on January 1, 2021 was set at 4.00%.

The holders of the "50th Anniversary" Class A shares are entitled to receive dividends, if declared by the Board, subject to availability of sufficient earnings to meet the regulatory capital requirements of the Act described in note 35.5.

Any declaration of dividends for the "50th Anniversary" Class A shares is made by the Board in the fourth quarter of the fiscal year and the dividends, if declared, are payable annually on January 1. These shares are redeemable at the sole and absolute discretion of the Credit Union's Board of Directors. Based on these redemption characteristics, these shares have been recorded within Members' equity as Members' capital accounts.

Dividends declared on the "50th Anniversary" Class A shares in 2022 for the year ended December 31, 2022 amounted to $3,262 (2021 - $3,095), of which $436 (2021 - $347) will be paid in cash and have been recorded in the current year. The remaining $2,826 (2021 - $2,748) will be paid in the form of newly issued "50th Anniversary" Class A shares and will be recorded in the following fiscal year when the shares are issued.

Series 96 Class A shares

The series 96 Class A shares are cumulative, non-voting, non-participating shares with a dividend rate adjusted every five years. The new dividend rate for each five-year period will be set by the Board in its absolute discretion at a rate not less than 1% above the chartered bank average five-year GIC rate published by the Bank of Canada Review. The dividend rate for the five-year period beginning on September 27, 2021 was set at 4.00%.

The holders of series 96 Class A shares are entitled to receive dividends, if declared by the Board, subject to availability of sufficient earnings to meet the regulatory capital requirements of the Act described in note 35.5. Any declaration of dividends for the series 96 Class A shares is made by the Board in the third quarter of the fiscal year and the dividends, if declared, are payable annually on September 26. These shares are redeemable at the sole and absolute discretion of the Credit Union's Board of Directors. Based on these redemption characteristics, these shares have been recorded within Members' equity as Members' capital accounts.

Dividends declared and paid on the series 96 Class A shares in 2022 amounted to $2,163 (2021 - $2,089), of which $294 was paid in cash (2021 - $244) and $1,869 (2021 - $1,845) was paid in the form of newly issued series 96 Class A shares. The full amount of the series 96 dividend was recorded in the current fiscal year.

Series 98 Class A shares

The series 98 Class A shares are non-cumulative, non-voting, non-participating shares with a minimum dividend rate of the average of the month-end five-year GIC rates for the period, plus 1%. The new dividend rate for each five-year period will be set by the Board in its absolute discretion at a rate not less than the chartered bank average five-year GIC rate published by the Bank of Canada Review. The dividend rate for the five-year period beginning on January 1, 2021 was set at 4.00%.

The holders of series 98 Class A shares are entitled to receive dividends, if declared by the Board, subject to availability of sufficient earnings to meet the regulatory capital requirements of the Act described in note 35.5. Any declaration of dividends for the Series 98 Class A shares is made by the Board in the fourth quarter of the fiscal year and the dividends, if declared, are payable annually on January 1. These shares are redeemable at the sole and absolute discretion of the Credit Union's Board of Directors. Based on these redemption characteristics, these shares have been recorded within Members' equity as Members' capital accounts.

Dividends declared on the series 98 Class A shares in 2022 for the year ended December 31, 2022 amounted to $250 (2021 - $185), of which $26 (2021 - $17) will be paid in cash and have been recorded in the current year. The remaining $224 (2021 - $168) will be paid in the form of newly issued series 98 Class A shares and will be recorded in the following fiscal year when the shares are issued.

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25 Share capital (continued)

Series 01 Class A shares

The series 01 Class A shares are non-cumulative, non-voting, non-participating shares with a minimum dividend rate adjusted every five years. The new dividend rate for each five-year period will be set by the Board in its absolute discretion at a rate not less than 1% above the chartered bank average five-year GIC rate published by the Bank of Canada Review. The dividend rate for the five-year period beginning on December 13, 2021 was set at 4.45%.

The holders of series 01 Class A shares are entitled to receive dividends, if declared by the Board, subject to availability of sufficient earnings to meet the regulatory capital requirements of the Act described in note 35.5. Any declaration of dividends for the series 01 Class A shares is made by the Board in the third quarter of the fiscal year and the dividends, if declared, are payable annually on December 12. These shares are redeemable at the sole and absolute discretion of the Credit Union's Board of Directors. Based on these redemption characteristics, these shares have been recorded within Members' equity as Members' capital accounts.

Dividends declared and paid on the series 01 Class A shares in 2022 for the year ended December 31, 2022 amounted to $3,676 (2021 - $2,707), of which $522 was paid in cash (2021 - $361) and $3,154 (2021 - $2,346) was paid in the form of newly issued series 01 Class A shares. The full amount of the series 01 dividend was recorded in the current fiscal year.

Series 09 Class A shares

The series 09 Class A shares are non-cumulative, non-voting, non-participating shares with a minimum dividend rate adjusted every five years. The new dividend rate for each five-year period will be set by the Board in its absolute discretion at a rate not less than a rate that exceeds by 125 basis points the yield on the monthly series of the Government of Canada five-year bonds as published by the Bank of Canada Review. The dividend rate for the five-year period beginning on January 1, 2020 was set at 4.00%.

The holders of series 09 Class A shares are entitled to receive dividends, if declared by the Board, subject to availability of sufficient earnings to meet the regulatory capital requirements of the Act described in note 35.5. Any declaration of dividends for the Series 09 Class A shares is made by the Board in the fourth quarter of the fiscal year and the dividends, if declared, are payable annually following each fiscal year end and prior to the annual general meeting of Members. These shares are redeemable at the sole and absolute discretion of the Credit Union's Board of Directors. Based on these redemption characteristics, these shares have been recorded within Members' equity as Members' capital accounts.

Dividends declared on the series 09 Class A shares in 2022 for the year ended December 31, 2022 amounted to $4,702 (2021 - $3,474), of which $717 (2021 - $502) will be paid in cash and have been recorded in the current year. The remaining $3,985 (2021 - $2,972) will be paid in the form of newly issued series 09 Class A shares and will be recorded in the following fiscal year when the shares are issued.

Series 15 Class A shares

Series 15 Class A shares are non-cumulative, non-voting, non-participating shares with a minimum dividend rate adjusted every five years. The new dividend rate for each five-year period will be set by the Board in its absolute discretion at a rate not less than a rate that exceeds by 125 basis points the yield on the monthly series of the Government of Canada five-year bonds as published by the Bank of Canada. The dividend rate for the five-year period beginning on January 1, 2020 was set at 4.00%.

The holders of Series 15 Class A shares are entitled to receive dividends, if declared by the Board, subject to availability of sufficient earnings to meet the regulatory capital requirements of the Act described in note 35.5 and subject to Applicable Law. Any declaration of dividends for the Series 15 Class A shares is made by the Board in the fourth quarter of the fiscal year and the dividends, if declared, are payable annually following each fiscal year end and prior to the annual general meeting of Members. These shares are redeemable at the discretion of the Credit Union's Board of Directors, and subject to any approval by a regulator if required pursuant to Applicable Law, not before the end of the fifth year from the date of issuance. Based on these redemption characteristics, these shares have been recorded within Members' equity as Members' capital accounts.

Dividends declared on the Series 15 Class A shares in 2022 for the year ended December 31, 2022 amounted to $7,643 (2021 - $5,666), of which $1,226 (2021 - $872) will be paid in cash and have been recorded in the current year. The remaining $6,417 (2021 - $4,794) will be paid in the form of newly issued series 15 Class A shares and will be recorded in the following fiscal year when the shares are issued.

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25 Share capital (continued)

Series 17 Class A shares

Series 17 Class A shares are non-cumulative, non-voting, non-participating shares with a minimum dividend rate adjusted every five years. The new dividend rate for each five-year period will be set by the Board in its absolute discretion at a rate not less than a rate that exceeds by 300 basis points the yield on the monthly series of the Government of Canada five-year bonds as published by the Bank of Canada. The dividend rate for the five-year period beginning on January 1, 2022 was set at 4.45%.

The holders of Series 17 Class A shares are entitled to receive dividends, if declared by the Board, subject to availability of sufficient earnings to meet the regulatory capital requirements of the Act described in note 35.5 and subject to Applicable Law. Any declaration of dividends for the Series 17 Class A shares is made by the Board in the fourth quarter of the fiscal year and the dividends, if declared, are payable annually following each fiscal year end and prior to the annual general meeting of Members. These shares are redeemable at the discretion of the Credit Union's Board of Directors, and subject to any approval by a regulator if required pursuant to Applicable Law, not before the end of the fifth year from the date of issuance. Based on these redemption characteristics, these shares have been recorded within Members' equity as Members' capital accounts.

Dividends declared on the Series 17 Class A shares in 2022 for the year ended December 31, 2022 amounted to $10,156 (2021 - $7,945), of which $1,839 (2021 - $1,425) will be paid in cash and have been recorded in the current year. The remaining $8,317 (2021 - $6,520) will be paid in the form of newly issued series 17 Class A shares and will be recorded in the following fiscal year when the shares are issued.

(c) Membership shares

Par value of one Membership share of the Credit Union is $1 and Members must hold one share. There were 382,355 Members at December 31, 2022 (2021 – 379,026).

These shares are redeemable at their issue price only when the Member withdraws from Membership in the Credit Union subject to:

(i) the Credit Union's meeting capital adequacy requirements; and

(ii) the discretion of the Board, who may require notice.

Based on the redemption features of these shares, they have been recorded as Membership shares within the liability portion of the consolidated balance sheet, and have been designated as other liabilities. The residual equity component is nil.

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25 Share capital (continued)

(d) Dividends

Dividends recognized as distributions to Members during the year are as follows:

	2022	2021
"50th Anniversary" Class A shares	3,184	3,013
Series 96 Class A shares	2,163	2,089
Series 98 Class A shares	194	175
Series 01 Class A shares	3,676	2,707
Series 09 Class A shares	3,689	3,347
Series 15 Class A shares	6,020	5,491
Series 17 Class A shares	8,359	7,532
Balance, December 31	27,285	24,354

Dividends declared during the year that will be paid subsequent to December 31 and which Members have elected to receive by way of newly issued shares of the same series amount to $21,769 (2021 - $17,202). These dividends will be charged to retained earnings in the following year when the shares are issued as follows:

	2022	2021
"50th Anniversary" Class A shares	2,826	2,748
Series 98 Class A shares	224	168
Series 09 Class A shares	3,985	2,972
Series 15 Class A shares	6,417	4,794
Series 17 Class A shares	8,317	6,520
Balance, December 31	21,769	17,202

No dividends have been declared or paid on Membership shares for the years ended December 31, 2022 or December 31, 2021.

26 Subordinated debt

During 2019, the Credit Union issued $50,000 principal amount of subordinated debt with term to maturity of ten years, redeemable after five years. This facility carries a floating rate, which at December 31, 2022 was 8.16% (2021 - 3.94%) per annum, payable in interest only payments quarterly.

