
CRESTON & DISTRICT
CREDIT UNION

ANNUAL REPORT 2024





Paintbrush wildflowers, Bernd Steng photo

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PRESIDENT'S REPORT



On behalf of your Board of Directors, I am happy to report that 2024 was another successful year for Creston and District Credit Union. The success in this past year comes in a challenging and volatile environment. Early in 2025, we have seen how quickly the economic climate can change. We know that our region's

dependency on trade with the US leaves us vulnerable to this geopolitical uncertainty. We feel that our credit union is well positioned financially to weather any difficult times that may come.

In last year's annual report, I mentioned the BC Financial Services Authority (BCFSA), who oversee all provincial credit unions. In January 2024, BCFSA requested all credit unions to prepare a comprehensive and executable strategic plan, addressing 5 strategic pillars to help credit unions be relevant, resilient, and sustainable. The Board and your CEO worked diligently to demonstrate we have a strategic plan in place that addresses their questions and concerns. BCFSA acknowledged that our credit union, along with many other credit unions, face current and future challenges. We know we must address the following:

1. **Regulatory:** Credit unions operate in an increasingly complex regulatory environment. This can be particularly challenging for smaller credit unions, such as CDCU, that lack the resources to manage and adapt to regulatory changes.
2. **Technological Advancements:** As the financial sector continues to be driven by digital innovation, credit unions need to invest in cutting-edge technology to keep up with the competition, and to prevent ever-increasing cybersecurity threats.

3. **Competition with large banks:** Large financial institutions enjoy significant economies of scale. To thrive in this environment, we need to leverage our community-focused personalized service and local investment to differentiate ourselves and attract members.
4. **Member retention and growth:** Our membership is aging. We have a pressing need to adopt digital-first banking experiences ("digital transformation") that align with the lifestyles and values of the younger demographic we need to attract.
5. **Operational efficiency:** CDCU is reliant on manual processes, which are not optimized to provide real time responses and service. We need to invest in the technology to enhance efficiency and improve the member experience.

Most of these challenges require significant investments in technology and staff. As a small credit union, we need to collaborate with other credit unions to make these investments possible. We do not know at this time what this collaboration will look like. We will consider all options as we move forward. No matter what steps we consider, you and our members' best interests will be the forefront of our decision-making.

We are successful because of the value and confidence you place in us. Our challenge is to continue to provide you with that unique value proposition. Our focus is on your needs. It is all about you. I thank you for your continued support in making us your preferred financial institution.

Don Low

CEO'S REPORT



On behalf of management and staff, I am pleased to report our operating results for the year ending December 31, 2024. Interest rates were steady for the first five months in 2024, and then began falling with consecutive rates cuts from the Bank of Canada in response to falling inflation. The economy started to slow down and this supported their decision to reduce

rates. Our local economy also slowed down but continued to perform well. As a result, our credit union continued to succeed with a growth in assets, loans and deposits, and strong net earnings.

Assets grew 5.1 per cent in 2024 compared to the prior year. Our balance sheet remains strong with good liquidity and a stable capital position. Retained earnings increased 7.8 per cent in 2024. Net income was \$1,857,425 on a consolidated basis, lower than it was in 2023 by 7.4 per cent, however measured against historical earnings, it was still strong. Our good earnings supported the Board's decision to return \$504,214 to members in the form of patronage and dividends. Cost pressures remained high in 2024, with operating expenses rising 6.25 per cent. Financial margin rose 4.2 per cent, which partially offset the growth in operating costs.

In operations, we upgraded security measures by introducing two-step verification for members in November. In the first two quarters of 2024, CDCU along with the rest of the credit union system in BC, responded to our regulator, BCFSa, as highlighted in our President's report. We had plans to introduce business banking software upgrades in 2024. However in September, the third party providing digital banking services (Central1) made a significant

announcement that they were divesting their FORGE digital platform and that all credit unions needed to find a new partner. This changed our path, and along with other credit unions in the BC system, we are now reviewing and determining new partners and transition timelines. Our expected timeline to transition to a new digital banking platform is late 2027. While this is a setback in terms of timing to our strategic plan, we believe our members will be better served with a new digital platform that delivers improved functionality for both personal and business members.

