Libro Credit Union Limited

Financial statements
December 31, 2020

Building a better
working world

Management's Responsibility for Financial Reporting

The accompanying financial statements of Libro Credit Union Limited and all the information in this annual report are the responsibility of Management and have been approved by the Board of Directors (the "Board").

The financial statements have been prepared by Management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial information presented in the financial statements.

Libro maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the credit union's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit and Finance Committee. The Audit and Finance Committee is appointed by the Board. The Audit and Finance Committee meets periodically with Management, and the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Audit and Finance Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the owners.

The financial statements have been audited by Ernst & Young LLP, the external auditor, in accordance with Canadian generally accepted auditing standards on behalf of the owners. Ernst & Young LLP has full and free access to the Audit and Finance Committee.

Stephen Bolton President and Chief Executive Officer	Kathleen Grogan Executive Vice President Finance and Chief Financial Officer

March 2, 2021

INDEPENDENT AUDITOR'S REPORT

To the Owners of Libro Credit Union Limited

Opinion

We have audited the financial statements of Libro Credit Union Limited, (the "Credit Union"), which comprise the balance sheet as at December 31, 2020, and the statement of income, statement of comprehensive income, statement of owners' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis of opinion

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

Other information included in the Credit Union's 2020 Annual Report

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report and Management Discussion and Analysis.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the 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 financial statements

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

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

- [a] Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- [b] 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.
- [c] Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- [d] 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 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.
- [e] Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

London, Canada
March 2, 2021

Balance Sheets

As at December 31

[thousands of dollars]	Note	2020	2019
Assets			
Cash and cash equivalents	10	**21,209**	37,659
Accrued interest receivable		**9,673**	8,507
Investments	4	**963,818**	371,748
Other assets	9	**31,145**	32,605
Loans to owners	5, 6	**3,862,404**	3,715,848
Derivative financial instruments	15	**649**	2,707
Property and equipment	7	**58,299**	57,398
Intangible assets	8	**1,592**	4,124
Deferred tax assets	19	**6,725**	4,636
Total assets		**4,955,514**	4,235,232
Liabilities and owners' equity			
Owners' deposits	16	**4,410,760**	3,722,786
Accrued interest payable		**19,412**	20,792
Accrued and other liabilities	22	**17,734**	16,735
Income taxes payable	19	**945**	79
Pension and other employee obligations	13	**25,730**	17,531
Derivative financial instruments	15	**4,367**	922
Securitization liabilities	20[b]	**140,617**	127,177
		4,619,565	3,906,022
Liabilities qualifying as regulatory capital	12		
Owners' capital accounts	11	**176,576**	164,453
Stock dividends payable	11	**7,712**	14,690
		184,288	179,143
Total liabilities		**4,803,853**	4,085,165
Contributed surplus		**60,998**	60,998
Retained earnings		**100,856**	93,568
Accumulated other comprehensive loss		**(10,193)**	(4,499)
		151,661	150,067
Total liabilities and owners' equity		**4,955,514**	4,235,232

See accompanying notes

On behalf of the Board of Directors:

Jacquie Davison

Ms. J Davison, Chair of the Board

Marycatharine Kusch

Ms. M Kusch, Vice Chair of the Board

Libro Credit Union Limited

Statements of Income

Years ended December 31

[thousands of dollars]	Note	2020	2019
Interest income			
Interest on loans	**17**	**146,879**	148,030
Investment income		**6,836**	7,092
		153,715	155,122
Interest expense			
Interest on owners' deposits	**17**	**49,484**	54,521
Dividends on Class I Investment shares	**11**	**5,046**	4,854
Interest on borrowings		**4,320**	3,123
		58,850	62,498
Net interest income		**94,865**	92,624
Non-interest income	**17**	**14,194**	20,125
Total revenue		**109,059**	112,749
Provision for (recovery of) credit losses	**6**	**4,146**	(2,087)
Non-interest expenses			
Salaries and employee benefits		**58,969**	55,691
General and administrative		**9,690**	10,293
Marketing and business development		**3,744**	3,956
Insurance		**4,178**	3,396
Systems and technology		**5,661**	5,001
Occupancy		**7,934**	7,378
Corporate and branch governance	**12**	**753**	980
Amortization of core deposit intangible	**8**	**2,143**	2,143
		93,072	88,838
Income before the undernoted		**11,841**	25,998
Dividends and profit sharing distributions	**11**	**2,634**	9,672
Income before income taxes		**9,207**	16,326
Provision for (recovery of) income taxes			
Current	**19**	**2,741**	3,524
Deferred	**19**	**(822)**	(370)
		1,919	3,154
Net income for the year		**7,288**	13,172

See accompanying notes

Libro Credit Union Limited

Statements of Comprehensive Income

Years ended December 31

[thousands of dollars]	2020	2019
Net income for the year	**7,288**	13,172
Other comprehensive loss		
Items that will not be reclassified to income:		
Actuarial loss in employee defined benefit plans	**(6,961)**	(5,961)
Related income taxes	**1,267**	1,102
	(5,694)	(4,859)
Items that may be subsequently reclassified to income:		
Cash flow hedges - effective portion of changes in fair value	**-**	81
Related income taxes	**-**	(12)
Reclassification to income of gains on cash flow hedges	**-**	(108)
	-	(39)
Other comprehensive loss for the year, net of income taxes	**(5,694)**	(4,898)
Total comprehensive income for the year, net of income taxes	**1,594**	8,274

See accompanying notes

Statements of Owners' Equity

Years ended December 31

[thousands of dollars]	2020	2019
Contributed surplus	**60,998**	60,998
Retained earnings		
Balance as at beginning of year	**93,568**	80,396
Net income for the year	**7,288**	13,172
Balance as at end of year	**100,856**	93,568
Accumulated other comprehensive income (loss), net of income taxes		
Balance as at beginning of year	**(4,499)**	399
Other comprehensive loss for the year	**(5,694)**	(4,898)
Balance as at end of year	**(10,193)**	(4,499)
Total owners' equity as at end of year	**151,661**	150,067

See accompanying notes

Statements of Cash Flows

Years ended December 31

[thousands of dollars]	Note	2020	2019
Cash provided by (used in)			
Operating activities			
Net income for the year		**7,288**	13,172
Add (deduct) non-cash items:			
Depreciation and amortization		**9,310**	9,351
Amortization of discount/premium on loans and deposits		**-**	114
Provision for (recovery of) credit losses		**4,146**	(2,087)
Loss on disposal		**-**	71
Deferred income taxes		**(2,089)**	(1,460)
Unrealized loss (gain) on interest rate swap agreements		**5,503**	(1,027)
Changes in operating assets and liabilities:			
Increase (decrease) in stock dividends payable		**(6,978)**	3,055
Increase in accrued interest receivable		**(1,166)**	(639)
Increase (decrease) in income taxes payable		**866**	(1,579)
Decrease (increase) in other assets		**1,460**	(2,202)
Increase in loans to owners		**(150,702)**	(310,859)
Increase in owners' deposits		**687,974**	312,093
Increase (decrease) in accrued interest payable		**(1,380)**	4,128
Increase in accrued and other liabilities		**999**	1,711
Increase in pension and other employee obligations		**2,505**	2,216
Proceeds from securitization of loans	**20**	**60,135**	59,623
Repayments of securitization liabilities		**(46,695)**	(10,176)
Cash provided by operating activities		**571,176**	75,505
Financing activities			
Increase in owners' capital accounts		**12,123**	9,258
Decrease in loans payable		**-**	(18,447)
Cash provided by (used in) financing activities		**12,123**	(9,189)
Investing activities			
Increase in investments		**(592,070)**	(40,501)
Purchase of property and equipment		**(6,600)**	(6,721)
Purchase of intangible assets		**(1,079)**	(1,537)
Cash used in investing activities		**(599,749)**	(48,759)
Net increase (decrease) in cash during the year		**(16,450)**	17,557
Cash and cash equivalents as at beginning of year		**37,659**	20,102
Cash and cash equivalents as at end of year		**21,209**	37,659

See accompanying notes

1) REPORTING ENTITY

Libro Credit Union Limited ("Libro" or the "credit union") is incorporated under the *Credit Unions and Caisses Populaires Act* (Ontario) (the "Act") in Canada, is a member of Central 1 Credit Union ("Central 1") and the activities of the credit union are regulated by the Financial Services Regulatory Authority ("FSRA"). The corporate office is located at 217 York Street in London, Ontario.

The credit union is primarily involved in providing a full range of retail, commercial and agricultural financial services to its Member/Owners in southwestern Ontario. The credit union has 36 locations across southwestern Ontario.

2) BASIS OF PREPARATION

[a] Statement of compliance

Libro follows accounting policies appropriate to its activities and governing legislation, which conform, in all material respects, to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on March 2, 2021. The Board of Directors has the power to amend the financial statements after issuance only in the case of discovery of an error.

[b] Basis of measurement

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

(i) Derivative financial instruments, fair value through profit ("FVPL") or loss financial assets and fair value through other comprehensive income ("FVOCI") financial assets are measured at fair value; and

(ii) The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets.

[c] Currency

The financial statements are presented in Canadian dollars, which is the credit union's functional currency. All values are rounded to the nearest thousand dollars, except where otherwise indicated.

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the credit union are summarized below.

[a] Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting years. Actual results may differ from those estimates. Estimates and judgments are continually evaluated and are made based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. The credit union's results and operations have been and will continue to be impacted by the COVID-19 pandemic and related uncertain macroeconomic environment. The breadth and depth of these events and how long they will continue have introduced additional uncertainty around estimates, including a higher degree of uncertainty in determining reasonable and supportable forward-looking information and assessing significant increase in credit risk used in measuring expected credit loss ("ECL").

The most significant uses of estimates and judgments include the following:

(i) Fair value of financial instruments
Where the fair value of financial assets and liabilities cannot be derived from active markets, Libro uses valuation techniques that include inputs derived from either observable market data or management's judgment. Note 18 provides detailed information about the determination of the fair value of financial instruments.

(ii) Impairment losses on financial assets
The measurement of impairment losses under IFRS 9, *Financial Instruments* ("IFRS 9") requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The credit union's ECL allowance calculations are outputs of complex models with a number of underlying assumptions. Note 3[e] and note 6 further describe elements of the ECL models that require judgments and estimates.

(iii) Retirement benefit obligations
Libro estimates the present value of employee retirement benefit obligations that depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The actuarial valuation involves assumptions including discount rates, future salary increases, mortality rates, and other cost increases. Note 13 provides detailed information about the employee retirement benefit obligations.