During 2020, the Credit Union issued $125,000 principal amount of subordinated debt with term to maturity of ten years, redeemable after five years. The interest rate on the facility is fixed at issue date for five years, thereafter if not redeemed, a floating rate at the 3-month Bankers' Acceptance Rate plus 3.14% to 3.16% is applicable. As at December 31, 2022 the rate was 3.90% to 4.87% (2021 - 3.90% to 4.87%) per annum, payable in interest only payments quarterly.

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27 Net interest income

	2022	2021
Interest income		
Residential mortgages	340,557	330,143
Personal loans	69,016	50,304
Commercial loans [1]	351,069	269,995
Interest income - loans	760,642	650,442
Finance receivables	69,330	60,044
Cash and cash equivalents	23,080	4,089
Investment in debt instruments	28,502	12,467
Total interest income	881,554	727,042
Interest expense		
Demand deposits	89,892	31,152
Term deposits	144,950	101,002
Registered plans	66,732	53,658
Interest expense - deposits	301,574	185,812
Interest on borrowings	48,294	31,326
Interest on subordinated debt	9,224	8,376
Mortgage securitization cost of funds	69,901	79,522
Interest on finance leases	1,922	1,963
Total interest expense	430,915	306,999

1 Interest income on institutional loans, agricultural loans, unincorporated association loans and syndicated loans is included within Commercial loans.

28 Fees and other income

	2022	2021
Loan servicing fees	6,687	8,553
Mutual fund revenue	29,824	28,671
Service fees	20,166	19,411
Insurance commissions	6,382	7,037
Foreign exchange	7,546	4,975
Leasing revenue	9,741	6,835
Dividend income[1]	608	3,389
Other revenue	11,448	8,748
Total fees and other income	92,402	87,619

1 The dividend income amount reported above was earned on investments in equity instruments that are measured at FVTPL and FVTOCI.

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29 Securitization income

	2022	2021
Net gain on sale of mortgages (net of derivatives fair value change)	85	462
Total securitization income	85	462

The hedging activities included in the table above economically hedge interest rate risk on mortgages held for sale. The derivatives, which are bond forwards, are not designated in hedge accounting relationships. The gains or losses on the derivatives are mainly offset by the fair value change in the mortgages held for sale.

30 Net gain on financial instruments

	2022	2021
Unrealized and realized gain or loss on derivatives	29,030	10,884
Hedge ineffectiveness	1,739	992
Unrealized gain on equity instruments	348	-
Realized gain or loss on debt instruments	-	3,300
Net gain on financial instruments	31,117	15,176

31 Income tax expense

	2022	2021
Current income tax expense	26,487	26,332
Future income tax expense	15,343	7,241
Total income tax expense	41,830	33,573

Note 16 provides information on the Credit Union's deferred income tax assets and liabilities, including amounts recognized directly in OCI.

The tax on the Credit Union's consolidated operating earnings before income taxes differs from the amount that would arise using the Canadian federal and provincial statutorily enacted tax rates as follows:

	2022		2021	
	Tax provision	% of Pre-tax income	Tax provision	% of Pre-tax income
Operating earnings for the year, before tax	224,408	n/a	218,420	n/a
Income tax expense at statutory rates	59,411	26.5 %	57,857	26.5 %
Credit union rate reduction	(16,422)	(7.3)%	(16,671)	(7.6)%
Deductible dividend payments	(5,853)	(2.6)%	(4,579)	(2.1)%
Non-deductible expense	146	0.1 %	63	- %
Non-taxable income	(113)	(0.1)%	(268)	(0.1)%
Adjustment of prior year provision	(1,929)	(0.9)%	(2,983)	(1.4)%
Impact of future tax rates	224	0.1 %	-	- %
Deferred tax asset allowance	6,409	2.9	-	-
Other items	(43)	(0.1)%	154	0.1 %
Income tax expense	41,830	18.6 %	33,573	15.4 %
Other comprehensive (loss) income for the year, before tax	(2,920)	n/a	31,836	n/a
Income tax expense, recognized directly in other comprehensive income	385	(13.2)%	7,124	22.4 %

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31 Income tax expense (continued)

The amount of income taxes relating to each component of income or OCI can be summarized as follows:

	2022		
	Before income taxes	Income tax expense	Net of income taxes
Net gain on cash flow hedges	46,355	(10,602)	35,753
Net gain on cash flow hedges transferred to net income	(12,769)	3,508	(9,261)
Actuarial loss in defined benefit pension plans	(706)	130	(576)
Unrealized losses on FVOCI financial assets	(35,800)	6,579	(29,221)
Other comprehensive income for the year ended December 31, 2022	(2,920)	(385)	(3,305)

	2021		
	Before income taxes	Income tax expense	Net of income taxes
Net gain on cash flow hedges	36,070	(8,002)	28,068
Net loss on cash flow hedges transferred to net income	1,302	(136)	1,166
Actuarial gain in defined benefit pension plans	1,384	(252)	1,132
Unrealized losses on FVOCI financial assets	(6,920)	1,266	(5,654)
Other comprehensive income for the year ended December 31, 2021	31,836	(7,124)	24,712

32 Related party transactions

The Credit Union's related parties include its subsidiaries, joint venture, key management personnel and their close family members as well as any entities that are controlled, jointly controlled or significantly influenced by them, and the post-employment benefit plans. Unless otherwise noted, transactions with related parties include no special terms and conditions and no guarantees were given to or received from the related parties. Outstanding balances are usually settled in cash.

(a) Joint Venture

The joint venture is a related party of the Credit Union.

(b) Post-employment benefit plans

The defined benefit plans referred to in note 24 are related parties of the Credit Union.

The assets in the defined benefit plans do not include shares in the Credit Union. The Credit Union's transactions with the defined benefit plans include contributions paid to the plans, which are disclosed in note 24. The Credit Union has not entered into other transactions with the defined benefit plans, neither has it any outstanding balances at the reporting dates.

(c) Key management personnel

Key management personnel include all members of the Board, officers of the Credit Union and members of the Executive Leadership Team of the Credit Union.

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32 Related party transactions (continued)

Transactions with related parties

The compensation paid or payable to key management personnel for director or employee services is shown below:

	2022	2021
Salaries, retainers, per diems and other short-term employee benefits	5,011	6,990
Termination benefits	2,119	3,410
Post-employment benefits	199	192
Total compensation	7,329	10,592

Related party balances and transactions are detailed below:

Loans advanced to related parties

	2022	2021
Loan balance as at January 1	6,715	4,522
Change in loan balances during the year	(978)	2,193
Loan balance as at December 31	5,737	6,715
Total interest revenue earned on loans	164	180

Revolving credit facilities granted to related parties

	2022	2021
Total value of facilities approved as at January 1	3,265	3,243
Increase in limits granted	4,322	2,716
Total value of facilities approved at December 31	7,587	5,959
Balance outstanding	(2,602)	(2,694)
Net balance available on facilities as at December 31	4,985	3,265
Total interest revenue earned on revolving credit facilities	74	37

Term deposits held for related parties

	2022	2021
Deposit balance as at January 1	487	969
Net change in deposits during the year	1,627	(482)
Deposit balance as at December 31	2,114	487
Total interest expense on term deposits	25	8

Demand deposit balances held for related parties

	2022	2021
Deposit balance as at January 1	20,368	2,722
Net change in deposits during the year	(7,850)	17,646
Demand deposit balance as at December 31	12,518	20,368
Total interest expense on demand deposits	201	137

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32 Related party transactions (continued)

Other transactions with related parties

Sales/purchases of goods and services

Key management personnel and parties related to them provided $nil (2021 - $nil) of goods and services to the Credit Union.

Shares and dividends

As at December 31, 2022 related parties hold share capital valued at $40 (2021 - $113). During the year, dividends of $4 (2021 - $13) were paid on these shares.

Guarantees and commitments

Commitments on undrawn credit facilities and letters of credit in the amount of $4,985 (2021 - $3,265) have been issued to related parties.

Restricted party transactions

The Credit Union employs the definition of restricted party contained in the Act and regulations. A restricted party includes a person who is, or has been within the preceding twelve months, a director, officer or auditor of the Credit Union, any corporation in which the person owns more than 10% of the voting shares, his or her spouse, their dependent relatives who live in the same household as the person, and any corporation controlled by such spouse or dependent relative.

As at December 31, 2022, the aggregate value of loans issued to restricted parties was $8,605 (2021 - $7,945). These loans have been advanced on the same terms and conditions as have been accorded to all Members of the Credit Union, unless the restricted party is an employee, in which case they received the standard employee discount. There was no allowance for impaired loans required in respect of these loans.

Directors received $1,111 (2021 - $1,212) for annual retainer and per diem and $74 (2021 - $25) for reimbursement of travel and out-of-pocket expenses.

33 Contingent liabilities and commitments

(a) Legal proceedings

During the normal course of business, the Credit Union enters legal proceedings primarily relating to the recovery of delinquent loans. As a result, various counterclaims or proceedings have been or may be instituted against the Credit Union. The disposition of the matters that are pending or asserted is not expected by management to have a material effect on the financial position of the Credit Union or on its results of operations.

(b) NHA MBS commitments

The Credit Union is required, as an issuer of NHA MBS, to remit the NHA MBS principal and interest amounts due on outstanding securities to Computershare in the following month, who distributes payments to NHA MBS investors on behalf of CMHC. The total NHA MBS principal and interest amounts due as at December 31, 2022 on NHA MBS that Meridian retains ownership of, either directly or through participation in the CMB Program, are $62,502 (2021 - $100,997).

The Credit Union is required as an issuer of NHA MBS, to fund an additional unscheduled prepayment cash reserve, calculated based on the outstanding principal balance of all outstanding NHA MBS as at December 31, 2022. As at December 31, 2022 the expected amount of the cash reserve required for 2023 is $50,671 (2021 - $116,385).

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33 Contingent liabilities and commitments (continued)

(c) Commitments for loans

In the normal course of business, the Credit Union enters into various commitments to meet the credit requirements of its Members. Such commitments, which are not included in the consolidated balance sheet, include documentary and commercial letters of credit, which require the Credit Union to honour drafts presented by third parties on completion of specific activities; and commitments to extend credit, which represent undertakings to make credit available in the form of loans or other financings for specific amounts and maturities, subject to certain conditions.

These credit arrangements are subject to the Credit Union's normal credit standards, financial controls and monitoring procedures and collateral may be obtained where appropriate. The contract amounts for these commitments set out in the table below represent the maximum credit risk exposure to the Credit Union should the contracts be fully drawn, the counterparty default and any collateral held prove to be of no value. As many of these arrangements will expire or terminate without being drawn on, the contract amounts do not necessarily represent future cash requirements.

	2022	2021
Undrawn overdrafts and credit facilities	3,545,444	3,207,804
Standby and commercial letters of credit	220,010	216,029
Loans approved but not funded:		
Retail mortgages	60,864	66,696
Personal loans	219	1,966
Commercial loans	1,775,663	1,830,216
Total loan commitments as at December 31	5,602,200	5,322,711

(d) Guarantees

In the normal course of business, the Credit Union enters into agreements that may contain features which meet the definition of a guarantee under IFRS. The maximum potential amount of future payments represents the amounts that could be lost to the Credit Union under guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions, insurance policies or from collateral held or pledged.

