



**connectFirst**  
credit union

## **2024 SECOND QUARTER FINANCIAL REPORT**

**For the six months ended  
April 30, 2024**

**(Unaudited)**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited interim condensed consolidated financial statements of Connect First Credit Union Ltd. have been prepared by and are the responsibility of the Credit Union's management.

The Credit Union's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

<i>(Amounts in thousands of Canadian dollars)</i>	<b>April 30, 2024</b>	<b>October 31, 2023</b>
<b>Assets</b>		
Cash and cash equivalents	48,435	43,954
Investments (note 4)	720,538	700,619
Loans to members (note 6 and 7)	6,264,635	6,419,117
Derivative assets (note 5)	6,694	9,460
Foreclosed property (note 7)	3,735	3,670
Other assets	25,136	33,579
Intangible assets	11,899	14,046
Property and equipment	50,906	52,818
Right-of-use asset	17,677	19,853
Deferred tax asset	9,823	7,033
<b>Total assets</b>	<b>7,159,478</b>	<b>7,304,149</b>
<b>Liabilities</b>		
Members' deposits	6,109,655	6,232,605
Accounts payable and accruals	38,811	32,974
Derivative liabilities (note 5)	6,694	4,885
Lease liabilities	24,645	28,050
Secured borrowings	364,007	372,196
<b>Total liabilities</b>	<b>6,543,812</b>	<b>6,670,710</b>
<b>Members' Equity</b>		
Common shares	314,724	295,089
Investment shares	148,861	150,519
Ownership dividend allocation	-	16,105
Investment share dividends declared	-	10,085
Contributed surplus (note 2)	7,445	7,445
Retained earnings	144,636	154,196
<b>Total members' equity</b>	<b>615,666</b>	<b>633,439</b>
<b>Total liabilities and members' equity</b>	<b>7,159,478</b>	<b>7,304,149</b>

The accompanying Notes to the Condensed Consolidated Interim Financial Statements are an integral part of these statements

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(unaudited)

	3 months ended April 30		6 months ended April 30	
<i>(Amounts in thousands of Canadian dollars)</i>	2024	2023	2024	2023
<b>FINANCIAL INCOME</b>				
Interest on loans to members	75,762	67,762	154,011	134,150
Interest and dividends on investments	7,626	7,653	15,114	13,436
Gains/(losses) on interest rate swaps	(44)	99	(1,236)	(442)
	83,344	75,514	167,889	147,144
<b>FINANCIAL EXPENSE</b>				
Interest on members' deposits	50,643	37,729	99,763	67,842
Interest on loans payable	3,570	3,001	6,874	6,568
Interest on lease liability	289	296	607	600
	54,502	41,026	107,244	75,010
<b>Financial margin</b>	<b>28,842</b>	<b>34,488</b>	<b>60,645</b>	<b>72,134</b>
Charge for loan impairment	12,289	3,505	14,886	9,714
	16,553	30,983	45,759	62,420
Other income (note 9)	5,682	5,719	11,870	11,564
<b>Gross margin</b>	<b>22,235</b>	<b>36,702</b>	<b>57,629</b>	<b>73,984</b>
<b>Non-interest Expenses</b>				
Personnel expenses	19,789	19,502	38,880	38,231
Operating lease expenses	877	737	1,677	1,386
Depreciation and amortization	2,318	2,246	4,656	4,564
Other expenses (note 10)	12,111	10,326	24,766	21,341
	<b>35,095</b>	<b>32,811</b>	<b>69,979</b>	<b>65,522</b>
Income before income taxes	<b>(12,860)</b>	<b>3,891</b>	<b>(12,350)</b>	<b>8,462</b>
Income taxes				
Current	(116)	892	-	1,943
Deferred (recovery)	(2,790)	-	(2,790)	-
	<b>(2,906)</b>	<b>892</b>	<b>(2,790)</b>	<b>1,943</b>
Net income and comprehensive income	<b>(9,954)</b>	<b>2,999</b>	<b>(9,560)</b>	<b>6,519</b>

The accompanying Notes to the Condensed Consolidated Interim Financial Statements are an integral part of these statements