In the first quarter of 2024, we updated the interior of the branch by replacing carpets, ceiling tiles, and paint. Our plan is to renovate the exterior of the branch in 2025 and 2026.

2025 may be a year of uncertainty due to geopolitical uncertainty and changes in government. While our community remains stable and balanced, and we believe our membership will continue to be successful, we are not immune to significant economic events. Whatever the outcome, we will be there to support you and our membership.

I thank my Board, management, and employees for their dedication and for ensuring our members are top of mind in all we do. I am also grateful to our members for your continued support, trust, and confidence in your credit union.

Respectfully,

A handwritten signature in black ink, appearing to read 'L. Makortoff', written over a light blue circular background.

Lawrence Makortoff

Report of the Independent Auditor on the Summary Consolidated Financial Statements



To the Members of Creston & District Credit Union:

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at December 31, 2024, and the summary consolidated statements of income and comprehensive income, changes in members' equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Creston & District Credit Union (the "Credit Union") for the year ended December 31, 2024.

In our opinion, the accompanying summary consolidated financial statements are a fair summary of the audited financial statements, in accordance with Article 128 of the Financial Institutions Act of British Columbia.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by IFRS® Accounting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated March 13, 2025.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with Article 128 of the Financial Institutions Act of British Columbia.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, Engagements to Report on Summary Financial Statements.

Kelowna, British Columbia
March 13, 2025

MNP LLP

Chartered Professional Accountants

MNP LLP

Suite 1500, 1700 Dickson Ave, Kelowna BC, V1Y 0L5

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MNP.ca

Creston & District Credit Union
Summary Consolidated Statement of Financial Position

As at December 31, 2024

	2024	2023
Assets		
Cash and cash equivalents	14,209,188	12,031,535
Investments	70,983,640	67,123,468
Receivables and prepaid expenses	234,578	293,863
Member loans receivable	103,861,532	99,949,806
Property and equipment	876,561	927,049
Investment property	328,691	337,495
Investment in and advances to associates	9,962,133	10,060,354
Deferred tax asset	28,060	-
	200,484,383	190,723,570
Liabilities		
Member deposits	170,447,450	162,391,866
Payables and other liabilities	1,233,469	1,202,057
Income taxes payable	36,150	156,390
Deferred tax liability	-	1,000
	171,717,069	163,751,313
Members' equity		
Member shares	3,215,569	3,451,974
Retained earnings	25,428,346	23,570,921
Accumulated other comprehensive income (loss)	123,399	(50,638)
	28,767,314	26,972,257
	200,484,383	190,723,570

Approved on behalf of the Board



Don Low
Director



Rob Simpson
Director

A full set of the audited consolidated financial statements is available from the Credit Union.

Creston & District Credit Union

Summary Consolidated Statement of Income and Comprehensive Income

For the year ended December 31, 2024

	2024	2023
Interest income		
Member loans	4,976,988	4,426,031
Investment	3,096,929	2,695,968
	8,073,917	7,121,999
Interest expense		
Member deposits	2,241,746	1,550,027
Financial margin	5,832,171	5,571,972
Provision for credit losses	90,000	60,000
Financial margin after provision for credit losses	5,742,171	5,511,972
Other income	1,279,194	1,396,546
Financial margin and other income, after provision for credit losses	7,021,365	6,908,518
Operating expenses		
Salary and employee benefits	2,418,444	2,187,569
General and administrative	1,378,969	1,328,516
Occupancy and equipment	369,620	405,709
Patronage and dividends	504,214	543,982
Income before income taxes	2,350,118	2,442,742
Provision for (recovery of) income taxes		
Current	521,753	464,119
Deferred	(29,060)	(28,000)
	492,693	436,119
Net income	1,857,425	2,006,623
Other comprehensive income		
Unrealized gain on debt securities, net of tax	174,037	192,954
Total comprehensive income	2,031,462	2,199,577

A full set of the audited consolidated financial statements is available from the Credit Union.