The Credit Union provided a guarantee on behalf of motusbank on October 4th, 2021 to unconditionally and irrevocably guarantee on a continuing basis to each of CMHC and CHT the prompt and complete payment and performance, when due, to a maximum of $200,000 CAD plus interest in the event motusbank is unable to meet its obligations. As at December 31, 2022, motusbank's mortgage securitization liability balance including interest is $27,532 (2021 - $nil).

(e) Meridian's Commitment to Communities

As part of Meridian's Commitment to Communities program, the Credit Union has entered several contracts resulting in commitments for contributions and sponsorships.

Meridian Hall and Meridian Arts Centre

In 2018 the Credit Union entered a 15-year contract with TO Live (formerly Civic Theaters Toronto) to contribute $30,750 plus applicable tax over fifteen years toward sponsoring two iconic cultural properties formerly known as the Toronto Centre for the Arts and the Sony Centre for the Performing Arts located in Toronto, Ontario. In exchange for the contributions, Meridian will be granted naming rights to the two locations for the next fifteen years. The facilities are now known as "Meridian Hall" and "Meridian Arts Centre". The contract term is from September 15, 2019 to September 14, 2034.

Meridian Community Centre

In 2018 the Credit Union entered a 25-year contract with the Town of Pelham to contribute $1,000 plus applicable tax over twenty-five years toward sponsoring the Pelham Community Centre located in Pelham, Ontario. In exchange for the contributions, Meridian was granted naming rights for the life of the facility. The facility is known as "Meridian Community Centre". The contract term is from March 1, 2018 to February 28, 2043.

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33 Contingent liabilities and commitments (continued)

Meridian Theatres @ Centrepointe

In 2018 the Credit Union entered a 15-year contract with the City of Ottawa to contribute $975 plus applicable tax over fifteen years toward sponsoring the Centrepointe Theatres located in Ottawa, Ontario. In exchange for the contributions, Meridian was granted naming rights for the next fifteen years. The facility is known as “Meridian Theaters @ Centrepointe”. The contract term is from April 1, 2018 to December 31, 2033.

Greater Fort Erie Secondary School’s - Meridian Centre for the Arts

In 2018 the Credit Union entered a 20-year contract with the Greater Fort Erie District School Board to contribute $500 tax-inclusive over twenty years toward sponsoring the Greater Fort Erie Centre for Arts located in Fort Erie, Ontario. In exchange for the contributions, Meridian was granted naming rights for the next twenty years. The facility is known as “Meridian Centre for the Arts”. The contract term is from September 1, 2018 to August 31, 2038.

Meridian Centre

In 2013 the Credit Union entered a contract with the City of St. Catharines to contribute $5,234 over 25 years to the new multi-purpose spectator facility constructed in downtown St. Catharines, which is named The Meridian Centre. In addition to being given exclusive naming rights, Meridian has been designated as the official financial services provider during the term of the contract. The contract term is from September 1, 2013 to August 31, 2039.

Meridian Place

In 2014 the Credit Union entered a 25-year contract with the City of Barrie to contribute $750 over ten years toward the building of a new town square in the community of Barrie, Ontario. In exchange for the contribution, Meridian was granted naming rights for the next 25 years. The public square is known as Meridian Place. The contract term is from July 1, 2014 to June 30, 2039.

Future payments for all contributions and sponsorship contracts are as follows:

	2022	2021
Within 1 year	2,797	2,129
1 to 5 years	13,609	13,684
Over 5 years	15,376	18,098
Total	31,782	33,911

Total payments made during 2022 were $2,199 (2021 - $1,481) of which $1,979 (2021 - $1,864) are included on the consolidated income statement within administration expenses.

(f) Equity investments

The Credit Union made equity investments in four Limited Partnerships focused on real estate development, and seven Limited partnerships focused on strategic private equity investments. Meridian has invested $25,236 (2021 - $14,330) and has committed to invest another $37,940 (2021 - $19,786) within the next six years. To the extent that the General Partners are unable to arrange outside funds to meet the requirements of the business of the Partnerships, the Credit Union may also be required to provide additional debt finance in proportion to its equity stake, pay any unfunded portion of its committed amount after the expected commitment period, or return any distributions from the partnerships received to date (No such distributions have yet been received). The related investments are recognized on the consolidated balance sheet in investments in equity instruments, details of which can be found in note 8.

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34 Regulatory information

Remuneration of officers and employees

The Act requires credit unions to disclose remuneration paid during the year to the officers and employees of the Credit Union whose total cash based remuneration for the year exceeds $150. If there are more than five officers and employees of a Credit Union whose total remuneration for the year was over $150, the five officers and employees with the highest total remuneration for the year are required to disclose. As three former employees of the Credit Union form part of the top five, three additional current employees are also disclosed below. The table below provides this information for the current year:

	Total salary received	Total bonuses received	Monetary value of benefits received
Bill Maurin, former President & CEO[1]	549	1,123	102
Gary Genik, former Interim CEO, SVP & Chief Operating Officer[1]	364	759	55
David Moore, former Chief Marketing & Digital Officer; COO motusbank[1]	325	535	55
Tara Daniel, Chief Financial & Strategy Officer	326	473	70
Wade Stayzer, Chief Operating Officer	320	459	70
Sunny Sodhi, Chief Legal & Corporate Affairs Officer	301	450	67
Jay-Ann Gilfoy, President & Chief Executive Officer	490	150	94
John Trivieri, Chief Risk Officer	295	329	67

1 These individuals were no longer employed by the Credit Union at the reporting date and the amounts disclosed for them include severance payments which in some cases have been paid up front for multiple future years.

Deposit insurance

The annual premium paid to FSRA and CDIC for insuring deposits during the year ended December 31, 2022 was $13,203 (2021 - $12,511). The premium rates are based on relative risk to the insurance fund as measured by an overall composite risk score encompassing financial and other risk based factors.

Central 1 fees

The total fees paid to Central 1 amounted to $2,297 (2021 - $3,753) and are included within non-interest expense on the consolidated income statement. These fees were primarily in respect of Membership dues, banking and clearing, and other services.

35 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Credit Union's risk management framework. The Board has established the Risk Committee and charged it with the responsibility for, among other things, the development and monitoring of risk management policies. The Risk Committee reports regularly to the Board on its activities.

35.1 Credit risk

Credit risk is the potential for financial loss to the Credit Union if a borrower or guarantor fails to meet payment obligations in accordance with agreed terms. Credit risk is one of the most significant and pervasive risks in the business of a Credit Union. Every loan, extension of credit or transaction that involves settlements between the Credit Union and other parties or financial institutions exposes the Credit Union to some degree of credit risk.

The Credit Union's primary objective is to create and execute a methodological approach to credit risk assessment to better understand, select and manage exposures to deliver stable ongoing earnings. The strategy is to ensure central oversight of credit risk and foster a culture of accountability, independence and balance. The responsibility for credit risk management is organization wide in scope, and is managed through the following infrastructure:

(i) approval by the Board, of the Credit Risk Management Policy including, but not limited to, the following six areas:
  a. credit risk assessment, including policies related to credit risk analysis, monitoring risk rating and scoring;
  b. credit risk mitigation, including credit structuring, collateral and guarantees;
  c. credit risk approval, including credit risk limits and exceptions;

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35 Financial risk management (continued)

35.1 Credit risk (continued)

d. credit processes focusing on documentation and administration (supported by robust loan origination system for all lines of business);
e. credit reviews and ongoing portfolio monitoring, focusing on monitoring financial performance, covenant compliance and any other signs of deteriorating performance;
f. credit portfolio management, including sectoral, geographic, and overall risk concentration limits, risk quantification and trending;

(ii) approval by the Vice Presidents of Credit Management of the discretionary limits of lending officers throughout the Credit Union;

(iii) credit adjudication subject to compliance with established policies, exposure guidelines and discretionary limits, as well as adherence to established standards of credit assessment. A Credit Management Committee (“CMC”) has been established and is charged with the high-level oversight of the Retail, Small Business, Commercial and Credit Card portfolios, including sectoral exposure and geographic concentration, delinquencies, and risk attributes. The CMC reviews portfolio metrics on a regular basis and will consider appropriate responses to changes therein;

(iv) credit department oversight of the following:

a. the establishment of guidelines to monitor and limit concentrations in the portfolios in accordance with Board-approved policies governing industry risk and large exposures;
b. the development and implementation of credit risk models and policies for establishing borrower and security risk ratings to quantify and monitor the level of risk and facilitate management of Commercial credit business;
c. approval of the scoring techniques and standards used in extending, monitoring and reporting of mortgages, personal loans and lines of credit as well as business related credit products; and
d. implementation of an ongoing monitoring process of the key risk parameters used in our credit risk models.

The Board has delegated to the CEO the authority to establish a lending hierarchy. As such, a procedure for the delegation of lending authority has been developed and is in active use. The Credit Union employs persons who are trained in managing its credit granting activities. Staff may be delegated individual authorities based on experience and background. Designated staff whose primary job accountabilities are to manage the quality and risk of the Credit Union’s portfolio are granted the authority to use judgment and discretion consistent with policy, in discharging their duties.

Management has the responsibility to:

i. systematically identify, quantify, control and report on existing and potential credit risks and environmental risks in the loan portfolio;
ii. prudently manage the exposure to default and loss arising from those risks;
iii. employ and train, as necessary, personnel who can implement risk measurement and credit management techniques, as required by policy; and
iv. meet the requirements as established by regulators

Measuring, monitoring and reporting activities on risk position and exposure are maintained and compliance and audit responsibilities are in place and adhered to. Both the Board and the Board’s Risk Committee receive regular summary performance measurements of the credit portfolio.

The Credit Union’s credit risk portfolio is primarily classified as “Retail”, “Small Business”, “Commercial”, “Credit Card” or “Finance Receivable”, and a different risk measurement process is employed for each portfolio. Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner.

For the purpose of credit management, credit exposure is assessed along these two dimensions: probability of default, which is an estimate of the probability that an obligor with a certain borrower risk rating will default within a one-year time horizon, and loss given default, which represents the portion of credit exposure at default expected to be lost when an obligor defaults.

The Credit Union follows a formal loan granting process that addresses appropriate security documentation, its registration, the need and use of credit bureau reports and other searches, situations where co-signers or guarantors may be or will be required, the use of wage assignments and the use of accredited appraisers, lawyers and other professionals.

The Credit Union’s credit risk portfolio is diversified with the objective of spreading risk. Diversification is assessed using different measures in each portfolio. In the Retail portfolio, diversification areas include authorized loan types, forms of security, geography concentrations, and sectoral groupings or such other objective criteria that the Board may set from time to time. In the Small Business and Commercial loan portfolio, diversification is achieved through establishing credit exposure limits for specific industry sectors, individual borrowers and borrower groups (multiple borrowers grouped together based on shared security or the same income source). Industry rating models and detailed industry analysis are key elements of this process. Where several industry segments are affected by common risk factors, an exposure limit may be assigned to those segments in aggregate. Management regularly reviews the above parameters to ensure that acceptable diversification is maintained. The top five industry sectors represent approximately 69.0% (2021 - 67.0%) of the total Commercial loan portfolio.