[b] Foreign currency translation
Assets and liabilities denominated in foreign currencies, primarily US dollars, are translated into Canadian dollars at rates prevailing at the year-end date. Income and expenses are translated at the exchange rates in effect on the date of the transactions. Exchange gains and losses arising on the translation of monetary items are included in net income for the year.

[c] Interest income and expense
Interest income and expense is recognized in the Statements of Income for all interest-bearing financial instruments using the effective interest rate ("EIR") method.

The EIR method is a method of calculating the amortized cost of a financial asset or liability and allocating the interest income or expense over the relevant period. The EIR is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument. The application of this method has the effect of recognizing income and expense on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest, the credit union estimates cash flows (using projections based on its experience of owners' behaviour) considering all contractual terms of the financial instruments but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the EIR. Where it is not possible or practical to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated using the payments or receipts specified in the contract, and the full contractual term.

[d] Fees

Unless included in the effective interest calculation, fees are recognized on an accrual basis as the service is provided and reported on the Statements of Income as non-interest income.

[e] Financial assets and financial liabilities

(i) Classification

Financial assets

All financial instruments are initially recorded at fair value and subsequently classified as measured at amortized cost, FVOCI or FVTPL. A financial asset is measured at amortized cost if it meets the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments are measured at FVTPL unless an election is made to designate them at FVOCI upon purchase. All other financial assets are classified as measured at FVTPL.

The details of these conditions are outlined below.

Business model assessment

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the business model and the way those risks are managed;
- How managers of the business are compensated; and
- The expected frequency, value and timing of sales.

Contractual cash flow characteristics

The credit union assesses the contractual terms of financial assets to identify whether the contractual cash flows are solely principal and interest. Management assesses whether the terms indicate a basic lending arrangement, where the most significant elements of interest are typically the consideration for the time value of money and credit risk. If contractual terms introduce an exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, the financial asset is measured at FVTPL.

Financial liabilities
The credit union classifies its financial liabilities as measured at amortized cost or as at FVTPL. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR.

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

(ii) Derecognition of financial assets

Derecognition due to substantial modification of terms and conditions
The credit union derecognizes a financial asset, such as a loan to an owner, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes. If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the credit union records a modification gain or loss, to the extent that an impairment loss has not already been recorded. The modification of the contractual cash flows for accounts requesting short term payment relief during the COVID-19 pandemic were not considered substantial and did not result in derecognition of these loans or any modification gains or losses.

Derecognition other than for substantial modification
A financial asset is derecognized when the rights to receive cash flows from the financial asset have expired. The credit union also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition. The credit union has transferred the financial asset if the credit union has transferred its contractual rights to receive cash flows from the financial asset or it retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement.

When the credit union has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the credit union’s continuing involvement, in which case, the credit union also recognizes an associated liability.

(iii) Impairment on financial assets
The credit union recognizes an ECL allowance on all financial instruments not recorded at FVTPL, which includes loans to owners, investments and certain loan commitments. Equity instruments are not

subject to impairment under IFRS 9. The credit union measures ECL at an amount equal to lifetime ECL or 12-month ECL. The portion of ECL that results from the default events on a financial instrument that are possible within the 12 months after the reporting date are referred to as the 12-month ECL.
The impairment model measures ECL using a three-stage approach as described below:

- Stage 1: When a financial asset has not shown a significant increase in credit risk since origination, the credit union records a 12-month ECL.
- Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the credit union records a lifetime ECL.
- Stage 3: When a financial asset is credit-impaired, the credit union records a lifetime ECL or the asset is written off.

The interest income is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the gross carrying amount net of impairment allowance for financial assets in Stage 3.

Significant increase in credit risk
The assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The credit union has established thresholds for significant increases in credit risk based on both a risk rating and change in probability of default relative to its initial recognition. In addition, instruments that are 30 days past due are also considered to have experienced a significant increase in credit risk.

The measurement of ECL
The credit union measures ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The ECL is based primarily on the product of the following variables:

- The Probability of Default (“PD”) is an estimate of the likelihood of default over a given time horizon. The PD for each instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.
- The Loss Given Default (“LGD”) is an estimate of the amount that may not be recovered in the event of default. LGD takes into consideration the amount and quality of any collateral held as well as reasonable and supportable information about future economic conditions.
- The Exposure at Default (“EAD”) is an estimate of the outstanding amount of credit at a future default date.

Expected life
When measuring ECL, the credit union considers the maximum contractual period over which it is exposed to credit risk. For facilities without a maximum contractual period, the credit union uses the period that the entity is expected to be exposed to credit risk and the expected losses are not mitigated by credit risk management actions.

Definition of default
The credit union considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) in all cases when the borrower becomes 90 days past due on its contractual payments. The credit union also considers a variety of qualitative characteristics that may indicate an unlikeliness to pay, in which case the credit union may determine a loan defaulted before contractually past due.

Forward-looking information
The credit union relies on a broad range of forward-looking information as economic inputs, such as unemployment rates, Central Bank base rates, and house price indices. The estimation and application of forward-looking information requires significant judgment.

Purchased or originated credit impaired financial assets ("POCI")
POCI financial assets are initially recognized at fair value with no initial ECL allowance. Changes in lifetime ECL since initial recognition are recorded in the allowance for credit losses.

Write-offs
Financial assets are written off either partially or in their entirety only when the credit union has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to loan provision expense.

[f] Derivatives and hedge accounting
Derivative financial instruments are contracts that require or provide the opportunity to exchange cash flows or payments determined by applying certain rates, indices or changes therein to notional contract amounts. Libro uses derivative financial instruments, primarily interest rate swaps, in order to manage interest rate risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; and
- Cash flow hedges when hedging the exposure to variability of cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, Libro formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how Libro will assess whether the hedging relationship meets the hedge effectiveness requirements.

Hedges that meet all of the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges
The changes in fair value of a hedging instrument are recognized in the Statements of Income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the Statements of Income.

For fair value hedges relating to items carried at amortized cost, any adjustments to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedge is re-recognized, the unamortized fair value is recognized immediately in profit or loss.

Cash flow hedges
Applying cash flow hedge accounting enables the credit union to reduce the cash flow fluctuations arising from interest rate risk on loans. The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income (loss)("OCI"), while any ineffective portion is recognized immediately in the Statements of Income as investment income. The amounts and timing of future cash flows are projected for each portfolio of financial assets and liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows across all portfolios over time form the basis for identifying the effective portion of gains and losses on the derivatives designated as cash flow hedges.

If a cash flow hedge is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Certain derivatives embedded in other financial instruments, such as the embedded option in an index-linked term deposit, are treated as separate derivatives when they can be separated from the host contract. These embedded derivatives are separately accounted for at fair value as derivative assets and liabilities with changes in fair market value recognized in the Statements of Income.

[g] Cash and cash equivalents
Cash and cash equivalents include cash on hand, current accounts, and cheques and other items in transit. Given their short-term nature, the carrying value of cash and cash equivalents equals fair value.

[h] Property and equipment
Property and equipment are carried at cost less accumulated depreciation. Assets are generally depreciated on the following basis:

Buildings	40 to 50 years straight-line
Building components	15 to 30 years straight-line
Leasehold improvements	5 to 20 years straight-line
Furniture and equipment	5 to 10 years straight-line
Electronic equipment	3 to 5 years straight-line
Computer equipment	2 to 7 years straight-line

Depreciation in the first year is prorated based on the number of months the asset is in service. Depreciation methods, useful lives and residual value are reviewed annually and adjusted if necessary.

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

Impairment charges are included in the Statements of Income, except to the extent they reverse gains previously recognized in OCI.

[i] Intangible assets
Intangible assets are carried at cost less accumulated amortization. Amortization in the first year is prorated based on the number of months the asset is in service. Intangible assets are amortized over their expected lives on the following basis:

Computer software	1 to 3 years straight-line
Banking system software	5 to 10 years straight-line
Core deposit intangibles	7 years straight-line

The core deposit intangibles were acquired through business combinations. They represent the fair market value of the cost savings inherent in acquiring a portfolio of demand deposits with a lower cost of funding versus attracting funds in the open market. Intangible assets are subject to impairment review as described under note 3[h].

[j] Income taxes
The credit union follows the asset and liability method of tax allocation used in accounting for income taxes. Under this method, deferred tax benefits and obligations are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Tax expense recognized in the Statements of Income comprises the sum of deferred tax and current tax not recognized in OCI or directly in equity.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income, based on the credit union's forecast of future operating results. Deferred tax liabilities are always provided for in full.

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

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in the Statements of Income, except where they relate to items that are recognized in OCI or directly in equity, in which case the related deferred tax is also recognized in OCI or equity, respectively.

[k] Employee benefit plans
Libro maintains three pension plans for current employees and retirees, and one sick leave benefit plan. The pension plans consist of a Defined Benefit Plan ("DB"), a Supplementary Employee Retirement Plan ("SERP"), and a Defined Contribution Plan ("DC").

Full actuarial valuations of the DB, SERP, and sick leave benefit plans are conducted no less frequently than every three years. The most recent valuation of these plans was prepared as at December 31, 2019.

(i) Defined benefit plans

For the DB pension plan, the SERP and the sick leave plan, plan assets are valued at fair market values. Benefit costs and accrued benefits are determined based upon actuarial valuations using the projected benefit method prorated on service and management's best estimates. The expected return on plan assets is based on the fair value of plan assets. Actuarial gains and losses are recognized immediately through OCI.

Service cost is the change in the present value of the defined benefit obligation resulting from employee service in either the current year or prior years 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.

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. Remeasurements are recognized immediately in OCI.

(ii) Defined contribution pension plan

For the DC pension plan, annual pension expense is equal to the credit union's contribution to the plan. The assets of the plan are held in independently administered funds. This plan was closed to new members effective July 1, 2014.

[l] Cheques and other items in transit, net

Libro records cheques and other items in transit, representing uncleared settlements with other financial institutions, at cost. The net value of these items is included in accrued and other liabilities or other assets on the Balance Sheets.

[m] Leases

Libro identifies whether a contract is a lease by whether it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Libro applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Libro recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

Libro recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated over the earlier of the useful life of the underlying asset or the lease term. The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 3[h].

(ii) Lease liabilities

At the commencement date of the lease, Libro recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under any residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by Libro and payments of penalties for terminating the lease, if the lease term reflects Libro exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The lease term is determined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Libro has lease contracts that include extension and termination options. Judgment is applied in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease based on an assessment of all relevant factors. After the commencement date, the lease term is reassessed if there is a significant event or change in circumstances that is within Libro's control and affects Libro's ability to exercise or not to exercise the option to renew or to terminate.