Creston & District Credit Union
Summary Consolidated Statement of Changes in Members' Equity
For the year ended December 31, 2024

	2024	2023
Balance, beginning of year	26,972,257	24,895,291
Total comprehensive income	2,031,462	2,199,577
Change in member shares, net	(236,405)	(122,611)
Balance, end of year	28,767,314	26,972,257

Creston & District Credit Union
Summary Consolidated Statement of Cash Flows
For the year ended December 31, 2024

	2024	2023
Cash generated (used) from		
Operating activities	1,392,479	1,673,542
Investing activities	(7,034,005)	3,459,301
Financing activities	7,819,179	(2,222,833)
Net change in cash and equivalents	2,177,653	2,910,010
Cash and equivalents, beginning of year	12,031,535	9,121,525
Cash and equivalents, end of year	14,209,188	12,031,535

A full set of the audited consolidated financial statements is available from the Credit Union.

GOVERNANCE REPORT

Creston & District Credit Union is governed by a Board of Directors elected by the Credit Union's members. The Board of Directors is responsible under law for the management of the Credit Union's business and affairs. It has the statutory authority and obligation to protect and enhance the assets of the Credit Union in the interests of all members. The duties and responsibilities of the Board of Directors are set out in the mandate for the Board and include providing the mission and goals for the Credit Union, principles and values, developing a governance system, and an overall risk appetite to manage and monitor applicable risks.

Board Executive Committee

The Board Executive Committee consists of the Board Chair, the Vice-Chair, and the Secretary. The Board Executive Committee provides guidance and oversight in the effective functioning of the Board of Directors.

Governance & HR Committee

The Governance & HR Committee supports the Board's accountability to ensure effective oversight of HR practices and organizational performance through the Credit Union's employees. The Committee supports the Board in matters relating to CEO recruitment and performance.

Audit & Risk Committee

The Audit & Risk Committee's role is to ensure there is an effective risk management and control framework implemented. This framework should provide reasonable assurance that the financial, operational, regulatory, strategic and sustainability objectives of the Credit Union are achieved, and that the accountabilities of the Board and Management are met.

The Committee is responsible for the qualification, independence and performance of the external and internal audit functions. This includes ensuring the integrity of financial and non-financial reporting and compliance with regulatory matters.

Conduct Review Committee

The Conduct Review Committee oversees the Credit Union's business standards and ethical conduct and related party loans and transactions entered into by the Credit

Union. The Credit Union ensures compliance with relevant legislative internal policies and codes.

Nominating Committee

The Nominating Committee assists the Board in the recruitment of qualified directors and ensures the Board's competency to fulfill its responsibilities.

Investment & Loan Committee

The Investment & Loan Committee assists the Board in fulfilling its responsibility for overseeing the Investment and Lending Policy of the Credit Union.

Credit Committee

The Credit Committee assists the Board of Directors in the oversight of the Lending Policy by provincial review and/or approval of member loans as set out in the Investment and Lending Policy of the Credit Union.

Board of Directors

The Board of Directors are a dedicated group of individuals who have well rounded and significant experience to support their roles. They strive to ensure the well-being of the Credit Union so that it can serve its membership in a safe, secure, and relevant manner. With a common vision, the Board works together for the present and the future of the Credit Union.

Director Compensation Disclosure

Creston & District Credit Union Directors are expected to dedicate considerable time to their positions providing oversight for the Credit Union and reporting to the membership annually. They attend Board Meetings, Annual Planning Sessions, numerous Committee Meetings, and several industry and regulatory functions as required. To attract and retain qualified Directors, they are compensated for attending meetings and functions and reimbursed for expenses such as meals, travel and accommodation. The compensation is comparable to other credit unions and financial institutions.

For fiscal 2024, compensation for each Director is outlined in the following table, along with meeting attendance.