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

<i>(Amounts in thousands of Canadian dollars)</i>	Common shares	Series A-H investment shares	Ownership dividends declared	Investment share dividends declared	Contributed surplus	Retained earnings	Total equity
<b>Balance November 1, 2022</b>	288,158	153,305	13,382	8,345	7,445	172,843	643,478
Net and comprehensive income						6,519	6,519
<b>Transactions with members</b>							
Shares issued to members for cash	20,829						20,829
Shares issued by dividend	13,382	8,345	(13,382)	(8,345)		(11)	(11)
Shares redeemed for cash	(23,630)	(10,009)					(33,639)
<b>Balance April 30, 2023</b>	298,739	151,641	-	-	7,445	179,351	637,176
<b>Balance November 1, 2023</b>	<b>295,089</b>	<b>150,519</b>	<b>16,105</b>	<b>10,085</b>	<b>7,445</b>	<b>154,196</b>	<b>633,439</b>
Net and comprehensive income						(9,560)	(9,560)
<b>Transactions with members</b>							
Shares issued to members for cash	24,002						24,002
Shares issued by dividend	16,105	10,085	(16,105)	(10,085)			-
Shares redeemed for cash	(20,472)	(11,743)					(32,215)
<b>Balance April 30, 2024</b>	314,724	148,861	-	-	7,445	144,636	615,666

The accompanying Notes to the Condensed Consolidated Interim Financial Statements are an integral part of these statements

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

(unaudited)

<i>(Amounts in thousands of Canadian dollars)</i>	SIX MONTHS ENDED	
	April 30, 2024	April 30, 2023
<b>Cash flows from operating activities</b>		
Income before income taxes	(12,350)	8,462
<b>Adjustments for non-cash items</b>		
Depreciation and amortization	4,656	4,564
Charge for loan impairment	15,397	10,176
Gain on leased assets	(1,005)	(514)
Interest on loans to members	(154,011)	(134,150)
Interest/dividends on investments	(15,114)	(13,436)
Interest expense	107,244	75,010
Loss on investments	109	-
<b>Changes in operating assets and liabilities</b>		
Change in other assets	8,923	7,156
Change in accounts payable	5,837	(9,470)
Change in derivatives, net	4,575	442
Interest received	173,537	144,149
Interest paid	(103,309)	(43,523)
(Decrease) increase in members' deposits	(126,885)	84,209
Decrease in loans to members, net of repayments	136,189	21,231
Proceeds from sale of foreclosed property	588	932
Income taxes paid	(418)	(813)
Net cash from operating activities	43,963	154,425
<b>Cash flows from financing activities</b>		
Common shares issued for cash	24,002	20,829
Common share redemptions	(20,472)	(23,630)
Investment share redemptions	(11,743)	(10,009)
Advances of secured borrowing	200,546	22,476
Repayment of secured borrowing	(208,735)	(125,876)
Payment of lease liabilities	(1,521)	(1,545)
Net cash (used in) financing activities	(17,923)	(117,755)
<b>Cash flows from investing activities</b>		
Acquisition of investments	(487,198)	(613,207)
Proceeds from sale of investments	465,001	566,636
Acquisition of property and equipment, net	(173)	(3,272)
Acquisition of intangibles, net	811	(3,405)
Net cash (used in) investing activities	(21,559)	(53,248)
<b>Net (decrease) increase in cash and cash equivalents</b>	4,481	(16,578)
Cash and cash equivalents, beginning of year	43,954	50,950
Cash and cash equivalents, end of year	48,435	34,372

The accompanying Notes to the Condensed Consolidated Interim Financial Statements are an integral part of these statements

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(unaudited)

**For the six months ended April 30, 2024**

(\$ Thousands)

### **1. REPORTING ENTITY**

Connect First Credit Union Ltd. (“Connect First” or the “Credit Union”) operates a network of credit union branches in the City of Calgary and central and southern Alberta. The registered office is located at 200, 2850 Sunridge Blvd., Calgary, Alberta, T1Y 6G2.

### **2. BASIS OF PREPARATION**

The condensed consolidated interim financial statements of the Credit Union have been prepared by management in accordance with International Accounting Standard 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements and should be read in conjunction with Connect First’s 2023 audited annual consolidated financial statements. The accounting policies, methods of computation and presentation of these interim condensed consolidated financial statements are consistent with the most recent 2023 annual financial statements of Connect First.

Except as otherwise indicated, financial information has been rounded to the nearest thousand.

Certain comparative information in the interim condensed consolidated statements and note disclosures have been reclassified to conform to current period presentation.

These condensed consolidated interim financial statements were approved by the Board of Directors on June 26, 2024.

### **3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS**

The preparation of the interim condensed consolidated financial statements in conformity with IFRS Accounting Standards (“IFRS”) required management to make estimates, judgments and assumptions that affected the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of estimates include the measurement of the allowance for loan impairment, the estimate of fair value of foreclosed property and the estimate of fair value of financial instruments measured at fair value. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates have been recognized in the period in which the estimates are revised and in any future periods affected.