For real estate leases, Libro cannot readily determine the interest rate implicit in the lease and therefore uses the incremental borrowing rate ("IBR") to measure lease liabilities. For vehicle leases, Libro uses the rate implicit in the lease. The IBR is the rate of interest that Libro would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Libro estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

Libro applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low value assets are recognized as an expense on a straight-line basis over the lease term.

[n] Transfer of financial assets

(i) Securitization

When Libro transfers loans in a securitization transaction, loans are derecognized only when the contractual rights to receive the cash flows from the assets have ceased to exist or substantially all the risks and rewards of the loan have been transferred. If the criteria for derecognition have not been met, the securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized cost, using the EIR method.

Securitized residential mortgages generally do not meet the derecognition requirements of IFRS 9 and as a result, all loans are measured at amortized cost in the Balance Sheets. The securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized cost, using the EIR method. The credit union retains mortgage servicing responsibilities but does not receive an explicit servicing fee.

(ii) Government loan programs

As a result of the COVID-19 pandemic, the Government of Canada launched several loan programs. Under the Canada Emergency Business Account ("CEBA") Program, funding is provided by the Government of Canada and loans issued under the program are not recognized on Libro's Balance Sheets, as the credit union transfers substantially all risks and rewards in respect of the loans to the Government of Canada. Under the Government of Canada's loan participation ("Co-Lending") program, 80% of funding is provided by the Business Development Bank of Canada and Libro provides the remaining 20% of funding. Libro recognizes 20% of the outstanding loans in Loans to owners on the Balance Sheets which reflects its share of risks and rewards in respect of the loans.

[o] Going concern

Libro has made an assessment of its ability to continue as a going concern and is satisfied that the credit union has the resources to continue in business for the foreseeable future. Libro is not aware of any material uncertainties that may cause significant doubt regarding the credit union's ability to continue as a going concern. The financial statements have been prepared on a going concern basis.

[in thousands of dollars except as noted or per share]

4) INVESTMENTS

Investments consist of the following:

		December 31, 2020		December 31, 2019	
		$	Effective Rate	$	Effective Rate
Short-term investments (due within 1 year):					
Bank Investment Deposits, fair value of $215,307 [$20,310 in 2019]	i	**215,307**	**0.83%**	20,310	2.04%
Central 1 Liquidity Reserve Deposit, fair value of $159,334 [$62,923 in 2019]	i	**158,723**	**0.74%**	62,943	1.63%
Central 1 Deposits, fair value of $390,222 [$66,247 in 2019]	i	**389,655**	**0.45%**	66,171	1.92%
		763,685	**0.62%**	149,424	1.82%
Long-term investments (due beyond 1 year):					
Central 1 Liquidity Reserve Deposit, fair value of $141,733 [$187,327 in 2019]	i	**138,764**	**1.10%**	187,941	1.63%
Central 1 Deposits, fair value of $40,373 [$13,235 in 2019]	i	**40,000**	**0.69%**	12,988	2.72%
Finance lease receivable	i	**287**	**4.81%**	453	3.51%
Central 1 Class A shares	ii	**1,415**	**-**	1,389	-
Central 1 Class E shares	ii	**6,487**	**-**	6,487	-
Central 1 Class F shares	ii	**12,895**	**-**	12,781	-
Other investments	ii	**285**	**-**	285	-
		200,133	**0.91%**	222,324	1.54%
		963,818	**0.68%**	371,748	1.65%

Financial Instrument Classifications:
- i Amortized cost
- ii FVTPL

Central 1 Liquidity Reserve Deposit

The credit union is required to maintain a liquidity reserve deposit equal to 6% of its total assets on a monthly basis. At December 31, 2020, the liquidity reserve deposit was held with Central 1 and consisted of a number of individual deposits, invested at fixed market rates for various terms which mature within two years. The liquidity reserve deposit can only be withdrawn if there is a reduction in the credit union's total asset base.

These investments are classified as financial assets valued at amortized cost. The terms and conditions of these instruments are consistent with a lending contract whereby cash flows are advanced to Central 1 with a commitment to repay the credit union at a specified rate of interest according to pre-set maturity dates.

As a result of regulatory changes, the liquidity reserve deposit held with Central 1 was discharged at fair value in exchange for financial assets on January 4, 2021. In addition, Central 1 Class F shares were redeemed for cash.

[in thousands of dollars except as noted or per share]

Central 1 Deposits
The credit union holds excess liquidity in Central 1 interest deposits with various maturity dates.

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

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

Central 1 Class E shares are carried at cost, which is considered to be the best representation of fair value given the wide range of possible fair value measurements. These shares are not subject to annual rebalancing. There is no active market for these shares, as they are issued only as a condition of membership in Central 1, and the fair value cannot be reliably measured until such time as a transaction occurs. The fair value of Class E shares cannot be measured reliably as the timing of redemption of these shares cannot be determined; therefore, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

The credit union is not intending to voluntarily dispose of any Central 1 shares as the services supplied by Central 1 are relevant to the day-to-day activities of the credit union. Dividends on these shares are at the discretion of the Board of Directors of Central 1.

5) LOANS TO OWNERS

	December 31, 2020			
	Principal Balance	**Impaired Loans**	**Allowance for Credit Losses**	**Net Loans**
Residential mortgage loans	**1,492,787**	**-**	**365**	**1,492,422**
Personal loans	**201,631**	**57**	**847**	**200,784**
Agricultural loans	**930,885**	**2,288**	**198**	**930,687**
Commercial loans	**1,247,748**	**7,046**	**9,237**	**1,238,511**
	3,873,051	**9,391**	**10,647**	**3,862,404**

	December 31, 2019			
	Principal Balance	**Impaired Loans**	**Allowance for Credit Losses**	**Net Loans**
Residential mortgage loans	1,419,307	-	345	1,418,962
Personal loans	218,858	161	676	218,182
Agricultural loans	961,468	2,094	183	961,285
Commercial loans	1,123,217	8,727	5,798	1,117,419
	3,722,850	10,982	7,002	3,715,848

Loans to owners can have either a variable or fixed rate of interest and mature within 10 years. Variable rate loans are based on a "prime rate plus/minus" formula with the rate above or below prime being determined by the size of the loan, the type of collateral offered, the purpose of the loan and the owner's creditworthiness. Interest rates offered on fixed rate loans vary depending on the size of the loan, the type of collateral offered, the purpose of the loan, the owner's creditworthiness and the loan term. All loans to owners are recorded at amortized cost.

[in thousands of dollars except as noted or per share]

From time to time owner loans may be renegotiated, either as part of an ongoing owner relationship or in response to a change in the circumstances of the owner. Renegotiations and debt restructuring are in the normal course of the credit union's business. It is possible that a renegotiation could result in an extension of the due date of a repayment; however, the new terms and new interest rates would reflect the current market rates and economic environment. These are treated as new agreements and the loan would not be considered delinquent or impaired. If an owner is in financial distress they may be placed on an interest-only payment plan. This will result in the loan continuing to be delinquent and the loan will be considered as part of the impairment policy.

As at December 31, the balances of loans in arrears within the portfolio were as follows:

	December 31, 2020				
	Residential Mortgage Loans	**Personal Loans**	**Agricultural Loans**	**Commercial Loans**	**Total**
Current	**1,488,649**	**193,785**	**920,293**	**1,238,361**	**3,841,088**
Less than 30 days arrears	**3,799**	**7,758**	**7,371**	**7,810**	**26,738**
30–89 days arrears	**339**	**31**	**1,779**	**1,038**	**3,187**
90–179 days arrears	**-**	**39**	**1,442**	**288**	**1,769**
180–365 days arrears	**-**	**8**	**-**	**251**	**259**
More than 365 days arrears	**-**	**10**	**-**	**-**	**10**
	1,492,787	**201,631**	**930,885**	**1,247,748**	**3,873,051**

	December 31, 2019				
	Residential Mortgage Loans	**Personal Loans**	**Agricultural Loans**	**Commercial Loans**	**Total**
Current	1,412,531	206,401	955,752	1,100,857	3,675,541
Less than 30 days arrears	6,593	12,149	2,868	11,762	33,372
30–89 days arrears	183	147	1,088	5,573	6,991
90–179 days arrears	-	105	896	929	1,930
180–365 days arrears	-	25	799	2,210	3,034
More than 365 days arrears	-	31	65	1,886	1,982
	1,419,307	218,858	961,468	1,123,217	3,722,850

[in thousands of dollars except as noted or per share]

As at December 31, the term to maturity and effective interest rates of the loan portfolio were as follows:

	December 31, 2020								
Maturity (in years)	Variable	Less than 1	1 to 2	2 to 3	3 to 4	4 to 5	5 to 7	7 to 10	Total
Total loans	**950,009**	**611,019**	**539,536**	**550,431**	**551,376**	**532,986**	**36,797**	**100,897**	**3,873,051**
Effective interest rate	**3.65%**	**3.38%**	**3.48%**	**3.82%**	**3.59%**	**3.05%**	**4.02%**	**4.25%**	**3.54%**

	December 31, 2019								
Maturity (in years)	Variable	Less than 1	1 to 2	2 to 3	3 to 4	4 to 5	5 to 7	7 to 10	Total
Total loans	928,919	560,929	505,672	529,777	532,669	517,683	44,360	102,841	3,722,850
Effective interest rate	5.20%	3.66%	3.45%	3.48%	3.89%	3.64%	4.37%	4.35%	4.04%

6) ALLOWANCE FOR CREDIT LOSSES

The carrying amount of loans and the balance of their respective allowance as at December 31, according to the stage in which they are classified are listed below:

	December 31, 2020							
	Stage 1		Stage 2		Stage 3		Total	
	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses
Residential mortgage loans	**1,401,080**	**147**	**91,707**	**218**	**-**	**-**	**1,492,787**	**365**
Personal loans	**193,306**	**314**	**8,268**	**526**	**57**	**7**	**201,631**	**847**
Agricultural loans	**809,721**	**66**	**118,876**	**103**	**2,288**	**29**	**930,885**	**198**
Commercial loans	**985,300**	**1,962**	**255,402**	**6,974**	**7,046**	**301**	**1,247,748**	**9,237**
Total	**3,389,407**	**2,489**	**474,253**	**7,821**	**9,391**	**337**	**3,873,051**	**10,647**

	December 31, 2019							
	Stage 1		Stage 2		Stage 3		Total	
	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses
Residential mortgage loans	1,367,521	222	51,786	123	-	-	1,419,307	345
Personal loans	212,297	379	6,400	265	161	32	218,858	676
Agricultural loans	858,316	81	101,058	42	2,094	60	961,468	183
Commercial loans	1,020,840	1,059	93,650	3,781	8,727	958	1,123,217	5,798
Total	3,458,974	1,741	252,894	4,211	10,982	1,050	3,722,850	7,002

The credit union, consistent with the industry, offered a deferral payment program to some owners who have been impacted from COVID-19 and were under financial stress. The credit union offered owners the ability to defer principal and interest payments, however interest continued to accrue on the loan balance. Deferrals on loans and mortgages with balances totalling approximately $603,500 were granted. As at December 31, 2020, deferrals on loans and mortgages with balances totalling $37,500 remained active.