Director Compensation Disclosure 2024

Director Name	Role as at Dec. 31, 2024	Board Meetings Attended	Committee Meetings Attended	Director Remuneration	Other Expenses	Total Compensation
Carrie Czar	Director	13	9	\$ 6,225	\$ 728	\$ 6,953
Don Low	President	14	3	\$ 10,500	\$ 3,515	\$ 14,015
Carole Materi	Director	14	11	\$ 7,275	\$ 1,608	\$ 8,883
Rick Minichiello	Director	13	7	\$ 6,050	\$ 645	\$ 6,695
Jim Ryckman	Director	14	10	\$ 6,700	\$ 623	\$ 7,323
Rob Simpson	Secretary	13	6	\$ 5,225	\$ 708	\$ 5,933
Don Tarrant	Vice-President	14	10	\$ 7,750	\$ 5,488	\$ 13,238
TOTALS		95	56	\$ 49,725	\$ 13,316	\$ 63,041

Totals rounded to nearest \$

Creston & District Credit Union
Compensation Philosophy

Creston & District Credit Union's Compensation Philosophy applies equally to all employees and is measured against the market of similar sized credit unions. We seek to balance fairness, affordability, and comparable compensation measures. Our compensation system is fundamental to attracting, retaining, rewarding, and motivating the talented individuals needed for the success of the Credit Union.

CEO Compensation

CEO compensation is established by the Board and is based on comparative asset groups across Canada as determined by an annual Central1 Credit Union Survey

of Credit Union Compensation. Creston & District Credit Union participates in this survey. The CEO participates in the same comprehensive benefits plan as all other employees. In addition, the CEO participates in the Creston & District Credit Union's RRSP/Pension Plan where employees are paid a percentage of their base salary into an RRSP/Pension Plan. The CEO participates in a profit share plan with the same terms as all other employees and in accordance with Board approved policies.

For year end December 31, 2024, the CEO received total compensation of \$287,713.80 which represents base salary, RRSP/Pension contributions, bonus, profit share, and benefits.

BOARD OF DIRECTORS



Don Low
President



Don Tarrant
Vice-President



Rob Simpson
Secretary



Carrie Czar
Director



Carole Materi
Director



Rick Minichiello
Director



Jim Ryckman
Director

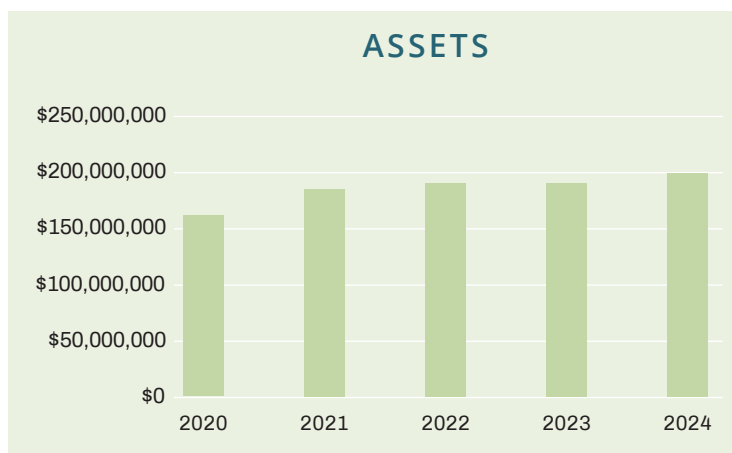
2024 IN REVIEW

Management Discussion and Analysis

In 2024, interest rates were relatively stable for the first 5 months of the year, then with falling inflation, interest rates fell steadily starting in June and continuing through to year end. Assets, loans and deposits grew in 2024. Our portfolio remained well positioned to the market and CDCU was able to produce the following results.

Assets

Assets grew 5.1 per cent in 2024. Despite a slowing economic environment, rising asset markets, and strong competition, we grew our asset base. Asset growth exceeded budgeted targets.