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35 Financial risk management (continued)

35.1 Credit risk (continued)

Finance Receivables are diversified based on both geography (within Canada) and the asset classes being leased to obligors. Diversification within the portfolio is reviewed on a regular basis. The top five asset classes represent 74% (2021 – 73%) of the portfolio.

Credit scoring is the primary risk rating system for assessing Retail exposure risk. Retail exposure is managed on a pooled basis, where each pool consists of exposures that possess similar homogeneous characteristics. The Retail credit segment is composed of many Members, and includes residential mortgages, secured and unsecured loans and lines of credit, and credit cards. Requests for Retail credit are generally processed using automated credit and behavioural decisioning tools. Standard evaluation criteria may include but are not limited to: gross debt service ratio, total debt service ratio, and loan to value ratio. Within this framework, underwriters in branches and corporate office adjudicate within designated approval limits. Retail exposures are assessed on a pooled basis and measured against an internal benchmark of acceptable risk penetration levels within each pool. Internal benchmarks are established using "Equifax Beacon score". Equifax Inc. is a global service provider of this credit score, which is a mathematical model used to predict how likely a person is to repay a loan. The score is based on information contained in an individual's credit report. This information is obtained from credit lenders from which the consumers have borrowed in the past and/or are currently borrowing from. The benchmark is measured monthly to ensure that the risk of the portfolio is managed on an ongoing basis. The risk ratings of the portfolio range from A+, which represents very low risk, to E, which represents the highest risk.

The Small Business and Commercial credit risk rating model is premised on a comprehensive assessment of the borrower's risk of default, through measurement of industry, business, management and financial risk factors along with the risk of loss given default, based on assessment of security composition and relative historical recovery experience. The model includes a standard set of industry-specific questions and answers that align to an implied level of risk. Questions are given varied weightings and an overall borrower risk rating is derived from a cumulative weighting of the answers. The Commercial loan portfolio stratified by risk rating is reviewed monthly.

Key performance indicators for Meridian's credit card portfolio are reported through operational management and the Credit Management Committee on a monthly basis. Consumer card adjudication is completed through a combination of decision engines and manual review. Business card adjudication is managed through the Business Loan Origination System and existing credit granting practices.

Finance Receivables credit risk is assessed using either a credit scoring system or a credit risk rating model depending on the size of the financing. Smaller financings are assessed using a credit scoring system similar to the Credit Union's Retail assessment process. A robust credit risk rating is determined for larger financing arrangements.

Credit risk policies, processes and methodologies governing the acquired Finance Receivables portfolio largely align to those of the Credit Union.

Except as noted, the carrying value of financial assets recorded in the consolidated financial statements, which is net of expected credit losses, represents the Credit Union's maximum exposure to credit risk. The Credit Union is also exposed to credit risk through transactions, which are not recognized in the consolidated balance sheet, such as granting financial guarantees and extending loan commitments. Refer to note 33 for further details. The risk of losses from loans undertaken is reduced by the nature and quality of collateral obtained. Refer to notes 9 and 10 for a description of the nature of the security held against loans as at the consolidated balance sheet date.

Throughout the course of 2022, the primary credit risk focus has steadily shifted from COVID-19 impacts towards broader economic fundamentals including impacts of rising inflation and interest rates. Meridian's participation in government relief lending programs has concluded, after having provided financial assistance to Members adversely impacted by COVID-19 and associated economic restrictions. Loan relief programs have also concluded, with borrowing Members having returned to regularly scheduled loan payments. The credit quality of the portfolio continues to be actively monitored using a wide array of tools and techniques, with real-time insights and sound financial advice provided to Members to help them maintain their financial well-being.

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35 Financial risk management (continued)

35.1 Credit risk (continued)

Expected credit loss measurement:

IFRS 9 outlines a three-stage model for the impairment of in-scope financial assets and other off-balance sheet exposures as outlined in note 3. Throughout the discussion below, the term "financial asset" should be assumed to apply to all exposures covered by the IFRS 9 impairment model.

- A financial asset that is not credit impaired on initial recognition starts in 'stage 1' and continues to be monitored for changes in credit risk. Financial assets in stage 1 have a loss allowance measured at an amount equal to ECL resulting from defaults possible over the next 12 months.
- If a SICR since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet considered to be credit impaired. Financial assets in stage 2 have a loss allowance measured at an amount equal to ECL resulting from defaults possible over their residual expected life.
- If the financial instrument is credit impaired, it is moved to 'stage 3'. Like stage 2, financial assets in stage 3 have a loss allowance measured at an amount equal to ECL resulting from defaults possible over their residual expected life. However, when a financial asset is moved to stage 3, a more detailed analysis incorporating specific characteristics of the loan (e.g. security) is undertaken. A pervasive concept in measuring ECL in accordance with IFRS 9 is that entities should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired at initial recognition. Their ECL is always measured on a lifetime basis (stage 3).

For the purposes of expected credit loss modelling, the Credit Union has segregated in-scope financial assets into groupings consistent with internal credit risk management practices. For the Credit Union, loans have been segmented into the following portfolios: Retail, Commercial, Small Business and Credit Card. Separate models have been developed for loans in motusbank and finance receivables in OneCap. Within each portfolio, financial assets have been further segregated into product groupings with similar contractual features.

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

Significant increase in credit risk:

The Credit Union assesses a range of both qualitative and quantitative factors when determining if there has been a SICR since initial recognition. A SICR is deemed to have occurred if any of the following criteria have been met:

- The loan is 30 days past due
- External credit metrics, including rating agency and credit bureau scores, have deteriorated by an amount considered by management to be significant
- Internal metrics, such as credit utilization, etc. may be considered collectively or in isolation for the purpose of determining whether a SICR has occurred.
- The industry of the borrower has been determined to be in the highest category of exposure due to uncertainties of the current economic environment.

The assessment of borrowers' industry or employment exposure to inflation related risks is based on the best judgment of the Credit Union's Credit Management team at the reporting date.

The external credit metrics used in this assessment vary across the Credit Union's portfolios. Wherever possible, the thresholds set have been aligned with those that would drive lending decisions such as loan approvals, limits, pricing, etc. Due to transactional volume, the staging decision for retail, credit card and finance receivable portfolios relies primarily on external metrics. However, robust internal credit risk assessments are performed more regularly for commercial and small business Members. These include annual reviews as well as other 'early warning' triggers and are considered in the staging decision for loans in those portfolios.

The Credit Union has not applied the low credit risk exemption for any financial instruments in the year ended December 2021 or 2022.

Definition of default and credit-impaired assets:

The Credit Union's definition of default and credit impairment is consistent across credit management and accounting policies, with a financial instrument considered to be credit impaired when it meets any of the following criteria:

- The loan is 90 days past due
- The Member has filed for bankruptcy or consumer proposal in the current month or the bankruptcy is expected to result in the member not meeting the contractual terms of the loan
- The borrower has failed to meet the terms under which a loan has been granted (e.g. breach of financial covenants) and legal action has commenced

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35 Financial risk management (continued)

35.1 Credit risk (continued)

- Based on other objective evidence, the Member's internal risk rating has been set to 'Impaired' and Credit Recovery has taken over responsibility for the file

The definition of default has been applied consistently across all of the Credit Union's portfolios as well as in all aspects of the expected credit loss calculation (e.g. probability of default, exposure at default and loss given default).

Measuring ECL – Explanation of inputs, assumptions and estimation techniques:

Allowances for ECL are measured on either a 12-month or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is credit impaired. ECL are the discounted product of the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD").

Probability of default:

The PD represents the likelihood of a Member defaulting on its financial obligation, either over the next 12 months or the remaining lifetime (depending on the stage to which the financial asset belongs).

The approach for calculating PD will vary depending on the portfolio. Internal credit risk metrics, external credit bureau scores, as well as delinquency are used to measure a Member's level of credit risk. These indicators are converted into a 12-month PD using models based either on internal loss history or industry data.

When required, 12-month PDs are converted to lifetime PDs by extrapolating them over the loan's residual expected life using the relationship between time and default. The relationship between time and default is assumed to be linear. This is supported by vintage loss analyses prepared for each product. For term facilities, residual expected life is based on contractual maturity. For revolving products, this is estimated based on the historical average time to close for similar products.

Exposure at default:

The EAD represents the amount the Credit Union expects to be owed at the time of default. For example, on revolving facilities, the Credit Union considers the amount that is expected to be drawn leading up to default. On term facilities, the Credit Union considers the amount it expects to be paid down leading up to default.

Twelve-month and lifetime EADs are determined based on the historical average payment or drawdown profile for similar products.

Loss given default:

The LGD represents what the Credit Union expects to lose on a defaulted exposure. LGD will vary by the type of counterparty, type and seniority of claim and availability of other credit support. However, for ECL modelling purposes, the Credit Union has grouped products with similar risk characteristics pertaining to collateral. The LGD is expressed as a percentage of EAD.

These inputs are combined to project ECL over either the next 12 months or the entire lifetime of a credit exposure. The expected credit loss is discounted back to present using the instrument's effective interest rate.

Assumptions underlying the ECL calculation and modelling inputs are monitored and reviewed at least annually.

Forward-looking information incorporated into the ECL models:

The modelling approach discussed above is with respect to the estimation of 'point-in-time' ECL. These represent an estimation of losses expected under prevailing macroeconomic conditions. IFRS requires entities to assess ECL on a forward-looking basis. The Credit Union has chosen to incorporate this requirement as an overlay to the point-in-time model outputs. This overlay is part of the standard procedures for ECL modelling and has been applied at the portfolio rather than product or ECL input level.

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35 Financial risk management (continued)

35.1 Credit risk (continued)

The Credit Union has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio. The relationship between historical credit losses and range of macroeconomic variables have been assessed for each of the Credit Union's portfolios to determine directional correlation and statistical strength. Those macroeconomic variables that were demonstrated to be correlated to credit losses were incorporated into multivariate linear regression models. Models have been used to estimate loss levels under various alternative economic scenarios as measured by the chosen macroeconomic variables. Adjustment factors have been calculated by assessing the relative size of losses implied by the model under current conditions versus the alternative forward-looking scenarios. These factors are applied to point-in-time ECL to estimate ECL under alternative economic scenarios.

Six forward-looking scenarios have been considered:
i. Baseline
ii. 4th percentile upside scenario
iii. 10th percentile upside scenario
iv. 75th percentile downside scenario
v. 90th percentile downside scenario
vi. 96th percentile downside scenario

Each of these scenarios has been informed by Moody's Canada Macroeconomic Outlook, which is updated quarterly and includes both baseline and alternative scenarios deemed to be relevant to the Canadian economy. Moody's estimates high-level probability bands for each scenario which have been overlaid with management judgment to arrive at the weightings assigned to each scenario for the macroeconomic overlay. The other scenarios have been re-weighted in accordance with this change. Interest rate scenarios are based on expectations of ten-year Government of Canada bond yields.