[in thousands of dollars except as noted or per share]

The following table shows the continuity of the allowance for credit losses:

	December 31, 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**1,741**	**4,211**	**1,050**	**7,002**
Transfer to Stage 1 ECL	**537**	**(537)**	**-**	**-**
Transfer to Stage 2 ECL	**(284)**	**284**	**-**	**-**
Transfer to Stage 3 ECL	**-**	**(71)**	**71**	**-**
Net remeasurement of loss allowance	**(150)**	**3,839**	**(120)**	**3,569**
New financial assets originated or purchased	**1,005**	**1,119**	**9**	**2,133**
Financial assets derecognized	**(360)**	**(1,024)**	**(172)**	**(1,556)**
Write-offs	**-**	**-**	**(921)**	**(921)**
Recoveries of amounts previously written off	**-**	**-**	**420**	**420**
As at December 31, 2020	**2,489**	**7,821**	**337**	**10,647**

	December 31, 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	1,596	4,349	5,009	10,954
Transfer to Stage 1 ECL	607	(607)	-	-
Transfer to Stage 2 ECL	(89)	106	(17)	-
Transfer to Stage 3 ECL	-	(8)	8	-
Net remeasurement of loss allowance	(707)	341	460	94
New financial assets originated or purchased	626	1,103	3	1,732
Financial assets derecognized	(292)	(1,073)	(2,548)	(3,913)
Write-offs	-	-	(2,981)	(2,981)
Recoveries of amounts previously written off	-	-	1,116	1,116
As at December 31, 2019	1,741	4,211	1,050	7,002

The following table further details the continuity of the ECL by loan category:

	December 31, 2020				
	Residential Mortgage Loans	**Personal Loans**	**Agricultural Loans**	**Commercial Loans**	**Total Allowance**
Balance, January 1, 2020	**345**	**676**	**183**	**5,798**	**7,002**
Collection of accounts previously written off	**-**	**128**	**-**	**292**	**420**
Accounts written off	**-**	**(226)**	**-**	**(695)**	**(921)**
Provision for credit losses	**20**	**269**	**15**	**3,842**	**4,146**
Balance, December 31, 2020	**365**	**847**	**198**	**9,237**	**10,647**

[in thousands of dollars except as noted or per share]

	December 31, 2019				
	Residential Mortgage Loans	**Personal Loans**	**Agricultural Loans**	**Commercial Loans**	**Total Allowance**
Balance, January 1, 2019	300	723	104	9,827	10,954
Collection of accounts previously written off	-	162	-	954	1,116
Accounts written off	-	(334)	-	(2,647)	(2,981)
Provision for (recovery of) credit losses	45	125	79	(2,336)	(2,087)
Balance, December 31, 2019	345	676	183	5,798	7,002

The following table shows the ECL by credit quality and stage:

	December 31, 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Residential Mortgage Loans				
Above standard	**114**	**3**	**-**	**117**
Standard	**33**	**121**	**-**	**154**
Below standard	**-**	**94**	**-**	**94**
Personal Loans				
Above standard	**254**	**19**	**-**	**273**
Standard	**60**	**270**	**-**	**330**
Below standard	**-**	**237**	**7**	**244**
Agricultural Loans				
Above standard	**55**	**10**	**19**	**84**
Standard	**11**	**88**	**9**	**108**
Below standard	**-**	**5**	**1**	**6**
Commercial Loans				
Above standard	**154**	**947**	**-**	**1,101**
Standard	**1,808**	**2,507**	**-**	**4,315**
Below standard	**-**	**3,520**	**301**	**3,821**
	2,489	**7,821**	**337**	**10,647**

[in thousands of dollars except as noted or per share]

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Residential Mortgage Loans				
Above standard	105	2	-	**107**
Standard	82	43	-	**125**
Below standard	35	78	-	**113**
Personal Loans				
Above standard	194	12	5	**211**
Standard	142	75	11	**228**
Below standard	43	178	16	**237**
Agricultural Loans				
Above standard	39	9	**-**	**48**
Standard	41	27	**-**	**68**
Below standard	1	6	60	**67**
Commercial Loans				
Above standard	75	-	-	**75**
Standard	984	24	-	**1,008**
Below standard	-	3,757	958	**4,715**
	1,741	**4,211**	**1,050**	**7,002**

Standard is defined as loans with a credit score between 600 and 649 or C commercial paper.

Collateral

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

The amount and type of collateral and other credit enhancements required depend upon Libro's assessment of counterparty credit quality and repayment capacity. Libro's policy is to follow industry standards for collateral valuation, frequency of recalculation of the collateral requirements, documentation, registration and perfection procedures, and monitoring. Non-financial assets accepted as collateral include vehicles, residential real estate, real estate under development, commercial real estate and certain business assets (accounts receivable, inventory, and fixed assets). Financial collateral includes cash and negotiable securities issued by governments and investment grade issuers. Guarantees are also accepted to reduce credit risk.

The fair value of collateral held with respect to assets that are either past due greater than 30 days and/or impaired is $22,941 [$13,889 in 2019].

[in thousands of dollars except as noted or per share]

It is not practical to quantify the fair values on security of all loans at the reporting date; however, loans by security type are as follows:

	December 31, 2020			
	Secured by Real Estate	Secured by Non-Real Estate	Unsecured	Total Loans
Residential mortgage loans[1]	**1,492,787**	**-**	**-**	**1,492,787**
Personal loans	**150,910**	**49,824**	**897**	**201,631**
Agricultural loans	**850,035**	**77,782**	**3,068**	**930,885**
Commercial loans	**1,147,509**	**96,214**	**4,025**	**1,247,748**
	3,641,241	**223,820**	**7,990**	**3,873,051**

	December 31, 2019			
	Secured by Real Estate	Secured by Non-Real Estate	Unsecured	Total Loans
Residential mortgage loans[1]	1,419,307	-	-	1,419,307
Personal loans	155,123	63,012	723	218,858
Agricultural loans	856,933	99,937	4,598	961,468
Commercial loans	1,004,275	114,224	4,718	1,123,217
	3,435,638	277,173	10,039	3,722,850

[1]Residential mortgage loans include $272,048 of loans insured by Canada Mortgage and Housing Corporation or Genworth [$296,380 in 2019].

In accordance with the Act, personal loans secured by collateral first mortgages on owners' residential property have been designated as residential mortgage loans for the purposes of risk-weighted capital requirements [note 12].

Economic scenarios

Libro determines ECL using multiple probability-weighted forward-looking scenarios. Libro considers both internal and external sources of information in order to achieve an unbiased, probability-weighted measure of the scenarios used. The "base case" represents the most likely outcome and is given a probability weighting of 80%. The other scenarios represent more optimistic or more pessimistic outcomes and are each given a weighting of 10%.

	December 31, 2020					
	Worst Case		Base Case		Best Case	
	12-month	Thereafter	12-month	Thereafter	12-month	Thereafter
Housing price index	2.5%	2.6%	2.6%	2.6%	2.6%	2.8%
3-month banker's acceptance	0.5%	0.8%	0.3%	1.1%	0.5%	2.8%
Unemployment rate	9.5%	6.9%	8.6%	6.1%	7.8%	5.3%

	December 31, 2019					
	Worst Case		Base Case		Best Case	
	12-month	Thereafter	12-month	Thereafter	12-month	Thereafter
Housing price index	2.1%	2.1%	2.3%	2.3%	2.3%	2.5%
3-month banker's acceptance	0.7%	0.9%	1.7%	1.9%	2.3%	2.5%
Unemployment rate	7.2%	7.3%	6.0%	5.8%	4.4%	4.4%

[in thousands of dollars except as noted or per share]

7) PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2020							
	Buildings and Components	Land	Leasehold Improvements	Furniture and Equipment	Electronic Equipment	Computer Equipment	Right-of-use Assets	Total
Cost:								
Opening balance	**51,524**	**6,645**	**8,898**	**9,056**	**9,811**	**7,136**	**8,145**	**101,215**
Additions and adjustments	**2,474**	**(43)**	**173**	**283**	**622**	**612**	**2,479**	**6,600**
As at December 31, 2020	**53,998**	**6,602**	**9,071**	**9,339**	**10,433**	**7,748**	**10,624**	**107,815**
Accumulated depreciation:								
Opening balance	**(18,729)**	**-**	**(4,128)**	**(6,283)**	**(7,984)**	**(5,604)**	**(1,089)**	**(43,817)**
Depreciation and adjustments	**(2,118)**	**-**	**(476)**	**(466)**	**(928)**	**(879)**	**(832)**	**(5,699)**
As at December 31, 2020	**(20,847)**	**-**	**(4,604)**	**(6,749)**	**(8,912)**	**(6,483)**	**(1,921)**	**(49,516)**
Net book value	**33,151**	**6,602**	**4,467**	**2,590**	**1,521**	**1,265**	**8,703**	**58,299**

	December 31, 2019							
	Buildings and Components	Land	Leasehold Improvements	Furniture and Equipment	Electronic Equipment	Computer Equipment	Right-of-use Assets	Total
Cost:								
Opening balance	49,502	6,422	7,012	8,631	9,279	6,101	-	86,947
IFRS 16 transition	-	-	-	-	-	-	7,618	7,618
Additions and adjustments	2,022	223	1,886	431	597	1,035	527	6,721
Disposals	-	-	-	(6)	(65)	-	-	(71)
As at December 31, 2019	51,524	6,645	8,898	9,056	9,811	7,136	8,145	101,215
Accumulated depreciation:								
Opening balance	(16,615)	-	(3,784)	(5,782)	(6,984)	(4,627)	-	(37,792)
Depreciation and adjustments	(2,114)	-	(344)	(501)	(1,000)	(977)	(1,089)	(6,025)
As at December 31, 2019	(18,729)	-	(4,128)	(6,283)	(7,984)	(5,604)	(1,089)	(43,817)
Net book value	32,795	6,645	4,770	2,773	1,827	1,532	7,056	57,398

[in thousands of dollars except as noted or per share]

Right-of-use assets consist of 15 real estate leases and 1 vehicle lease. There are no leases with residual value guarantees or leases not yet commenced to which Libro is committed. Interest expense on all lease liabilities is $200 and included in occupancy expense in the Statements of Income.