Loans

The residential real estate market in the Kootenays (Source: Central1 Economics BC Housing Report December 2024) increased by 2.7 per cent in terms of dollar volume and

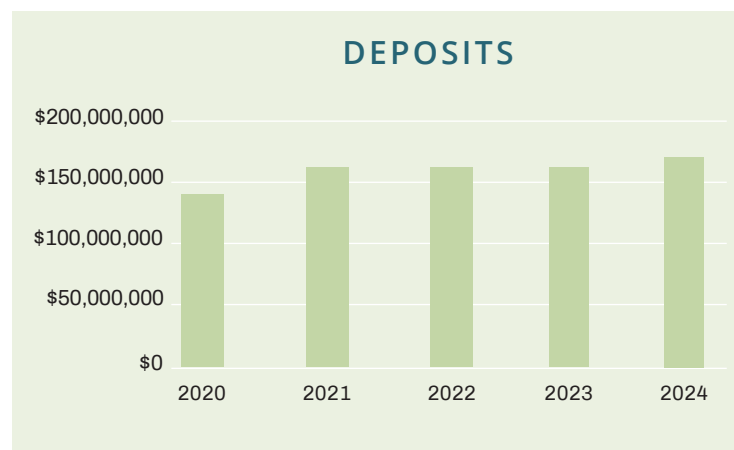


house prices increased by 5.6 per cent over the prior year as interest rates dropped. Listings increased by 23 per cent for the year, while actual unit sales dropped 9.1 per cent. This mix of data through the Kootenay region shows the real estate market held up reasonably well but the increased listings and decline in unit sales show us there is a shift in supply/demand factors occurring. This shift in rising supply indicates it could take longer for houses to sell going forward and it is evidence that a slow down in demand may be in progress.

In 2024, our residential portfolio grew 3.2 per cent while our commercial portfolio grew 5.2 per cent. Overall, our loan portfolio grew 3.8 per cent which kept pace with inflation growth.

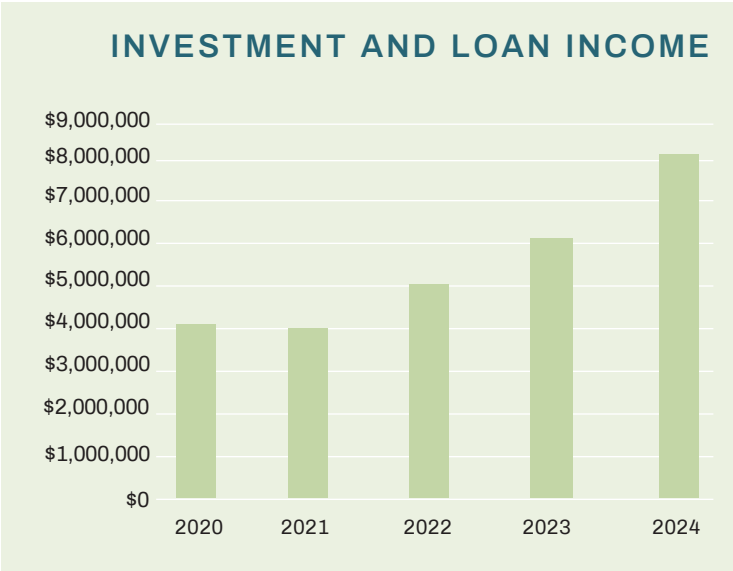
Deposits

Deposit grew 4.96 per cent or \$8.05 million. Higher interest rates on deposits for the first three quarters of the year supported increased member activity into fixed rate deposits.