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at December 31, 2022 are set out below. The ranges (where relevant) capture variability between Ontario versus national economic forecasts used for portfolios depending on their geographic footprint.

		2022	2023	2024	2025	2026	2027
Real GDP	Baseline	2.0-2.2%	0.0-0.4%	2.3-2.6%	2.0-2.2%	2.0-2.1%	2.0-2.1%
Growth	4th percentile upside	2.0-2.2%	3.8-4.2%	3.6-4.0%	2.0-2.1%	1.9-2.0%	1.9-2.0%
	10th percentile upside	2.0-2.2%	2.2-2.6%	2.9-3.3%	1.9-2.1%	2.1-2.2%	2.0-2.1%
	75th percentile downside	2.0-2.2%	(2.3)-(1.9)%	2.5-2.8%	2.4-2.5%	2.1-2.2%	2.1-2.2%
	90th percentile downside	2.0-2.2%	(3.9)-(3.5)%	1.3-1.7%	2.3-2.5%	2.8-3.0%	2.4-2.5%
	96th percentile downside	2.0-2.2%	(6.0)-(5.7)%	(0.1)-0.2%	2.7-2.9%	3.3-3.5%	2.6-2.8%
Unemployment	Baseline	5.3-5.7%	6.0-6.1%	6.1-6.2%	5.9-6.1%	5.7-6.0%	5.6-6.0%
	4th percentile upside	5.3-5.7%	4.6%	3.6-3.8%	4.0-4.3%	4.4-4.7%	4.7-5.1%
	10th percentile upside	5.3-5.7%	5.3%	4.8-5.0%	4.8-5.1%	5.0-5.3%	5.1-5.5%
	75th percentile downside	5.3-5.7%	7.3-7.4%	7.7%	6.9-7.1%	6.3-6.6%	5.9-6.3%
	90th percentile downside	5.3-5.7%	8.3-8.5%	9.5-9.6%	8.1-8.2%	7.0-7.3%	6.2-6.6%
	96th percentile downside	5.3-5.7%	9.7-9.9%	11.7-11.9%	10.1-10.2%	8.3-8.7%	7.0-7.5%
Interest Rates	Baseline	3.0%	4.8%	4.4%	4.0%	4.0%	3.9%
	4th percentile upside	3.0%	4.5%	4.2%	3.9%	4.0%	3.9%
	10th percentile upside	3.0%	4.6%	4.3%	4.0%	4.0%	3.9%
	75th percentile downside	3.0%	3.8%	3.5%	3.8%	3.9%	3.9%
	90th percentile downside	3.0%	3.3%	3.0%	3.6%	3.9%	3.9%
	96th percentile downside	3.0%	3.1%	2.7%	3.1%	3.6%	3.9%

The weightings assigned to each scenario were as follows:
Baseline: 46%
4th percentile upside: 7%
10th percentile upside: 10%
75th percentile downside: 20%
90th percentile downside: 10%
96th percentile downside: 7%

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35 Financial risk management (continued)

35.1 Credit risk (continued)

The most significant period-end assumptions used for the ECL estimate as at December 31, 2021 are set out below. The ranges (where relevant) capture variability between Ontario versus national economic forecasts used for the Credit Union and OneCap respectively.

		2021	2022	2023	2024	2025	2026
Real GDP	Baseline	3.6-4.3%	3.4-3.5%	2.7-3.0%	2.4-2.5%	2.2%	2.0%
Growth	4th percentile upside	3.6-4.3%	12.2-12.3%	3.3-3.7%	2.5%	1.4-1.5%	1.5-1.6%
	10th percentile upside	3.6-4.3%	7.6-7.8%	2.7-3.0%	2.3-2.4%	2.0%	1.8-1.9%
	75th percentile downside	3.6-4.3%	(0.5)-0.3%	2.7-2.9%	3.4-3.5%	2.6-2.7%	2.3-2.4%
	90th percentile downside	3.6-4.3%	(5.2)%	3.6-3.7%	4.3-4.5%	3.1-3.2%	2.6%
	96th percentile downside	3.6-4.3%	(12.8)-(12.2)%	3.0-3.2%	5.1%	4.4%	3.2%
Unemployment	Baseline	7.5-8.1%	6.1-6.5%	6.0-6.1%	6.1%	6.1-6.2%	6.1-6.3%
	4th percentile upside	7.5-8.1%	4.6-4.8%	3.3-3.6%	4.1-4.4%	4.8-4.9%	5.2-5.4%
	10th percentile upside	7.5-8.1%	5.3-5.5%	4.6-4.7%	5.0-5.1%	5.4-5.5%	5.6-5.8%
	75th percentile downside	7.5-8.1%	7.0-7.4%	7.0-7.2%	6.7%	6.3-6.5%	6.1-6.4%
	90th percentile downside	7.5-8.1%	8.3-8.9%	9.3-9.6%	8.2-8.3%	7.2-7.5%	6.6-7.0%
	96th percentile downside	7.5-8.1%	9.7-10.0%	11.4-11.7%	10.2%	8.6-8.9%	7.6-7.9%
Interest Rates	Baseline	1.4%	2.2%	2.7%	3.2%	3.6%	3.9%
	4th percentile upside	1.4%	2.8%	3.5%	3.9%	4.1%	4.1%
	10th percentile upside	1.4%	2.4%	3.3%	3.7%	3.9%	4.0%
	75th percentile downside	1.4%	1.8%	2.2%	2.7%	3.1%	3.4%
	90th percentile downside	1.4%	1.7%	1.9%	2.4%	2.6%	2.9%
	96th percentile downside	1.4%	1.6%	1.6%	1.9%	2.1%	2.6%

For 2021, the weightings assigned to each scenario were as follows:
Baseline: 10%
4th percentile upside: 0%
10th percentile upside: 7%
75th percentile downside: 46%
90th percentile downside: 20%
96th percentile downside: 17%

Models used to calculate the macroeconomic overlay adjustments, as well as the scenario design and weightings, are reviewed at least annually. Additional qualitative adjustments have been taken for the Commercial, Small Business and Credit Card portfolios due to low levels of historical impairments.

Given the sensitivity of allowances for ECL to estimates of future economic conditions the multiple forward-looking scenarios and probability assigned to each, an analysis has been undertaken to understand the impact of alternative scenarios and weightings. For 2022, the sensitivities were as follows:

Interest Rates:

Moving interest rates up or down by 50 basis points across all scenarios resulted in an increase of $788 or decrease of $788 respectively to the allowance (2021 - $769 increase of $765 decrease).

Unemployment:

Moving unemployment rates up or down by 50 basis points across all scenarios resulted in an increase of $1,503 or decrease of $1,503 respectively to the allowance (2021 - $1,523 increase or $1,519 decrease).

Real GDP Growth:

Moving real GDP growth rates up or down by 50 basis points across all scenarios resulted in a decrease of $900 or increase of $900 respectively to the allowance (2021 - $909 decrease or $911 increase).

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35 Financial risk management (continued)

35.1 Credit risk (continued)

Probability Weightings:

Increasing or decreasing the probability weighting assigned to the 75th percentile downside scenario by ten percent versus the baseline scenario resulted in an increase of $1,022 or decrease of $2,553 respectively to the allowance (2021 - $549). Applying 100% weight to the 96th percentile scenario would result in an increase to the allowance of $24,718 (2021 - $12,458). Conversely, applying 100% weight to the 4th percentile scenario would result in a decrease to the allowance of $18,992 (2021 - $15,966).

Economic related overlays:

Since 2020, overlays have been applied to standard ECL model outputs to reflect uncertainties relating to the COVID-19 pandemic. As acute impacts of the pandemic have subsided, these adjustments have largely been discontinued. However, given new and emerging economic uncertainties relating to inflation, interest rates, the housing market, and the potential for a future recession, management continues to apply other adjustments and overlays to ensure these are adequately reflected in allowances for ECL. To the extent these adjustments were applied at the product level, they have been included within the separate line items in the movements in allowance tables in note 9.

35.2 Market risk

(a) Interest rate risk

Interest rate risk is the sensitivity of the Credit Union's financial position to movements in interest rates. The Credit Union is exposed to interest rate risk when it enters into banking transactions with its Members, namely deposit taking and lending. When asset and liability principal and interest cash flows have different payment or maturity dates, this results in mismatched positions. An interest-sensitive asset or liability is repriced when interest rates change, when there is cash flow from final maturity, normal amortization, or when Members exercise prepayment, conversion or redemption options offered for the specific product. The Credit Union's exposure to interest rate risk depends on the size and direction of interest rate changes, and on the size and maturity of the mismatched positions. It is also affected by new business volumes, renewals of loans or deposits, and how actively Members exercise options, such as prepaying a loan before its maturity date.

The Credit Union's interest rate risk is subject to extensive risk management controls and is managed within the framework of policies and limits approved by the Board. These policies and limits ensure, among other things, that the Credit Union is in full adherence to the regulatory requirements prescribed in the Act as well as FSRA's standards of Sound Business and Financial Practices. Overall responsibility for asset/liability management rests with the Board. As such, the Board receives regular reports on risk exposures and performance against approved limits. The Board delegates the responsibility to manage the interest rate risk on a day-to-day basis to the Asset/Liability Committee ("ALCO"), which meets no less frequently than monthly. ALCO is chaired by the CFO and includes other senior executives.

The key elements of the Credit Union's interest rate risk management framework include:

i. guidelines and limits on the structuring of the maturities, price and mix of deposits, loans, mortgages and investments and the management of asset cash flows in relation to liability cash flows;
ii. guidelines and limits on the use of derivative financial instruments to hedge against a risk of loss from interest rate changes; and
iii. requirements for comprehensive measuring, monitoring and reporting on risk position and exposure management.

Valuations of all asset and liability positions, as well as off-balance sheet exposures, are performed no less frequently than monthly. The Credit Union's objective is to establish and maintain a balance sheet and off-balance sheet structure that will protect and enhance the Credit Union's net interest income and the value of the Credit Union's capital during all phases of the interest rate cycle and varying economic conditions.

The carrying values of interest sensitive assets and liabilities and the notional amount of swaps and other derivative financial instruments used to manage interest rate risk are presented below in the periods in which they next reprice to market rates or mature, and are summed to show the interest rate sensitivity gap. Amounts relating to non-interest sensitive assets and liabilities are also disclosed for the purpose of tying back to the total carrying value of each line item. Loans are adjusted for prepayment estimates which reflect expected repayments on other than contractual maturity dates. The prepayment rate applied to the portfolio is based on experience and current economic conditions. The average rates presented represent the weighted average effective yield based on the earlier of contractual repricing or maturity dates. Further information related to the derivative financial instruments used to manage interest rate risk is included in note 11.