Libro owns properties in which space not used by the credit union is rented to tenants for the purpose of earning rental income. The cost of the land and buildings with respect to floor space rented to tenants by Libro is $13,410 [$13,115 in 2019]. The land and buildings have a net book value of $8,437 [$8,665 in 2019].

The total gross revenue on credit union owned rental properties in the current year was $1,727 [$1,650 in 2019], which resulted in net income of $358 [$255 in 2019]. The net rental income or loss has been included in non-interest income.

8) INTANGIBLE ASSETS

Intangible assets consist of the following:

	December 31, 2020			
	Computer Software	Banking System Software	Core Deposit Intangibles	Total
Cost:				
Opening balance	**5,604**	**4,086**	**14,998**	**24,688**
Additions and adjustments	**1,079**	**-**	**-**	**1,079**
As at December 31, 2020	**6,683**	**4,086**	**14,998**	**25,767**
Accumulated amortization:				
Opening balance	**(4,199)**	**(4,046)**	**(12,319)**	**(20,564)**
Amortization	**(1,428)**	**(40)**	**(2,143)**	**(3,611)**
As at December 31, 2020	**(5,627)**	**(4,086)**	**(14,462)**	**(24,175)**
Net book value	**1,056**	**-**	**536**	**1,592**

	December 31, 2019			
	Computer Software	Banking System Software	Core Deposit Intangibles	Total
Cost:				
Opening balance	4,067	4,086	14,998	23,151
Additions and adjustments	1,537	-	-	1,537
As at December 31, 2019	5,604	4,086	14,998	24,688
Accumulated amortization:				
Opening balance	(3,168)	(3,894)	(10,176)	(17,238)
Amortization	(1,031)	(152)	(2,143)	(3,326)
As at December 31, 2019	(4,199)	(4,046)	(12,319)	(20,564)
Net book value	1,405	40	2,679	4,124

[in thousands of dollars except as noted or per share]

9) OTHER ASSETS

Other assets consist of the following:

	December 31, 2020	December 31, 2019
Prepaid items	**1,823**	1,724
Other receivables	**2,906**	2,039
Cheques and other items in transit, net [note 3[l]]	**26,416**	28,842
	31,145	32,605

10) LOANS PAYABLE

Libro has access to line of credit facilities at Central 1:

- A Canadian dollar Clearing Line of Credit for $35,000 CAD [$34,000 CAD in 2019]; largest draw $26,175 CAD
- A US dollar Clearing Line of Credit for $3,500 US [$3,500 USD in 2019]; largest draw $928 USD
- A Core Line of Credit Facility for $35,000 CAD [$40,000 CAD in 2019]; largest draw $40,000 CAD (within 2019 limit)
- A Core Notice Facility for $48,000 CAD [$35,000 CAD in 2019]; largest draw $35,000 CAD

The balance of the lines of credit facilities at year-end was nil [nil in 2019]. The clearing line of credit facility bears interest at 1.20% [2.7% in 2019] and the other line of credit facility bears interest at 0.98% [2.58% in 2019]. The lines of credit are payable on or before the facility maturity date of July 31, 2021. The other credit facilities bear a fixed rate depending on the term ranging from seven days to one year. Libro has given a promissory note and pledged an assignment of its assets as collateral.

11) OWNERS' CAPITAL ACCOUNTS

Membership shares
An unlimited number of membership shares have been authorized with a stated value of $1 per share. Owners who are age 18 and over are required to have a minimum of 50 shares while owners under that age are required to have 10 shares. These shares are redeemable at their stated value only when the owner withdraws from ownership in Libro. As at December 31, 2020, Libro had 108,361 owners [106,790 in 2019] who held a total of 5,152,010 membership shares [5,073,505 in 2019]. Each owner who is age 16 and over is entitled to one vote.

Class P shares
An unlimited number of Class P non-cumulative, non-voting, non-participating special shares have been authorized having an issue price of $1. As at December 31, 2020, there were 45,331,125 Class P shares outstanding [38,137,827 in 2019].

Class I shares
An unlimited number of Class I non-cumulative, non-voting, non-participating special shares have been authorized to be issued in series at a price of $1. As at December 31, 2020, there were a total of 126,247,283 Class I shares outstanding [121,396,059 in 2019].

As at December 31, 2020, the number of Class I shares outstanding by series were as follows:

[number of shares in thousands]	December 31, 2020	December 31, 2019
Series 1	**3,522**	3,386
Series 2	**3,468**	3,336
Series 3	**9,009**	8,663
Series 4	**22,765**	21,892
Series 5	**87,483**	84,119
Total	**126,247**	121,396

Class P and Class I shares are redeemable by the holder only under certain restricted conditions. The aggregate maximum amount that can be redeemed in any year cannot exceed 10% of the outstanding balance of each series, including any dividends declared but not yet paid, of either the Class P or each series of the Class I shares, provided regulatory capital requirements are met. As at December 31, 2020, the aggregate maximum amount that could be redeemed is $4,799 in Class P shares and $12,625 in Class I shares.

The continuity of outstanding shares is as follows:

[number of shares in thousands]	Membership Shares	Class P Shares	Class I Shares	Total
Outstanding, January 1, 2019	5,008	33,612	116,729	155,349
New shares issued	336	6,445	-	6,781
Shares redeemed	(270)	(2,281)	-	(2,551)
Shares issued as dividends	-	361	4,667	5,028
Outstanding, December 31, 2019	**5,074**	**38,137**	**121,396**	**164,607**
New shares issued	**307**	**9,289**	**-**	**9,596**
Shares redeemed	**(229)**	**(2,603)**	**-**	**(2,832)**
Shares issued as dividends	**-**	**508**	**4,851**	**5,359**
Outstanding, December 31, 2020	**5,152**	**45,331**	**126,247**	**176,730**
Less share issuance costs	**-**	**-**	**(154)**	**(154)**
Total carrying value of shares	**5,152**	**45,331**	**126,093**	**176,576**

All owners' capital accounts have been designated as financial liabilities. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

In 2015, the credit union harmonized its dividend policy for all five series of Class I Investment Shares to pay a dividend rate the greater of 4.00% or a rate that exceeds by 1.25% the simple average of the yields on the monthly series of the Government of Canada five-year bonds during the fiscal years ending on or before December 31, 2020. For fiscal years ending after that date, the rate will be equal to or greater than the rate which exceeds by 1.25% the simple average of the yield on the monthly series of the Government of Canada five-year bonds during the fiscal year. In 2020, Libro declared a dividend of 4.00% [4.00% in 2019].

[in thousands of dollars except as noted or per share]

Prior to the fiscal year-end, the Board of Directors approved its intent to distribute a portion of the current year's income in the form of stock dividends to be paid in the subsequent year, as follows:

	December 31, 2020	December 31, 2019
Class P Profit share distribution - calculated as $0.30 for every $1,000 of average deposit and loan balances [$1.32 in 2019]	**2,369**	9,321
Class P Profit share dividend - calculated as 0.72% on owner Class P Profit share holdings as at year-end [1.43% in 2019]	**294**	513
Class I, Series 1 Investment share dividend of 4.00% [4.00% in 2019]	**141**	135
Class I, Series 2 Investment share dividend of 4.00% [4.00% in 2019]	**139**	133
Class I, Series 3 Investment share dividend of 4.00% [4.00% in 2019]	**360**	347
Class I, Series 4 Investment share dividend of 4.00% [4.00% in 2019]	**910**	876
Class I, Prosperity Series 5 Investment share dividend of 4.00% [4.00% in 2019]	**3,499**	3,365
Stock dividends payable at year-end	**7,712**	14,690
Accrued dividends from prior years	**(32)**	(164)
Dividend expense	**7,680**	14,526

Although owners' shares are regarded as capital for regulatory purposes, they impose a contractual obligation on Libro to pay cash in certain defined future circumstances and have, therefore, been classified as liabilities for the purposes of these financial statements. Correspondingly, dividends paid on those shares have been included in the Statements of Income as a charge to income.

12) REGULATORY INFORMATION

[a] Regulatory capital

Libro's capital management plan is designed to establish a strong base for future growth, the payment of dividends and profit sharing, as well as provide a cushion in the event of market volatility. Libro's capital plan is designed to comply with the Act, which requires Libro to maintain regulatory capital of not less than 4% of total assets and 8% of a risk-weighted equivalent value. The risk-weighted equivalent value is calculated by applying risk-weighted percentages as prescribed by the Act to various assets, operational and interest rate risk criteria. As at December 31, 2020, the total risk-weighted equivalent value for Libro was $3,056,903 [$2,794,272 in 2019].

[in thousands of dollars except as noted or per share]

Libro is in compliance with the Act and regulations regarding regulatory capital as follows:

	December 31, 2020	December 31, 2019
Tier 1 capital		
Membership shares	**5,152**	5,074
Investment and patronage shares	**171,424**	159,379
Stock dividends payable	**7,712**	14,690
Redeemable portion of shares	**(17,424)**	(8,674)
Retained earnings	**100,856**	93,568
Contributed surplus	**60,998**	60,998
Unqualified portion of fair value adjustments	**580**	580
Total Tier 1 capital	**329,298**	325,615
Tier 2 capital		
Redeemable portion of shares	**17,424**	8,674
Stage 1 and Stage 2 allowance for credit losses	**10,310**	5,952
AOCI defined benefit plans	**(10,193)**	(4,499)
Total Tier 2 capital	**17,541**	10,127
Total regulatory capital	**346,839**	335,742
% of total assets	**7.00%**	7.93%
% of risk-weighted assets	**11.35%**	12.02%

[b] Restricted party transactions

As at December 31, 2020, the aggregate value of loans, lines of credit, overdrafts and letters of credit outstanding to directors, officers, their spouses and related corporations amounted to $3,153 [$2,895 in 2019]. There was no allowance for credit losses required in respect of these credit facilities. Interest rates and other terms and conditions relating to loans to directors are the same as those offered to all owners of Libro. Terms and rates of loans offered to officers are the same as all terms and rates offered to all Libro staff. Loans committed to restricted parties were nil [nil in 2019].

Deposits held for restricted parties were $6,142 [$5,369 in 2019]. Terms and rates of deposits for officers and directors are the same as those offered to all Libro owners.

The total compensation paid to officers was $2,575 [$2,063 in 2019] and the total remuneration paid to elected representatives, including directors was $335 [$379 in 2019]. In addition to this remuneration, total reimbursement to directors and committee members for travel and out-of-pocket expenses for attendance at meetings was $110 [$267 in 2019].