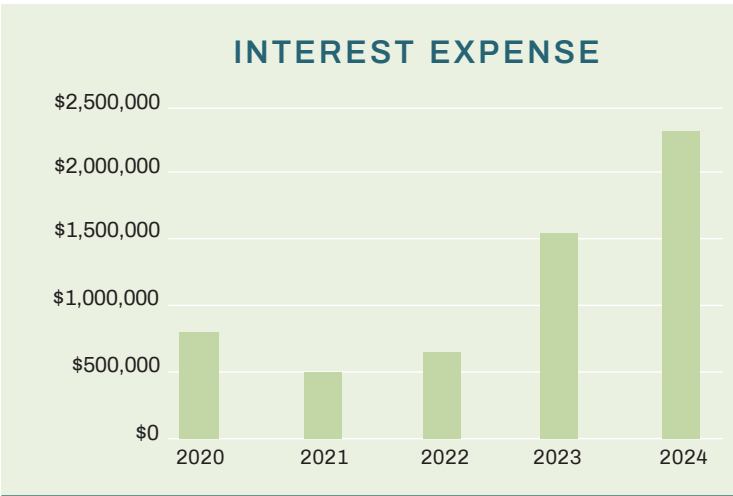
Investment and Loan Income

Overall, interest rates fell 175 basis points, with prime rate falling from 7.20 per cent in June to 5.45 per cent in December. With interest rates falling, our variable products earned less revenue, however mortgages matured into generally higher interest rates. As well, we extended investment terms in treasury for our investment portfolio, also earning higher revenue from the previous year. In addition, growth in loans and treasury led to increased revenue. As a result, investment and loan income rose by 13.4 per cent over the previous year.



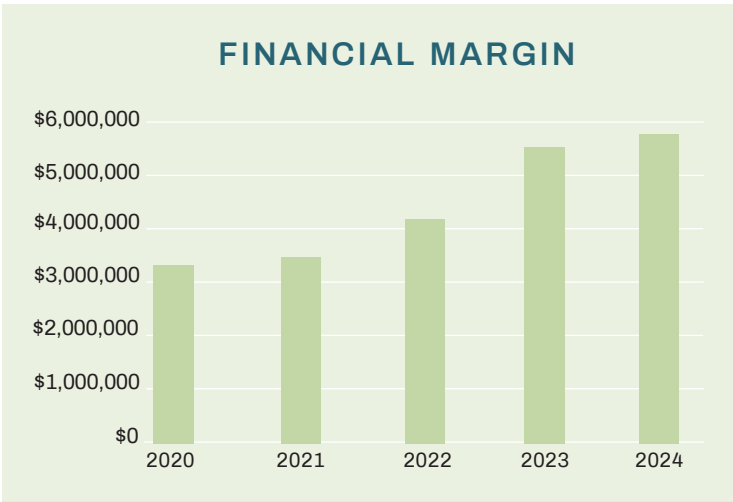
Interest Expense

Higher interest rates in the first half of 2024 led to increased interest expense. Many members locked in rates for extended periods. Interest expense rose 44.6 per cent in 2024. We expect these costs to flatten or reduce in 2025, reflective of falling interest rates due to a slowing economy.



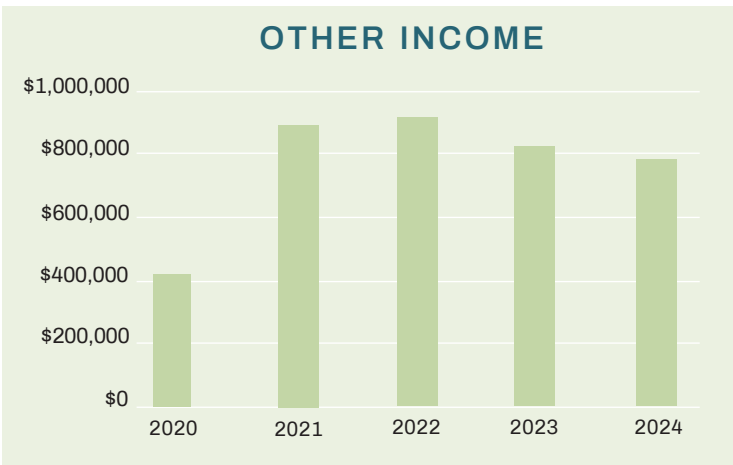
Financial Margin

Despite dropping rates, we were able to hold financial margin as variable rates fell but fixed mortgages renewed into generally higher rates and our investment portfolio continued to produce reasonable returns. Lower inflation and lower interest rates aside, we improved financial margin with an increase of 4.6 per cent over the prior year. Looking ahead, with interest rates continuing lower and our treasury investment portfolio repricing to reflect lower rates, we expect financial margin to decrease in the coming year.



Other Income

Other income decreased by 8.4 per cent in 2024 with lower subsidiary income making up 70 per cent of the shortfall. Foreign exchange income was also reduced due to the higher relative value of the US dollar and volatility in US and Canadian foreign exchange values affecting demand. Total other income was \$1,279,194 vs. \$1,396,546 in the prior year. Please refer to Note 13 in the consolidated financial statements for a breakdown of each line item.