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35 Financial risk management (continued)

35.2 Market risk (continued)

	December 31, 2022					
	Variable	Less than 1 year	1 to 5 years	Over 5 years	Non-Interest sensitive	Total
Assets						
Cash and cash equivalents	1,505,994	-	-	-	7,813	1,513,807
Yield	4.23 %	-	-	-	-	4.21 %
Receivables	-	508	1,021	138	24,765	26,432
Yield	-	2.08 %	3.47 %	3.41 %	-	0.19 %
Investments in debt instruments	-	604,779	1,045,508	43,304	8,779	1,702,370
Yield	-	4.08 %	3.98 %	3.98 %	-	3.99 %
Investments in equity instruments	-	-	5,231	-	47,638	52,869
Yield	-	-	-	-	-	-
Loans	5,260,571	5,673,054	9,927,107	47,181	31,910	20,939,823
Yield	7.31 %	3.61 %	3.04 %	4.92 %	-	4.34 %
Finance receivables	14,062	504,682	1,011,079	25,750	(26,288)	1,529,285
Yield	8.70 %	5.96 %	5.98 %	6.42 %	-	6.11 %
Derivative financial assets	93,194	-	-	-	-	93,194
Yield	-	-	-	-	-	-
Other assets	-	1,482	5,991	3,030	287,384	297,887
Yield	-	0.67 %	0.62 %	0.94 %	-	0.03 %
Total assets	6,873,821	6,784,505	11,995,937	119,403	382,001	26,155,667
Liabilities and Members' equity						
Deposits	6,915,162	6,291,038	2,959,462	3,455	2,357,103	18,526,220
Yield	2.71 %	3.23 %	4.00 %	5.39 %	-	2.75 %
Borrowings	300,000	-	-	-	1,325	301,325
Yield	5.46 %	-	-	-	-	5.44 %
Lease liabilities	-	8,140	30,134	26,776	-	65,050
Yield	-	3.02 %	3.13 %	3.25 %	-	3.17 %
Secured borrowings	1,569,711	56,197	134,372	853	(22,944)	1,738,189
Yield	5.45 %	2.41 %	2.65 %	3.03 %	-	5.20 %
Mortgage securitization liabilities	5,601	898,705	2,777,710	-	(63,218)	3,618,798
Yield	2.04 %	1.73 %	1.81 %	-	-	1.83 %
Derivative financial liabilities	5,414	-	-	-	-	5,414
Yield	-	-	-	-	-	-
Subordinated Debt	50,000	-	125,000	-	581	175,581
Yield	8.11 %	-	4.60 %	-	-	5.59 %
Other liabilities and Members' equity	-	398	1,524	913	1,722,255	1,725,090
Yield	-	1.03 %	1.03 %	1.09 %	-	-
Total liabilities and Members' equity	8,845,888	7,254,478	6,028,202	31,997	3,995,102	26,155,667

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35 Financial risk management (continued)

35.2 Market risk (continued)

	December 31, 2022					
	Variable	Less than 1 year	1 to 5 years	Over 5 years	Non-Interest sensitive	Total
Fixed pay swaps	1,778,711	(382,734)	(1,374,909)	(21,068)	-	-
Yield	4.40 %	1.76 %	1.58 %	1.41 %	-	-
Fixed receive swaps	(507,000)	200,000	307,000	-	-	-
Yield	3.54 %	4.24	3.08 %	-	-	-
Total derivatives	1,271,711	(182,734)	(1,067,909)	(21,068)	-	-
Interest sensitivity position	(700,356)	(652,707)	4,899,826	66,338	(3,613,101)	-

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35 Financial risk management (continued)

	December 31, 2021					
	Variable	Less than 1 year	1 to 5 years	Over 5 years	Non-Interest sensitive	Total
Assets						
Cash and cash equivalents	1,493,134	9,890	-	-	5,389	1,508,413
Yield	0.39 %	0.25 %	-	-	-	0.39 %
Receivables	-	501	1,418	209	13,230	15,358
Yield	-	2.12 %	3.22 %	3.37 %	-	0.41 %
Investments in debt instruments	-	695,954	828,755	16,212	6,989	1,547,910
Yield	-	0.72 %	1.23 %	0.32	-	0.98 %
Investments in equity investments	-	24,509	131	-	36,705	61,345
Yield	-	-	-	-	-	-
Loans	4,463,652	4,887,925	10,014,736	25,309	23,124	19,414,746
Yield	3.56 %	3.11 %	2.80 %	3.58 %	-	3.06 %
Finance receivables	6,907	430,256	773,737	14,509	(22,155)	1,203,254
Yield	5.26 %	5.51 %	5.49 %	5.10 %	-	5.59 %
Derivative financial assets	47,658	-	-	-	-	47,658
Yield	-	-	-	-	-	-
Other assets	-	1,506	6,105	4,398	308,910	320,919
Yield	-	0.67 %	0.64 %	0.97 %	-	0.04 %
Total assets	6,011,351	6,050,541	11,624,882	60,637	372,192	24,119,603
Liabilities and Members' equity						
Deposits	6,725,296	4,769,843	2,883,997	7,365	2,509,676	16,896,177
Yield	0.47 %	1.62 %	1.94 %	2.49 %	-	0.97 %
Borrowings	300,000	-	-	-	287	300,287
Yield	1.30 %	-	-	-	-	1.30 %
Lease liabilities	-	8,030	32,036	28,530	-	68,596
Yield	-	2.74 %	2.80 %	2.81 %	-	2.80 %
Secured borrowings	861,139	519,222	138,223	3,608	1,108	1,523,300
Yield	1.30 %	0.49 %	2.47 %	1.87 %	-	1.13 %
Mortgage securitization liabilities	7,235	889,931	2,705,238	-	(30,279)	3,572,125
Yield	2.04 %	1.56 %	1.36 %	-	-	1.42 %
Derivative financial liabilities	5,762	-	-	-	-	5,762
Yield	-	-	-	-	-	-
Subordinated Debt	50,000	-	125,000	-	367	175,367
Yield	4.02 %	-	4.60 %	-	-	4.42 %
Other liabilities and Members' equity	-	404	1,552	1,282	1,574,751	1,577,989
Yield	-	1.03 %	1.03 %	1.06 %	-	- %
Total liabilities and Members' equity	7,949,432	6,187,430	5,886,046	40,785	4,055,910	24,119,603

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35 Financial risk management (continued)

	December 31, 2021					
	Variable	Less than 1 year	1 to 5 years	Over 5 years	Non-Interest sensitive	Total
Fixed pay swaps	1,660,576	(425,428)	(1,223,997)	(11,151)	-	-
Yield	0.46 %	1.46 %	1.25 %	1.51 %	-	-
Fixed receive swaps	(7,000)	-	7,000	-	-	-
Yield	0.50 %	- %	1.69 %	-	-	-
Total derivatives	1,653,576	(425,428)	(1,216,997)	(11,151)	-	-
Interest sensitivity position	(284,505)	(562,317)	4,521,839	8,701	(3,683,718)	-

The management of interest rate risk against internal exposure limits is supplemented by monitoring the sensitivity of the Credit Union's financial assets and financial liabilities to standard interest rate shock scenarios. The key metrics used to monitor this sensitivity are Earnings at Risk ("EaR") and Economic Value of Equity at Risk ("EVaR"). EaR is defined as the change in our net interest income from a predetermined shock to interest rates measured over a 12 month period. EVaR is defined as the change in the present value of the Credit Union's asset portfolio resulting from a predetermined shock versus the change in the present value of the Credit Union's liability portfolio resulting from the same predetermined interest rate shock. The Credit Union completes various static and dynamic interest rate shock scenarios throughout the year, including a 100 basis point ("bps") rate shock. The estimated impact of a 100 bps rate shock on these metrics is presented below.

	2022	2021
EaR: 100 bps exposure	(14,920)	2,158
EVaR: 100 bps exposure	(1.34)%	(4.26)%

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Credit Union is exposed to foreign currency risk as a result of its Members' activities in foreign currency denominated deposits and cash transactions. The Credit Union's foreign currency risk is subject to formal risk management controls and is managed in accordance with the framework of policies and limits approved by the Board. These policies and limits are designed to ensure, among other things, that the Credit Union is in full adherence to the regulatory requirements prescribed in the Act as well as FSRA's standards of Sound Business and Financial Practices. The Board receives regular reports on risk exposures and variances from approved limits. The activities that expose the Credit Union to foreign currency risk are measured, monitored and controlled daily to minimize the adverse impact of sudden changes in foreign currency values with respect to the Canadian dollar. U.S. dollar denominated liabilities are hedged through a combination of U.S. dollar investments and forward rate agreements to buy U.S. dollars and net exposure as measured daily is limited to 1% of prior year ending Members' equity. The Credit Union uses forward foreign currency derivative financial instruments to neutralize its exposure to foreign exchange contracts with Members. As at December 31, 2022 and December 31, 2021, the Credit Union's exposure to a 10% change in the foreign currency exchange rate, which is reasonably possible, is insignificant.

(c) Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or foreign currency risk. The Credit Union is exposed to other price risk in its own investment portfolio. The Credit Union adheres to the principles of quality and risk diversification in its investment practices. The Credit Union's other price risk is subject to extensive risk management controls and is managed within the framework of policies and limits approved by the Board. These policies and limits assist in ensuring, among other things, that the Credit Union is in full adherence to the regulatory requirements prescribed in the Act as well as FSRA's standards of Sound Business and Financial Practices. The Board receives regular reports on risk exposures and performance against approved limits. As at December 31, 2022 and December 31, 2021, the Credit Union has limited investments subject to other price risk and this exposure is insignificant.

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35 Financial risk management (continued)

35.3 Liquidity risk

Liquidity risk arises in the course of managing the Credit Union's financial assets and financial liabilities. It is the risk that the Credit Union is unable to meet its financial obligations in a timely manner and at reasonable prices. The Credit Union's liquidity risk management strategies seek to maintain sufficient liquid financial resources to continually fund its consolidated balance sheet under both normal and stressed market environments. The Credit Union's liquidity risk is subject to formal risk management controls and is managed within the framework of policies and limits approved by the Board. These policies and limits assist in ensuring, among other things, that the Credit Union is in full adherence to the regulatory requirements prescribed in the Act as well as FSRA's standards of Sound Business and Financial Practices. The Board receives regular reports on risk exposures and performance against approved limits. ALCO provides management oversight of liquidity risk through its monthly meetings.

The key elements of the Credit Union's liquidity risk management framework include:

- limits on the sources, quality and amount of liquid assets to meet normal operational requirements, regulatory requirements and contingency funding;
- a methodology to achieve an acceptable yield on the operating liquidity investment portfolio within prudent risk management bounds;
- prudence tests of quality and diversity where investments bear credit risk;
- parameters to limit term extension risk;
- implementation of deposit concentration limits in order to assist in ensuring diversification and stability of deposit funding; and
- requirements for adequate measuring, monitoring and reporting on risk position and exposure management.

Under FSRA regulations, the Credit Union will establish and maintain prudent levels and forms of liquidity that are sufficient to meet its cash flow needs, including depositor withdrawals and all other obligations as they come due. The liquid asset ratio measures the Credit Union's liquid assets as a percentage of total assets and is used by the Credit Union to monitor its liquidity position, in addition to Liquidity Coverage Ratio and Net Cumulative Cash Flows metrics. The Credit Union targets to maintain a liquid asset ratio within the range of 9% to 13%. As at December 31, 2022, the Credit Union's liquid asset ratio was 13.08% (2021 – 12.06%).