[in thousands of dollars except as noted or per share]

[c] Executive compensation

The Act requires disclosure of the five highest paid officers and employees where the remuneration paid during the year exceeded $150. The names, positions and remuneration paid during the year of these officers and employees are as follows:

		December 31, 2020			
Name	Title	Salary	Variable Compensation	Monetary Value of Benefits	Total
Stephen Bolton	President & CEO	**406**	**186**	**44**	**636**
Carol Normandeau	EVP Advice & Service Delivery	**272**	**84**	**32**	**388**
Scott Ferguson	EVP Information Systems	**229**	**70**	**27**	**326**
Tania Goodine	EVP Engagement	**229**	**70**	**28**	**327**
Kathleen Grogan	EVP Finance & CFO	**230**	**44**	**35**	**309**

		December 31, 2019			
Name	Title	Salary	Variable Compensation	Monetary Value of Benefits	Total
Stephen Bolton	President & CEO	387	148	40	575
Carol Normandeau	EVP Advice & Service Delivery	258	61	31	350
Scott Ferguson	EVP Information Systems	219	54	27	300
Tania Goodine	EVP Engagement	219	53	27	299
Fred Blaak	EVP Risk & Corporate Services	204	29	25	258

The Executive Leadership Team at Libro includes the President & CEO, and all individuals with positions titled Executive Vice President (“EVP”).

On an annual basis, the Board of Directors reviews executive compensation and considers market expectations for similar roles in comparable organizations nationally. Variable compensation is based on corporate performance against strategic targets in the previous year. The monetary value of benefits includes a pension plan, dental plan, health plan, automobile benefits (President & CEO), and life and disability insurance.

[d] Deposit insurance

The net premium paid to FSRA for 2020 deposit insurance and prudential regulation assessment was $3,520 [$2,744 in 2019].

[e] Central 1 fees

The total fees paid to Central 1 amounted to $1,351 in the current year [$1,383 in 2019]. These fees were primarily in respect of banking and clearing services, and membership dues.

13) EMPLOYEE FUTURE BENEFITS

Libro sponsors a defined benefit pension plan, a defined contribution pension plan, a supplementary employee retirement plan, and a sick leave benefit plan providing pension and sick leave benefits to eligible employees. The defined contribution pension plan is for staff who were formerly employed by United Communities Credit Union, who were given the option to either remain in the plan or join the defined benefit pension plan. The defined contribution pension plan has been closed to new entrants. The credit union employees’ defined benefit pension plan is administered by CUMIS Life Insurance Company, while the defined contribution pension plan is administered by Canada Life.

[in thousands of dollars except as noted or per share]

The defined benefit pension plan is operated under the *Pension Benefits Act* (Ontario) (the "Pensions 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.

During 2009, the credit union amended its sick leave benefit plan whereby after December 31, 2008, staff members can no longer accrue a benefit to be paid out on termination or retirement. Existing members had their accumulated sick leave days capped at the level achieved as at December 31, 2008.

[a] Defined benefit plans

Actuarial valuations of the plans are made based on market-rated discount rates. The following table presents information related to Libro's benefit plans as at December 31, 2020 including the amounts recorded on the Balance Sheets, and the components of net benefit expense:

	December 31, 2020		**December 31, 2019**	
	Pension Benefits	**Sick Leave Benefits**	**Pension Benefits**	**Sick Leave Benefits**
Accrued benefit obligation				
Balance as at beginning of year	**67,677**	**1,697**	52,393	1,694
Current service cost	**5,023**	**-**	3,872	-
Interest cost	**2,302**	**54**	2,231	65
Benefits paid	**(1,670)**	**(49)**	(1,266)	(164)
Employee contributions	**136**	**-**	138	-
Actuarial loss	**9,732**	**76**	10,309	102
Balance as at end of year	**83,200**	**1,778**	67,677	1,697
Plan assets				
Fair value at beginning of year	**51,843**	**-**	43,670	-
Expected return on plan assets	**1,703**	**-**	1,786	-
Employer contributions	**4,389**	**49**	3,065	164
Employee contributions	**136**	**-**	138	-
Benefits paid	**(1,670)**	**(49)**	(1,266)	(164)
Actuarial gain on assets	**2,847**	**-**	4,450	-
Fair value as at end of year	**59,248**	**-**	51,843	-
Funded status - plan deficit	**(23,952)**	**(1,778)**	(15,834)	(1,697)

The supplementary employee retirement plan is included in the defined benefit pension plan. The weighted average duration of liabilities is 23.3 years [21.1 in 2019] for the defined benefit plan, 10.9 years [11.3 in 2019] for the supplementary employee retirement plan, and 7.4 years [7.8 in 2019] for the sick leave plan.

Assets held within the pension plan consist of balances in the units of Addenda Capital Tactical Balanced Fund (24%), Mawer Investment Management's Balanced Fund (52%), and 18 Asset Management Balanced Fund (24%).

Contributions for the upcoming year are anticipated to be approximately $3,260 for the defined benefit plans, and $49 for the sick leave plan.

[in thousands of dollars except as noted or per share]

Libro's net defined benefit plan expenses recognized in the Statements of Income were as follows:

	December 31, 2020		December 31, 2019	
	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
Current service cost	**5,023**	**-**	3,872	-
Net interest cost	**599**	**54**	445	65
Total included in salaries and employee benefits expense	**5,622**	**54**	4,317	65

Libro's net defined benefit plan expenses recognized in OCI loss were as follows:

	December 31, 2020		December 31, 2019	
	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
Actuarial gain on assets	**2,847**	**-**	4,450	-
Actuarial loss on liabilities	**(9,732)**	**(76)**	(10,309)	(102)
Total loss recognized in OCI	**(6,885)**	**(76)**	(5,859)	(102)

Included in the above total actuarial loss on liabilities are the following:

	December 31, 2020		December 31, 2019	
	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
Change in discount rate	**(8,457)**	**(64)**	(10,309)	(100)
Other	**(1,275)**	**(12)**	-	(2)
Total actuarial loss on liabilities	**(9,732)**	**(76)**	(10,309)	(102)

The assumptions used in the measurement of the benefit obligations are shown in the following table:

	December 31, 2020		December 31, 2019	
[percentages]	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
Discount rate	**2.70%**	**2.70%**	3.20%	3.20%
Expected long-term rate of return on plan assets	**2.70%**	**-**	3.20%	-
Rate of compensation increase	**2.50%**	**2.50%**	2.50%	2.50%

[in thousands of dollars except as noted or per share]

A one percentage point change in assumed discount rates and salary costs would have the following impact on the defined benefit plans:

	December 31, 2020		December 31, 2019	
Change in Benefit Obligations	**Pension Benefits**	**Sick Leave Benefits**	**Pension Benefits**	**Sick Leave Benefits**
1% increase in discount rate	**(16,995)**	**(123)**	(12,672)	(124)
1% decrease in discount rate	**21,385**	**140**	15,605	140
1% increase in rate of compensation increase	**6,428**	**138**	4,477	139
1% decrease in rate of compensation increase	**(5,966)**	**(125)**	(4,201)	(126)

Through its defined benefit pension plans and post-employment plans, the credit union is exposed to a number of risks, the most significant of which are detailed below:

(i) Equity risk
The plans hold balanced funds, which include equity investments, and are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. However, due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the long-term strategy to manage the plans efficiently.

(ii) 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 plan's fixed income investments.

(iii) Inflation risk
The majority of the plan's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The plan's assets may or may not correlate with inflation, meaning that an increase in inflation may also increase the deficit.

(iv) Life expectancy
The majority of the plan's obligations are to provide benefits for the life of the employee, so increases in life expectancy will result in an increase in the plan's liabilities.

[b] Defined contribution plans
The pension expense for the defined contribution plan in the current year was $19 [$23 in 2019]. The contributions for the upcoming fiscal year are anticipated to be approximately $14 [$14 in 2019].

14) COMMITMENTS

[a] Loan commitments
As at December 31, 2020, Libro had commitments to advance loans totalling $358,396 [$279,039 in 2019]. The mix of loans committed is consistent with existing funded portfolio balances.

[b] Undrawn lines of credit
As at December 31, 2020, Libro had undrawn lines of credit outstanding on behalf of owners amounting to $831,667 [$730,287 in 2019].

[in thousands of dollars except as noted or per share]

[c] Letters of credit

As at December 31, 2020, Libro had letters of credit outstanding on behalf of owners amounting to $37,247 [$39,209 in 2019].

[d] ECL on commitments

Included in the ECL in note 6 is $582 [$202 in 2019] related to undrawn lines of credit and unused letters of credit.

15) DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarizes the carrying values of the derivative financial instruments held by Libro. The credit union only enters into derivative contracts with a counterparty it has determined to be creditworthy.

	December 31, 2020		December 31, 2019	
Counterparty	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swap agreements	**-**	**3,718**	1,950	165
Index-linked term deposit hedge agreements	**649**	**649**	757	757
	649	**4,367**	2,707	922

Interest rate swap agreements

Libro enters into interest rate swap agreements in order to hedge against exposure to interest rate fluctuations. As at December 31, 2020, Libro was party to six such agreements [eight in 2019] with Central 1. The agreements, in aggregate, represent a notional principal amount of $103,473 [$203,639 in 2019]. The notional principal amounts are used as the basis for determining payments under the contracts and are not actually exchanged between Libro and its counterparties.

Interest rate swap agreements are valued by netting the discounted variable and fixed cash flows. Variable cash flows are calculated using implied interest rates as determined by current Canadian Dealer Offered Rate ("CDOR") and swap interest rates, and term relationships. Fixed cash flows are calculated based on the rates stated in the agreements. These notional cash flows are discounted using the relevant points on the zero-interest curve as derived from the month-end CDOR and swap rates.