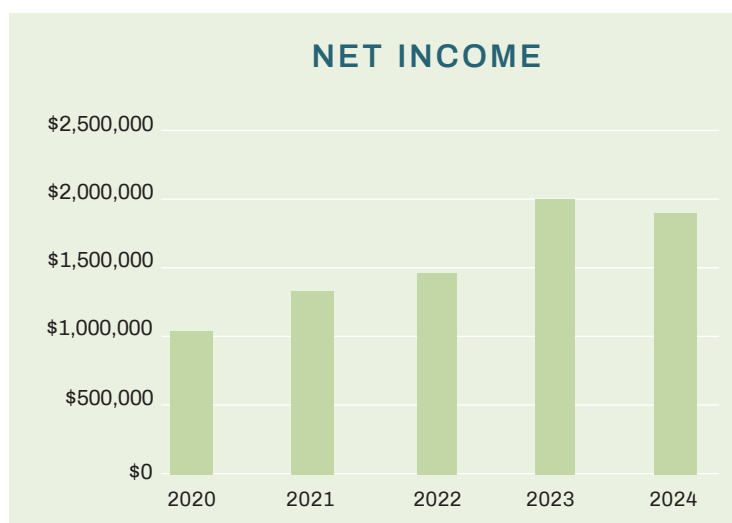
Operating Expense

Price increases continued across all business lines as our suppliers raised their prices. Salaries rose in 2024 as we hired two new employees. Salaries increased 10.5 per cent reflecting new staffing costs and cost of living increases. Though our suppliers increased their prices, we were able to reduce costs in other areas (See note 14 in the consolidated financial statements). General administrative costs excluding salaries rose less than 1 per cent for the year. Overall, operating expense rose 6.25 per cent over the prior year.



Net Income

Net income (before other comprehensive income) for 2024 was \$1,857,425 vs. \$2,006,623 in 2023. Total comprehensive income for 2024 was \$2,031,462 vs. \$2,199,577 in 2023. Equity in income of subsidiaries was \$501,780 vs. \$583,431 in 2023. On a non-consolidated basis, specifically branch operations, which excludes dividend payments from our subsidiaries, we produced net income (before comprehensive (unrealized) gain) of \$1,348,331 vs. \$1,385,582 in 2023.



Liquidity

Our Credit Union maintains strong liquidity levels. The Credit Union minimum core liquidity target is 12 – 15 per cent, while actual is 50.00 per cent.



Capital and Capital Adequacy Ratio

Our capital position continues to be strong which provides support to our balanced approach of increasing retained earnings and returning dividends and patronage to members. Our Capital Adequacy Ratio of 41.97 per cent is well above regulatory requirements of 8 per cent and our Internal Capital Target of 12 per cent.



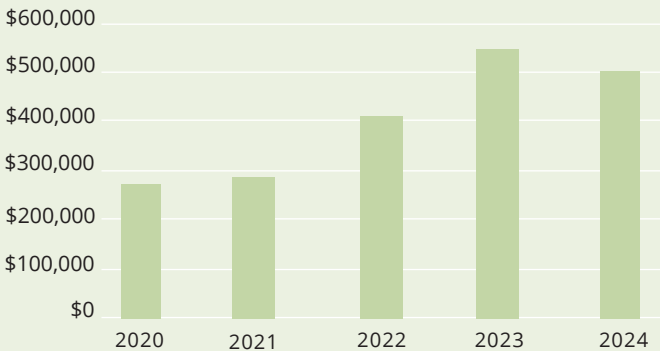
Dividends and Patronage

We continue to generate strong earnings. Profits have enabled the Board to return consistently strong dividends and patronage back to members. In 2024, the Board returned \$504,214 to members.