The table below sets out the period in which the Credit Union's non-derivative financial assets and financial liabilities will mature and be eligible for renegotiation or withdrawal. These cash flows are not discounted and include both the contractual cash flows pertaining to the Credit Union's consolidated balance sheet assets and liabilities and the future contractual cash flows that they will generate. In the case of loans, the table reflects adjustments to the contractual cash flows for prepayment estimates, which reflect expected repayments on other than contractual maturity dates. The prepayment rate applied to the portfolio is based on experience and current economic conditions. In addition to the cash flows detailed below, the Credit Union is exposed to potential cash outflows in the form of commitments and contingencies, as set out in note 33.

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35 Financial risk management (continued)

35.3 Liquidity risk (continued)

	December 31, 2022						
	Less than 1 month	2 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Not specified	Total
Financial assets							
Cash and cash equivalents	1,513,807	-	-	-	-	-	1,513,807
Receivables	24,802	430	851	155	239	-	26,477
Current income tax asset	5,025	-	-	-	-	-	5,025
Investments in debt instruments	129,938	505,836	727,368	468,301	52,393	9,929	1,893,765
Investments in equity instruments	81	251	655	652	-	52,869	54,508
Loans	1,715,872	8,051,973	8,415,455	4,643,024	87,575	-	22,913,899
Finance receivables	56,322	518,272	753,382	337,758	25,876	11,701	1,703,311
Other assets	133	1,476	3,044	2,875	3,404	-	10,932
Total financial assets	3,445,980	9,078,238	9,900,755	5,452,765	169,487	74,499	28,121,724
Financial liabilities							
Deposits	9,773,360	5,980,277	2,435,906	737,470	4,563	-	18,931,576
Borrowings	1,406	15,339	303,389	-	-	-	320,134
Payables and other liabilities	133,552	390	819	774	925	-	136,460
Current income tax payable	-	-	-	-	-	-	-
Secured borrowings	35,114	482,504	629,971	491,056	230,475	-	1,869,120
Mortgage securitization liability	73,320	886,989	1,949,056	915,275	-	-	3,824,640
Subordinated debt	2,047	7,793	141,265	8,237	59,941	-	219,283
Finance lease liabilities	828	9,155	19,516	15,666	28,919	-	74,084
Employee obligations	40,040	-	-	-	-	-	40,040
Total financial liabilities	10,059,667	7,382,447	5,479,922	2,168,478	324,823	-	25,415,337
Net	(6,613,687)	1,695,791	4,420,833	3,284,287	(155,336)	74,499	2,706,387

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35 Financial risk management (continued)

35.3 Liquidity risk (continued)

	December 31, 2021						
	Less than 1 month	2 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Not specified	Total
Financial assets							
Cash and cash equivalents	1,508,413	-	-	-	-	-	1,508,413
Receivables	13,267	419	944	453	316	-	15,399
Investments in debt instruments	28,079	673,063	532,705	331,878	16,213	1,191	1,583,129
Investments in equity instruments	149	458	9	-	-	61,345	61,961
Loans	1,461,986	6,419,019	7,853,143	4,983,951	62,634	-	20,780,733
Finance receivables	40,399	432,996	597,140	221,960	14,345	9,704	1,316,544
Other assets	137	1,513	3,126	2,960	4,820	-	12,556
Total financial assets	3,052,430	7,527,468	8,987,067	5,541,202	98,328	72,240	25,278,735
Financial liabilities							
Deposits	9,528,766	4,530,693	2,581,916	397,668	8,926	-	17,047,969
Borrowings	331	3,569	304,689	-	-	-	308,589
Payables and other liabilities	141,518	399	840	797	1,307	-	144,861
Current income tax payable	12,529	-	-	-	-	-	12,529
Secured borrowings	503,840	352,341	494,091	187,801	10,737	-	1,548,810
Mortgage securitization liability	59,976	877,063	1,592,431	1,183,324	-	-	3,712,794
Subordinated debt	1,011	6,730	15,453	131,225	56,742	-	211,161
Finance lease liabilities	811	8,988	19,620	17,172	30,771	-	77,362
Employee obligations	41,608	-	-	-	-	-	41,608
Total financial liabilities	10,290,390	5,779,783	5,009,040	1,917,987	108,483	-	23,105,683
Net	(7,237,960)	1,747,685	3,978,027	3,623,215	(10,155)	72,240	2,173,052

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35 Financial risk management (continued)

The table below sets out the undiscounted contractual cash flows of the Credit Union's derivative financial assets and liabilities:

	December 31, 2022					
	Less than 1 month	2 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Equity index-linked options	-	8,186	8,457	3,032	-	19,675
Gross-settled foreign exchange forward contracts						
Outflow	(474)	(955)	-	-	-	(1,429)
Inflow	475	958	-	-	-	1,433
Interest rate swaps						
Outflow	(122)	(7,054)	(18,734)	(15,777)	(678)	(42,365)
Inflow	994	38,396	36,057	6,402	564	82,413
Total	873	39,531	25,780	(6,343)	(114)	59,727

	December 31, 2021					
	Less than 1 month	2 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Equity index-linked options	-	11,612	17,594	1,859	-	31,065
Gross-settled foreign exchange forward contracts						
Outflow	-	(481)	-	-	-	(481)
Inflow	-	483	-	-	-	483
Interest rate swaps						
Outflow	(1,440)	(7,492)	(10,461)	(2,170)	(732)	(22,295)
Inflow	8	1,323	6,094	1,344	35	8,804
Total	(1,432)	5,445	13,227	1,033	(697)	17,576

Derivative financial assets and liabilities reflect interest rate swaps that will be settled on a net basis and foreign exchange forward contracts and index-linked equity options that will be settled on a gross basis (see note 11).

The gross inflows/(outflows) disclosed in the previous table represent the contractual undiscounted cash flows relating to derivative financial assets and liabilities held for risk management purposes and which are infrequently terminated before contractual maturity. The future cash flows on derivative instruments may differ from the amount in the above table as interest rates, exchange rate and equity market indices change. Cash outflows relating to the embedded written option in equity index-linked deposits are included with deposits in the previous table for non-derivative financial assets and liabilities.

35.4 Fair value

The following table represents the fair values of the Credit Union's financial assets and financial liabilities for each classification of financial instruments. The fair values for short-term financial assets and financial liabilities approximate carrying value. These include accrued interest receivable, accounts payable, accrued liabilities and accrued interest payable. The fair values disclosed do not include the value of liabilities that are not considered financial instruments.

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

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35 Financial risk management (continued)

35.4 Fair value (continued)

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

	December 31, 2022			December 31, 2021		
	Carrying value	Fair value	Fair value differences	Carrying value	Fair value	Fair value difference
Financial assets at FVTPL:						
Derivative instruments						
Equity index-linked options	19,447	19,447	-	31,011	31,011	-
Interest rate swaps assets	72,636	72,636	-	16,637	16,637	-
Bond forwards	1,035	1,035	-	8	8	-
Foreign exchange contracts	76	76	-	2	2	-
Investments in equity instruments	47,638	47,638	-	36,705	36,705	-
Financial assets at FVTOCI:						
Investments in debt instruments	1,503,469	1,503,469	-	1,082,152	1,082,152	-
Investments in equity instruments	5,231	5,231	-	24,640	24,640	-
Amortized cost:						
Cash and cash equivalents	1,513,807	1,513,807	-	1,508,413	1,508,413	-
Receivables	26,432	26,432	-	15,358	15,358	-
Investments in debt instruments	198,901	198,016	(885)	465,758	460,447	(5,311)
Loans	20,939,823	20,481,775	(458,048)	19,414,746	19,353,222	(61,524)
Finance receivables[1]	1,529,285	1,471,435	(57,850)	1,203,254	1,198,655	(4,599)
Other assets	10,504	9,658	(846)	12,010	11,902	(108)
Total financial assets	25,868,284	25,350,655	(517,629)	23,810,694	23,739,152	(71,542)
Financial liabilities at FVTPL:						
Derivative instruments						
Interest rate swaps	5,333	5,333	-	5,761	5,761	-
Foreign exchange contracts	81	81	-	1	1	-
Other liabilities:						
Deposits	18,526,220	18,404,889	(121,331)	16,896,177	16,920,474	24,297
Borrowings	301,325	301,325	-	300,287	300,287	-
Payables and other liabilities	136,280	136,051	(229)	142,700	142,671	(29)
Secured borrowings	1,738,189	1,728,731	(9,458)	1,523,300	1,521,774	(1,526)
Mortgage securitization liabilities	3,618,798	3,502,848	(115,950)	3,572,125	3,575,177	3,052
Subordinated debt	175,581	169,958	(5,623)	175,367	174,570	(797)
Employee obligations	40,040	40,040	-	43,295	43,295	-
Membership shares	382	382	-	378	378	-
Total financial liabilities	24,542,229	24,289,638	(252,591)	22,659,391	22,684,388	24,997

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35 Financial risk management (continued)

Interest rate sensitivity is the main cause of changes in the fair values of the Credit Union's financial instruments. Except for financial assets and financial liabilities recorded at FVTPL and FVTOCI, the carrying values of the above financial instruments are not adjusted to reflect the fair value.

The following methods and assumptions were used to estimate the fair value of financial instruments:

i. The fair value of cash and cash equivalents, excluding short-term deposits with original maturities of 100 days or less, are assumed to approximate their carrying values, due to their short-term nature. The fair value of short-term deposits with original maturities of 100 days or less are based on fair market values, which are derived from valuation models and a credit valuation adjustment is applied to account for counterparty risk.
ii. The fair value of investments in debt instruments is determined either by discounting the expected future cash flows on these investments at current market rates and applying a credit valuation adjustment for counterparty risk, or by taking the fair values provided in investor statements
iii. The fair value of equity investments is determined using discounted cash flow models, by referencing market prices for publicly listed instruments, or by taking the fair values provided in investor statements.
iv. The estimated fair value of floating rate loans and floating rate deposits is assumed to be equal to carrying value. The interest rates on these loans and deposits reprice on a periodic basis with market fluctuation. Repricing of uninsured floating rate deposits incorporates a spread that accounts for the Credit Union's own credit risk. Impairment allowances, which are included in the carrying value of variable rate loans, are assumed to capture changes in credit spreads.
v. The fair value of other assets are assumed to approximate their carrying values when short-term in nature. In some instances, other valuation techniques may be applied.
vi. The estimated fair value of fixed rate deposits and Member entitlements is determined by discounting the expected future cash flows of these investments, deposits and borrowings at current market rates for products with similar terms and credit risks. A credit valuation adjustment is applied when determining the current market rates used to calculate the fair value of uninsured fixed rate deposits to account for counterparty and the Credit Union's own credit risk.
vii. The estimated fair value of fixed rate loans is determined by discounting the expected future cash flows of these loans at current market rates for products with similar terms and credit risks. Historical prepayment experience is considered along with current market conditions in determining expected future cash flows. In determining the adjustment for credit risk, consideration is given to market conditions, the value of underlying security and other indicators of the borrower's creditworthiness.
viii. The estimated fair value of derivative instruments is determined through valuation models based on the derivative notional amounts, maturity dates and rates and a credit valuation adjustment is applied to account for counterparty and the Credit Union's own credit risk.
ix. The fair values of payables and other liabilities are assumed to approximate their carrying values when short-term in nature. In some instances, other valuation techniques may be applied.