A summary of Libro's swap agreements is given below:

December 31, 2020							
Counterparty	**Notional Amount**	**Maturity Date**	**Paying Rate Index**	**Receiving Rate Index**	**Paying Rate**	**Receiving Rate**	**Value Fair**
Central 1	**1,124**	**May 2021**	**10-year swap rate - fixed**	**30-day CDOR**	**1.860%**	**0.469%**	**(6)**
Central 1	**934**	**Jun. 2021**	**10-year swap rate - fixed**	**30-day CDOR**	**3.070%**	**0.469%**	**(12)**
Central 1	**1,124**	**Jul. 2021**	**10-year swap rate - fixed**	**30-day CDOR**	**1.890%**	**0.460%**	**(9)**
Central 1	**291**	**Oct. 2022**	**10-year swap rate - fixed**	**30-day CDOR**	**2.090%**	**0.469%**	**(8)**
Central 1	**50,000**	**May 2024**	**5-year swap rate - fixed**	**30-day CDOR**	**1.825%**	**0.460%**	**(2,065)**
Central 1	**50,000**	**Aug. 2024**	**5-year swap rate - fixed**	**30-day CDOR**	**1.460%**	**0.469%**	**(1,618)**
	103,473				**1.662%**	**0.464%**	**(3,718)**

[in thousands of dollars except as noted or per share]

December 31, 2019

Counterparty	Notional Amount	Maturity Date	Paying Rate Index	Receiving Rate Index	Paying Rate	Receiving Rate	Fair Value
Central 1	50,000	Apr. 2020	5-year swap rate - fixed	30-day CDOR	1.283%	2.064%	182
Central 1	50,000	Aug. 2020	30-day CDOR	rate - fixed	1.980%	1.700%	(149)
Central 1	1,172	May 2021	10-year swap rate - fixed	30-day CDOR	1.860%	1.983%	2
Central 1	974	Jun. 2021	10-year swap rate - fixed	30-day CDOR	3.070%	1.965%	(15)
Central 1	1,172	Jul. 2021	10-year swap rate - fixed	30-day CDOR	1.890%	2.069%	1
Central 1	321	Oct. 2022	10-year swap rate - fixed	30-day CDOR	2.090%	1.999%	(1)
Central 1	50,000	May 2024	5-year swap rate - fixed	30-day CDOR	1.825%	2.064%	421
Central 1	50,000	Aug. 2024	5-year swap rate - fixed	30-day CDOR	1.460%	1.980%	1,344
	203,639				1.647%	1.953%	1,785

Foreign exchange forward contracts
Libro uses foreign exchange forward contracts to manage liquidity, interest income, and to hedge the exchange risk in products denominated in US dollars. As at December 31, 2020, Libro was not party to any such agreements [none in 2019] with Central 1.

From time to time, Libro enters into foreign exchange forward contracts with some of its owners. Owners enter into these contracts primarily to manage interest expense and hedge against US dollar exchange rates in their own operations. The notional value of these agreements in US dollars was $771 [$258 in 2019] at year-end. Libro enters into offsetting agreements with Central 1 to hedge the exchange risk with its owners. The notional amount of these offsetting agreements in US dollars was $745 [$100 in 2019] at year-end. These agreements represent a fair market value on a combined basis of nil [nil in 2019] at year-end.

Index-linked term deposit agreements
Libro has outstanding $6,727 [$9,066 in 2019] in index-linked term deposits to its owners. The index-linked term deposits are three and five-year deposits that pay interest at the end of the term, based on performance of a variety of indices. The embedded derivative associated with these deposits is presented in liabilities and has a fair value of $649 [$757 in 2019].

Libro has entered into agreements with Central 1 to offset the exposure to the indices associated with each product, whereby the credit union pays a fixed rate of interest for the term of each index-linked deposit on the face value of the deposits sold. At the end of the term, the credit union receives an amount equal to the amount that will be paid to depositors based on the performance of the indices. As at December 31, 2020, Libro had entered into such contracts in the amount of $6,727 [$9,066 in 2019]. The agreements are secured by a general security agreement covering all assets of the credit union. The embedded derivative associated with these agreements is presented in assets and has a fair value of $649 [$757 in 2019].

Hedge accounting for interest rate swaps
As part of its risk management strategy for interest rate risk, the credit union uses interest rate swaps to reduce its exposure. A discussion of the credit union's approach to management of interest rate risk is in note 21[c].

As at December 31, 2020, Libro had no financial instruments designated for hedge accounting.

[in thousands of dollars except as noted or per share]

16) OWNERS' DEPOSITS

	December 31, 2020	December 31, 2019
Demand deposits	**896,286**	745,375
Chequing deposits	**1,441,814**	1,052,079
Term deposits	**1,123,592**	1,038,758
Registered savings plans	**321,118**	317,102
Registered income funds	**214,443**	202,221
Registered tax free savings accounts	**413,507**	367,251
	4,410,760	3,722,786

Owners' deposits are either redeemable on demand or have a fixed date of maturity up to five years. Interest rates are set based upon the type, size and term to maturity of the deposit. All owners' deposits are financial liabilities and measured at amortized cost.

The term to maturity and effective interest rates of Libro owners' deposit portfolio were as follows:

	December 31, 2020						
Maturity	**Demand**	**1 year or Less**	**Over 1 to 2 Years**	**Over 2 to 3 Years**	**Over 3 to 4 Years**	**Over 4 to 7 Years**	**Total**
Total deposits	**2,500,043**	**1,082,821**	**471,940**	**163,477**	**102,382**	**90,097**	**4,410,760**
Effective interest rate	**0.26%**	**1.66%**	**2.26%**	**2.35%**	**2.66%**	**2.20%**	**1.00%**

	December 31, 2019						
Maturity	**Demand**	**1 year or Less**	**Over 1 to 2 Years**	**Over 2 to 3 Years**	**Over 3 to 4 Years**	**Over 4 to 7 Years**	**Total**
Total deposits	1,932,042	997,546	381,940	241,632	92,933	76,693	3,722,786
Effective interest rate	0.86%	2.11%	2.45%	2.66%	2.73%	2.85%	1.57%

[in thousands of dollars except as noted or per share]

17) STATEMENTS OF INCOME AND CASH FLOW DISCLOSURES

[a] Interest income and expense

The amount of income earned from each loan class and interest expense for each type of deposit was as follows:

	December 31, 2020	December 31, 2019
Interest Income		
Residential mortgage loans	**46,983**	43,923
Personal loans	**12,960**	15,661
Agricultural loans	**36,161**	38,937
Commercial loans	**50,775**	49,509
	146,879	148,030
Interest Expense		
Demand deposits	**4,721**	8,775
Chequing deposits	**3,387**	4,958
Term deposits	**22,336**	22,036
Registered savings plans	**6,863**	6,969
Registered income funds	**4,705**	4,455
Registered tax free savings accounts	**7,472**	7,328
	49,484	54,521

[b] Non-interest income

Non-interest income consists of the following:

	December 31, 2020	December 31, 2019
Service fees	**12,511**	12,214
Commissions	**4,967**	4,801
Foreign exchange	**1,485**	1,814
Unrealized gains (losses) on derivatives	**(5,127)**	1,041
Income from property	**358**	255
	14,194	20,125

[c] Supplemental cash flow disclosures

Total interest paid in the year on owners’ deposits and securitization liabilities was $55,184 [$53,516 in 2019]. Total interest received on loans to owners and investments was $151,660 [$153,957 in 2019].

[in thousands of dollars except as noted or per share]

18) FINANCIAL INSTRUMENTS

The following table represents the fair values of Libro's financial instruments. The fair values disclosed do not include the value of assets that are not considered financial instruments. While the fair value amounts are intended to represent estimates of the amounts at which these instruments could be exchanged in a current transaction between willing parties, some of Libro's financial instruments lack an available trading market. Consequently, the fair values presented are estimates derived using present value and other valuations techniques and may not be indicative of the net realizable values. 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, 2020			December 31, 2019		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
Amortized Cost						
Loans to owners	**3,873,051**	**3,941,567**	**68,516**	3,722,850	3,741,286	18,436
Investments	**942,736**	**947,256**	**4,520**	350,806	350,495	(311)
Fair Value through Profit or Loss						
Investments	**21,082**	**21,082**	**-**	20,942	20,942	-
Index-linked deposits	**649**	**649**	**-**	757	757	-
Derivative financial instruments	**-**	**-**	**-**	1,950	1,950	-
Total financial assets	**4,837,518**	**4,910,554**	**73,036**	4,097,305	4,115,430	18,125
Amortized Cost						
Owners' deposits	**4,410,760**	**4,419,069**	**(8,309)**	3,722,786	3,725,439	(2,653)
Accrued and other liabilities	**17,734**	**17,734**	**-**	16,735	16,735	-
Securitization liabilities	**140,617**	**141,203**	**(586)**	127,177	126,730	447
Fair Value through Profit or Loss						
Index-linked deposits	**649**	**649**	**-**	757	757	-
Derivative financial instruments	**3,718**	**3,718**	**-**	165	165	-
Total financial liabilities	**4,573,478**	**4,582,373**	**(8,895)**	**3,867,620**	**3,869,826**	**(2,206)**

Estimated fair values are determined as follows:

(i) Fair values for items that are short term in nature approximate their book value. These include cash and cash equivalents, accrued interest receivable, other assets, accrued and other liabilities and accrued interest payable. Fair values for floating rate financial instruments are equal to book value as the interest rates automatically reprice to market.

(ii) Investments are valued using quoted market prices where available. Cost is used where no ready market values are available.

(iii) Fixed-rate loans are valued by discounting the contractual future cash flows at current market rates for loans with similar credit risks.

(iv) Fixed-rate deposits are valued by discounting the contractual future cash flows using market rates currently being offered for deposits with similar terms.

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 follows:

(i) Level 1 - Unadjusted quoted prices in active markets for identical financial assets and financial liabilities;

(ii) Level 2 - Inputs other than quoted prices that are observable for the financial asset or financial liability either directly or indirectly; and

(iii) Level 3 - Inputs that are not based on observable market data.