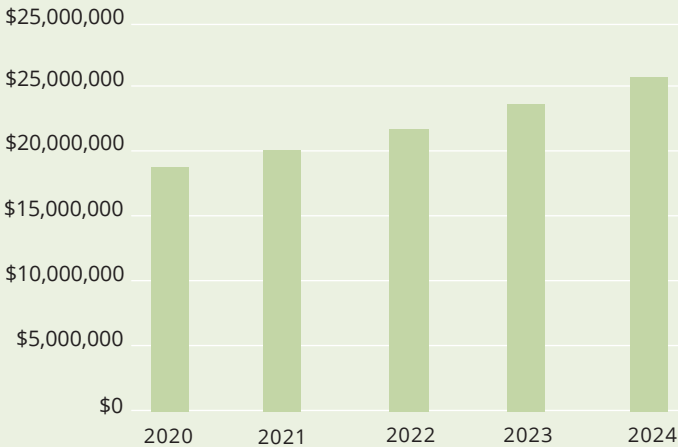
Consolidated Retained Earnings

Our consolidated retained earnings have steadily grown indicating stable earnings. Excluding member equity share investment, this represents the net worth of the Credit Union.

DIVIDENDS AND PATRONAGE CREDITS



CONSOLIDATED RETAINED EARNINGS



OUTLOOK FOR 2025

We believe the current economic outlook arising from changes in federal leadership, possible changes in government, the Canada/US geopolitical situation, and a general economic slowdown create a backdrop of uncertainty and unease. While we do not know the outcome of these events, we have confidence in community, businesses and citizens, as they push forward regardless of the situation.

Our local economy remains balanced. The spring is seeing a slow pickup in economic activity. The local residential real estate market seems to be a balanced market as well. In the Kootenay region, the real estate market saw mixed activity with prices rising, but unit sales volumes declining. Listings rose, which might imply less demand. The labour

market continues to hold steady. Soft fruit crops were not adversely impacted by the winter weather this year, so there is optimism that segment will create positive economic activity. If Canada/US trade disputes continue, we may see less traffic going across the border and more local spending. Canadian tourists may be inclined to visit Canadian locations, and the Creston Valley stands to benefit from that as well.

We thank all our members for their support, trust and confidence. At the heart of our mission, we strive to serve you well and meet your financial needs. We look forward to 2025 and continuing our diligent efforts to be your first choice for financial services.

2024 DONATIONS AND SPONSORSHIPS

BC Senior Games

Zone 7

**Boswell and District
Emergency Volunteers**

Safety Vests

Canada Helps

Canyon Community Association

Canada Day Celebrations

Canyon-Lister Elementary School

"Student's Choice Book Order"
Fundraiser

**Columbia Basin
Alliance for Literacy**

Books for Kids 2024

**Creston Community
Auditorium Society**

Replace lighting system with LED

**Creston & District
Credit Union Bursary**

2 bursaries of \$2,500

Creston Curling Club

Butterfly Bonspiel

Creston PAWS

2025 Calendar Fundraiser

Creston Swim Team

Creston Wave Swim Club Swim Meet

**Creston Valley Bird Fest
Committee**

Wildsight Banquet

Creston Valley Den Society

Supplies Donation

**Creston Valley
Ministerial Association**

Christmas Hamper Fund

**Creston Valley
Minor Hockey Association**

U18 Provincial Championships Host

Creston Valley Shrine Club #35

Harvey Sayles Derby

Creston Valley Thunder Cats Golf

Annual Golf Tournament

Ducks Unlimited Canada

Fundraiser Banquet

**Golden Outreach Kitchener Valley
Recreation & Fire Protection
Society**

Park Revitalization

Kootenay Literacy Society

**Rick Clark Memorial Golf
Tournament**

Royal Canadian Legion Branch 29

2024 Poppy Campaign

**Tim Horton's Smile Cookies
Fundraiser**

Creston Valley Tuck Shop

Wynndel Community Centre

Security Cameras





Fall in Erickson, Gay Allen photo

MISSION STATEMENT

Creston & District Credit Union is and will continue to be a sound, profitable, independent, progressive, service-oriented financial institution. We are dedicated to serving our member's needs and committed to contributing to the well-being of our community.

CRESTON & DISTRICT
CREDIT UNION

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