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

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

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35 Financial risk management (continued)

The following table illustrates the classification of the Credit Union's financial instruments within the fair value hierarchy.

	Fair value as at December 31, 2022		
	Level 1	Level 2	Level 3
Recurring measurements			
Financial assets			
Derivative financial assets:			
Equity index-linked options	-	19,447	-
Interest rate swaps	-	72,636	-
Bond forwards	-	1,035	-
Foreign exchange contracts	-	76	-
Investments in debt instruments	-	1,503,469	-
Investments in equity instruments	5,231	22,402	25,236
Total financial assets	5,231	1,619,065	25,236
Financial liabilities			
Embedded derivatives in index-linked deposits	-	(19,052)	-
Derivative financial liabilities:			
Interest rate swaps	-	(5,333)	-
Foreign exchange contracts	-	(81)	-
Total financial liabilities	-	(24,466)	-
Fair values disclosed			
Cash and cash equivalents	1,513,807	-	-
Receivables	-	26,432	-
Investments in debt instruments	-	198,016	-
Loans	-	-	20,481,775
Finance receivables	-	-	1,471,435
Other assets	-	9,658	-
Deposits	-	(18,385,837)	-
Borrowings	-	(301,325)	-
Payables and other liabilities	-	(136,051)	-
Secured borrowings	-	(1,728,731)	-
Mortgage securitization liabilities	-	(3,502,848)	-
Subordinated debt	-	(169,958)	-
Employee obligations	-	(40,040)	-
Membership shares	-	(382)	-

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35 Financial risk management (continued)

	Fair value as at December 31, 2021		
	Level 1	Level 2	Level 3
Recurring measurements			
Financial assets			
Derivative financial assets:			
Equity index-linked options	-	31,011	-
Interest rate swaps	-	16,637	-
Bond forwards	-	8	-
Foreign exchange contracts	-	2	-
Investments in debt instruments	-	1,082,152	-
Investments in equity instruments	24,640	22,376	14,329
Total financial assets	24,640	1,152,186	14,329
Financial liabilities			
Embedded derivatives in index-linked deposits	-	(30,360)	-
Derivative financial liabilities:			
Interest rate swaps	-	(5,761)	-
Foreign exchange contracts	-	(1)	-
Total financial liabilities	-	(36,122)	-
Fair values disclosed			
Cash and cash equivalents	1,498,523	9,890	-
Receivables	-	15,358	-
Investments in debt instruments	-	460,447	-
Loans	-	-	19,353,222
Finance receivables	-	-	1,198,655
Other assets	-	11,902	-
Deposits	-	(16,890,114)	-
Borrowings	-	(300,287)	-
Payables and other liabilities	-	(142,671)	-
Secured borrowings	-	(1,521,774)	-
Mortgage securitization liabilities	-	(3,575,177)	-
Subordinated debt	-	(174,570)	-
Employee obligations	-	(43,295)	-
Membership shares	-	(378)	-

The fair values of cash and cash equivalents, receivables, payables and other liabilities and employee obligations approximate their carrying values due to their short-term nature.

There have been no transfers between levels of the fair value hierarchy during the year.

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35 Financial risk management (continued)

35.5 Capital management

The Credit Union maintains policies and procedures relative to capital management to ensure the capital levels are sufficient to cover risks inherent in the business.

The Credit Union's objectives when managing capital are:
- to ensure that the quantity, quality and composition of capital needed reflects the inherent risks of the entity and to support the current and planned operations and portfolio growth;
- to provide a safety net for the variety of risks to which the entity is exposed in the conduct of its business and to overcome the losses from unexpected difficulties either in earnings or in asset values;
- to provide confidence to Members, depositors, creditors and regulatory agencies;
- to form a solid foundation for business expansion and ongoing reinvestment in business capabilities, including technology and process automation and enhancement; and
- to establish a capital management policy for the entity appropriate for current legal and economic conditions, including compliance with regulatory requirements and with FSRA's standards of Sound Business and Financial Practices.

The Act requires credit unions to maintain minimum regulatory capital, as defined by the Act. In 2022, FSRA introduced new capital rules and capital ratio requirements under the Act, which were not applicable in 2021. New key capital metrics in 2022 include the Tier 1 capital ratio and total supervisory capital ratio. Under the new regulations, the Credit Union is also required to calculate regulatory capital and capital ratios on a consolidated basis. Regulatory capital is calculated as a percentage of exposure (adjusted net assets) and of risk weighted assets. Risk weighted assets are calculated by applying risk weightings, as prescribed by the Act, to various asset categories, operational, and interest rate risk criteria. The prescribed risk weights are dependent on the degree of risk inherent in the asset.

Tier 1 capital, otherwise known as core capital, is the highest quality. It is comprised of retained earnings, contributed surplus, accumulated other comprehensive income (excluding cash flow hedge gain or loss reserve), membership shares, investment shares (excluding the series 96 Class A shares), and regulatory deductions. Of the "50th Anniversary", series 98, series 01, series 09, series 15 and series 17. Class A shares that have been included within Members' capital accounts, only 90% are allowable as Tier 1 capital due to specific features of these shares. Tier 1 capital as at December 31, 2022 was $1,330,208 (2021 - $1,248,216 on a non-consolidated basis).

Tier 2 capital, otherwise known as supplementary capital, contributes to the overall strength of a financial institution as a going concern, but is of a lesser quality than Tier 1 capital relative to both permanence and freedom from charges. It is comprised of the series 96 Class A shares and the 10% portion of the "50th Anniversary", series 98, series 01, series 09, series 15 and series 17 Class A shares that are not admissible as Tier 1 capital. It also includes subordinated debt, the eligible portion of stage 1 and 2 expected credit loss allowances, and regulatory deductions. Tier 2 capital as at December 31, 2022 was $350,368 (2021 - $317,882 on a non-consolidated basis).

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35 Financial risk management (continued)

35.5 Capital management (continued)

The Act requires credit unions to maintain a minimum leverage ratio of 3%, a total capital ratio of 8%, a total supervisory capital ratio of 10.5% and a Tier 1 capital ratio of 6.5%. Furthermore, the regulation requires credit unions to target a capital conservation buffer of 2.5% on top of the Tier 1 capital ratio and total capital ratio minimum requirements. The Credit Union has a stated policy that it will always maintain capital equal to the regulatory requirements plus a prudent cushion. These internal limits are increased by the Board in tandem with significant increasing risk detected in the economic environment of the Credit Union. The Credit Union is in compliance with the Act as indicated by the capital requirements in the table below:

	2022	2021
	Consolidated Basis	Non-consolidated Basis
Regulatory capital	1,680,576	1,566,098
Leverage ratio[1]		
Actual	6.26 %	6.88 %
Minimum	3.00 %	4.00 %
Total capital ratio		
Actual	12.06 %	13.60 %
Minimum	8.00 %	8.00 %
Minimum total supervisory capital ratio[2]	10.50 %	N/A %
Tier 1 capital ratio[2]		
Actual	9.54 %	N/A %
Minimum	6.50 %	N/A %
Minimum plus conservation buffer	9.00 %	N/A %

1 The calculation of the leverage ratio changed with the new capital rules in 2022, as defined by the Act.
2 These capital ratio requirements were issued by FSRA in 2022 and were not applicable in 2021. The minimum total supervisory capital ratio includes the total capital ratio plus the capital conservation buffer.

Motusbank manages capital in accordance with the guidelines established by OSFI, based on standards issued by the Bank for International Settlements' Basel Committee on Banking Supervision ("BCBS"). OSFI's Capital Adequacy Requirements ("CAR") Guideline details how Basel III rules apply to Canadian banks. Regulatory capital is calculated as a percentage of total risk weighted assets. Risk weighted assets are calculated by applying risk weighted percentages, as prescribed by the CAR guideline, to various asset categories, operational and interest rate risk criteria. The prescribed risk weights are dependent on the degree of risk inherent in the asset.

OSFI has mandated that all OSFI-regulated financial institutions meet target Capital Ratios: those being a CET1 ratio of 7.0%, a Tier 1 Capital Ratio of 8.5% and a total Capital Ratio of 10.5%. Motusbank has a stated policy that it will maintain at all times capital equal to the minimum required by the Act plus a prudent cushion. Motusbank does not currently hold any Additional Tier 1 capital. Motusbank is in compliance with its regulatory requirements as at December 31, 2022 and 2021.

Canadian banks are required to report on OSFI's Leverage Ratio which is based on Basel III guidelines. OSFI has established minimum Leverage Ratio targets on a confidential and institution-by-institution basis.

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36 Reconciliation of liabilities arising from financing activities

	2022	2021
Proceeds from securitization of mortgages	971,501	1,298,269
Payments on mortgage securitization liabilities	(924,868)	(2,085,630)
Net change in borrowings	15	1
Issuance of secured notes, net	210,626	568,018
Net change in subordinated debt	257	160
Payments related to lease obligations	(7,974)	(7,872)
Net cash from changes in Membership shares	4	(10)
Net cash (used in) from changes in liabilities	249,561	(227,064)
Dividends paid on Members' capital accounts	(7,384)	(7,010)
Net change in Member capital accounts	(4,433)	-
Cash (used in) provided by financing activities	237,744	(234,074)

	January 1, 2022	Cash Flow	Non-Cash Changes		December 31, 2022
			Changes in Accrued Interest	Amortization of Deferred Amounts	
Borrowings	300,287	15	1,023	-	301,325
Secured borrowings	1,523,300	210,626	4,263	-	1,738,189
Mortgage securitization liabilities	3,572,125	46,633	109	(69)	3,618,798
Membership shares	378	4	-	-	382
Total	5,396,090	257,278	5,395	(69)	5,658,694

	January 1, 2021	Cash Flow	Non-Cash Changes		December 31, 2021
			Changes in Accrued Interest	Amortization of Deferred Amounts	
Borrowings	300,279	1	7	-	300,287
Secured borrowings	955,380	568,018	(98)	-	1,523,300
Mortgage securitization liabilities	4,358,412	(787,361)	362	712	3,572,125
Membership shares	388	(10)	-	-	378
Total	5,614,459	(219,352)	271	712	5,396,090

MERIDIAN CREDIT UNION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022 with comparative figures for 2021

37 Authorization of consolidated financial statements

The consolidated financial statements for the year ended December 31, 2022 were approved by the Board of Directors on March 10, 2023.

Amendments to the consolidated financial statements subsequent to issuance are not permitted without Board approval.

Karen Farbridge Chair, Board of Directors	**Bruce West** Chair, Audit & Finance Committee