[in thousands of dollars except as noted or per share]

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

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Recorded at Fair Value				
Assets				
Index-linked deposits	-	649	-	649
Central 1 Class E shares	-	-	6,487	6,487
Central 1 Class A shares	-	-	1,415	1,415
Central 1 Class F shares	-	-	12,895	12,895
Other investments	-	-	285	285
Total assets held at fair value	-	649	21,082	21,731
Liabilities				
Index-linked deposits	-	649	-	649
Derivative financial instruments	-	3,718	-	3,718
Total liabilities held at fair value	-	4,367	-	4,367
Fair Value Disclosed				
Assets				
Loans to owners	-	-	3,941,567	3,941,567
Investments	-	947,256	-	947,256
Total assets disclosed at fair value	-	947,256	3,941,567	4,888,823
Liabilities				
Owners' deposits	-	4,419,069	-	4,419,069
Securitization liabilities	-	141,203	-	141,203
Total liabilities disclosed at fair value	-	4,560,272	-	4,560,272

[in thousands of dollars except as noted or per share]

	December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Recorded at Fair Value				
Assets				
Index-linked deposits	-	757	-	757
Central 1 Class E shares	-	-	6,487	6,487
Central 1 Class A shares	-	-	1,389	1,389
Central 1 Class F shares	-	-	12,781	12,781
Other investments	-	-	285	285
Derivative financial instruments	-	1,950	-	1,950
Total assets held at fair value	-	2,707	20,942	23,649
Liabilities				
Index-linked deposits	-	757	-	757
Derivative financial instruments	-	165	-	165
Total liabilities held at fair value	-	922	-	922
Fair Value Disclosed				
Assets				
Loans to owners	-	-	3,741,286	3,741,286
Investments	-	350,495	-	350,495
Total assets disclosed at fair value	-	350,495	3,741,286	4,091,781
Liabilities				
Owners' deposits	-	3,725,439	-	3,725,439
Securitization liabilities	-	126,730	-	126,730
Total liabilities disclosed at fair value	-	3,852,169	-	3,852,169

19) INCOME TAXES

Significant components of the deferred tax assets are as follows:

	January 1, 2020	**Statements of Income**	**OCI**	**December 31, 2020**
Allowance for credit losses	**1,121**	**762**	**-**	**1,883**
Employee future benefits	**3,203**	**212**	**1,267**	**4,682**
Property and equipment	**67**	**(47)**	**-**	**20**
Fair value adjustments on acquisition	**(98)**	**98**	**-**	**-**
Deferred revenue	**343**	**29**	**-**	**372**
Prepaid expenses	**-**	**(232)**	**-**	**(232)**
	4,636	**822**	**1,267**	**6,725**

[in thousands of dollars except as noted or per share]

	January 1, 2019	Statements of Income	OCI	December 31, 2019
Allowance for credit losses	1,193	(72)	-	1,121
Employee future benefits	1,928	173	1,102	3,203
Property and equipment	270	(203)	-	67
Fair value adjustments on acquisition	(500)	402	-	(98)
Deferred revenue	273	70	-	343
Cash flow hedges	12	-	(12)	-
	3,176	370	1,090	4,636

The reconciliation of income tax computed at the statutory rates to income tax expense is as follows:

	Amount	%	Amount	%
Expected tax provision based on combined federal and provincial rate	**2,439**	**26.5%**	4,327	26.5%
Ontario rate reduction	**(764)**	**(8.3%)**	(1,306)	(8.0%)
Permanent difference	**39**	**0.4%**	120	0.7%
Other	**205**	**2.2%**	13	0.1%
	1,919	**21%**	3,154	19%

Tax amounts related to current year OCI are as follows:

	December 31, 2020		
	Gross	Tax	Net of Tax
Actuarial gain (loss) in employee defined benefit plans included in OCI	**(6,961)**	**1,267**	**(5,694)**

20) TRANSFER OF FINANCIAL ASSETS

[a] Securitization activity

Libro periodically may securitize mortgages through the transfer of mortgage loans to a special purpose entity as described in note 3[n] through programs sponsored by the Canada Mortgage and Housing Corporation. The following table summarizes Libro's securitization activity in the year:

	December 31, 2020	December 31, 2019
Residential mortgages securitized and sold	**60,883**	60,204
Net cash proceeds received	**60,135**	59,623
Outstanding balance of securitized mortgages	**137,156**	125,299

There were no mortgage loans that were delinquent as at year-end [nil in 2019]. In addition, there were no credit losses incurred on the mortgages transferred in 2020 or 2019.

Libro retains a securitization liability for mortgages transferred. The liability bears an average fixed interest rate of 1.83% [2.30% in 2019] and bears a weighted average maturity date of 2023 [2023 in 2019]. As at December 31, 2020, the liability was $140,617 [$127,177 in 2019].

[b] Government loan programs

In 2020, Libro funded $124,200 of loans under the CEBA Program and $4,005 under the Co-Lending program. As at December 31, 2020, outstanding balances were $122,909 of loans under the CEBA Program and $4,005 of loans under the Co-Lending program.

21) RISK MANAGEMENT

The credit union's results and operations have been and will continue to be impacted by the COVID-19 pandemic. The adverse effects include but are not limited to a decline in interest rates, increase in credit risk, volatility in equity markets and disruption of business operations. Significant uncertainty remains regarding the breadth and depth of these events and the long-term economic impact on the credit union.

[a] Liquidity risk

Liquidity risk is defined as the risk that the credit union will be unable to pay obligations when they fall due, or become unable to repay depositors when funds are withdrawn, or become unable to meet commitments to lend money. Libro manages liquidity risk within Board of Directors' Policy limits to ensure the credit union has sufficient liquidity to meet its obligations. This is managed by monitoring cash flows and cash forecasts, maintaining a portfolio of high-quality liquid financial assets [note 4], monitoring and managing the remaining contractual term to maturity of its loan and deposit portfolios [notes 5 and 16], and maintaining access to credit facilities through Central 1 [note 10]. Libro achieves this through a combination of active management of organic balance sheet growth, borrowing, whole loan sales, and loan securitization. Since the credit union does not issue redeemable long-term deposit products, liquidity risk will not increase as a result of unexpected prepayments or changing deposit maturity forecasts.

As at year-end, Libro's liquidity ratio was 21.85% [11.20% in 2019] and assets held for liquidity purposes totalled $990,209 [$416,971 in 2019], consisting of $297,488 liquidity reserve deposits [$250,885 in 2019] and $692,721 cash and other qualifying deposits [$166,086 in 2019].

[b] Credit risk

Credit risk is defined as the risk of financial loss due to a borrower or counterparty failing to meet its obligations in accordance with contractual terms and arises from the credit union's direct lending, trading, investment and hedging activities. Granting loans to owners is one of the credit union's primary sources of income and Libro grants credit through consideration of an owner's credit history, character, collateral, and capacity for debt. Owners' financial situations are monitored through the life of the loan and all current receivables are expected to be collected. Debt that appears to be in arrears is impaired to the extent that a loss is expected. Libro uses internal risk scoring measures to assess the credit quality of commercial and agricultural borrowers. These measures are derived from the underlying credit experience, collateral, management expertise, and other objective financial measures.

(i) Credit quality

Credit quality of retail borrowers is measured in part by a standardized credit rating system, which considers payment history, current debt, age of accounts, type of credit and credit enquiries. Standard is defined as loans with a credit score between 600 and 649 or C commercial paper.

[in thousands of dollars except as noted or per share]

The application of these scoring measures is as follows:

	December 31, 2020				
	Residential Mortgage Loans	Personal Loans	Agricultural Loans	Commercial Loans	Total
Above standard	**1,363,078**	**190,909**	**432,902**	**417,854**	**2,404,743**
Standard	**82,037**	**7,034**	**406,162**	**756,501**	**1,251,734**
Below standard	**47,672**	**3,688**	**91,821**	**73,393**	**216,574**
	1,492,787	**201,631**	**930,885**	**1,247,748**	**3,873,051**

	December 31, 2019				
	Residential Mortgage Loans	Personal Loans	Agricultural Loans	Commercial Loans	Total
Above standard	1,268,635	203,442	395,801	345,945	2,213,823
Standard	93,898	10,714	459,968	683,111	1,247,691
Below standard	56,774	4,702	105,699	94,161	261,336
	1,419,307	218,858	961,468	1,123,217	3,722,850

To manage credit risk, Libro secures collateral against all types of loans. In the event that an owner is unwilling or unable to meet their obligations as a borrower, security is liquidated to repay the obligation to Libro. Collateral is taken on each loan funded with regard to the owner's overall creditworthiness including credit history, character, capacity for debt, and type of loan granted. Note 6 provides detail on collateral held against loans.

[c] Market risk

Market risk is defined as the risk that the credit union's ability to meet business objectives will be adversely affected by volatility in market rates. Libro manages market risk using an earnings at risk approach. The primary objective of this approach is to maximize earnings on a consistent basis while minimizing reductions to net income resulting from changes in future interest rates.

Interest rate risk is the impact that changes in interest rates could have on the credit union's margins, profit or loss, and equity. Interest rate risk arises from the difference between interest paid related to the credit union's liabilities and the interest earned on its assets. As part of the credit union's risk management strategy, the Board of Directors has established limits on the interest rate exposures that are consistent with the credit union's risk appetite.

The credit union's policy is to monitor positions on a monthly basis. Libro uses income simulation modeling to measure exposure to changes in interest rates over short-term periods. Earnings at risk is calculated by forecasting the net interest margin for the next 12-month period using most likely assumptions, including existing hedging activities. Most likely assumptions include management's best estimates for planned growth rates and the use of future interest rates. Planned growth rates are recorded at the start of the fiscal period as initially set out in the budget and modified to actual experience through the fiscal period. Future interest rates on new business and product renewals are determined using the future interest rates derived mathematically based on the term structure of interest rates. The impact of rate shock scenarios are measured against the most likely forecast ("MLF") as defined above. The resulting change in the forecast as a result of interest rate shocks is then compared to the MLF to determine the earnings at risk amount. Maximum change limits under these interest rate scenarios have been set out by the Board of Directors. These scenarios are based on hypothetical simulations assuming the markets are shocked with 100 or 200 basis point volatility. At the current time, Libro is in compliance with all limits set by the Board of Directors' Policy.

[in thousands of dollars except as noted or per share]

The policy limits and most likely projections are as follows:

Asset Liability Management Limits	Maximum Change Limit	Change to Earnings	Status
Most Likely Shocked + 200 basis points	**-10%**	**7.99%**	**Compliant**
Most Likely Shocked + 100 basis points	**-5%**	**4.00%**	**Compliant**
Most Likely Forecast Scenario	**0%**	**0.00%**	**Compliant**
Most Likely Shocked - 100 basis points	**-5%**	**-0.95%**	**Compliant**
Most Likely Shocked - 200 basis points	**-10%**	**-3.24%**	**Compliant**

[d] Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign currency rates. Libro's net income is exposed to currency risk from US dollar investments and owner US dollar deposits. Libro mitigates currency risk of US dollar financial assets and liabilities by investing in offsetting US dollar financial instruments with similar terms. Currency risk is managed in accordance with the Board of Directors' Policy which the Board of Directors reviews annually. For a 1% instantaneous increase or decrease in exchange rate, Libro's net income would change by $3 [$1 in 2019].

22) ACCRUED AND OTHER LIABILITIES

Accrued and other liabilities consist of the following:

	December 31, 2020	December 31, 2019
Owner remittances to third parties	**2,923**	2,005
Salaries payable to employees	**5,934**	6,443
Accounts payable	**49**	1,148
Lease obligations	**8,828**	7,139
	17,734	16,735

The lease obligations by maturity date are as follows:

	Minimum Obligation
2021	**35**
2022	**156**
2023	**796**
Thereafter	**8,676**
Less: Present value discount	**(835)**
Lease obligations	**8,828**

23) COMPARATIVE FIGURES

Certain comparative figures have been reclassified to reflect the presentation adopted in the current year.