**4. INVESTMENTS**

	As at April 30, 2024	As at October 31, 2023
Investments - term deposits and other	47,024	52,066
Alberta Central term deposits		
- Non-statutory term deposits	76,300	44,565
- Statutory term deposits	524,220	530,834
Alberta Central common shares	69,297	67,335
	<b>716,841</b>	694,800
Accrued interest	3,834	6,003
	<b>720,675</b>	700,803
Allowance for investment losses	(137)	(184)
<b>Total</b>	<b>720,538</b>	700,619

**5. DERIVATIVE FINANCIAL INSTRUMENTS**

All derivative instruments are recorded at fair value in the interim condensed consolidated statement of financial position. The following table indicates the type of derivatives that the Credit Union is party to, the notional amount of these contracts, as well as the fair value on the reporting date.

	Net fair value			
	April 2024		October 2023	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	-	-	4,575	-
Index-linked options	6,694	6,694	4,885	4,885
<b>Total</b>	6,694	6,694	9,460	4,885

**6. MEMBERS' LOANS**

The following table shows the gross carrying amount of loans measured at amortized cost as at April 30, 2024. Stage 1 represents performing loans with a 12-month expected credit loss, Stage 2 represents performing loans with a lifetime expected credit loss, and Stage 3 represents impaired loans with a lifetime expected credit loss.

2024 SECOND QUARTER FINANCIAL REPORT

	Stage 1	Stage 2	Stage 3	Total	Accrued Interest	Allowance for Credit Losses	Total Net of Allowance
<b>As at April 30, 2024</b>							
Consumer	650,593	43,907	4,152	698,652	2,164	9,376	691,440
Residential mortgage	2,691,445	92,365	5,179	2,788,989	4,312	1,639	2,791,662
Commercial and agriculture	2,672,620	38,210	88,977	2,799,807	17,356	35,631	2,781,533
Total member loans	6,014,658	174,482	98,308	6,287,448	23,832	46,646	6,264,635

	Stage 1	Stage 2	Stage 3	Total	Accrued Interest	Allowance for Credit Losses	Total Net of Allowance
<b>As at October 31, 2023</b>							
Consumer	675,888	44,530	2,997	723,415	1,930	9,140	716,205
Residential mortgage	2,738,383	85,840	3,806	2,828,029	4,463	855	2,831,637
Commercial and agriculture	2,749,253	62,440	63,286	2,874,979	19,682	23,386	2,871,275
Total member loans	6,163,524	192,810	70,089	6,426,423	26,075	33,381	6,419,117

## 7. ALLOWANCE FOR EXPECTED CREDIT LOSSES

The tables below represent the allowance for expected credit losses by category and stage:

<b>Residential mortgages</b>	Stage 1	Stage 2	Stage 3	Total
As at November 1, 2022	948	573	232	1,753
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	124	(103)	(21)	-
Remeasurement of loss allowance other than stage transfers	(138)	248	57	167
Derecognitions and maturities	(28)	(21)	(38)	(87)
Loan originations	62	26	-	88
Total remeasurement of loss allowance	20	150	(2)	168
Write offs	-	-	(10)	(10)
As at April 30, 2023	968	723	220	1,911
As at November 1, 2023	372	317	166	855
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	74	(29)	(45)	-
Remeasurement of loss allowance other than stage transfers	241	292	240	773
Derecognitions and maturities	(15)	(13)	(54)	(82)
Loan originations	47	46	-	93
Total remeasurement of loss allowance	347	296	141	784
Write offs	-	-	-	-
As at April 30, 2024	719	613	307	1,639

<b>Consumer loans</b>	Stage 1	Stage 2	Stage 3	Total
As at November 1, 2022	3,823	3,157	1,185	8,165
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	475	(393)	(82)	-
Remeasurement of loss allowance other than stage transfers	(395)	1,864	1,240	2,709
Derecognitions and maturities	193	(136)	(96)	(39)
Loan originations	442	71	127	640
Total remeasurement of loss allowance	715	1,406	1,189	3,310
Write offs	(258)	(617)	(572)	(1,447)
As at April 30, 2023	4,280	3,946	1,802	10,028
As at November 1, 2023	3,641	3,764	1,735	9,140
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	512	(451)	(61)	-
Remeasurement of loss allowance other than stage transfers	(378)	1,306	1,634	2,562
Derecognitions and maturities	(294)	(133)	(231)	(658)
Loan originations	274	70	78	422
Total remeasurement of loss allowance	114	792	1,420	2,326
Write offs	(605)	(641)	(844)	(2,090)
As at April 30, 2024	3,150	3,915	2,311	9,376



2024 SECOND QUARTER FINANCIAL REPORT

<b>Commercial and agriculture loans</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
As at November 1, 2022	3,961	964	14,923	19,848
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	113	(32)	(81)	-
Remeasurement of loss allowance other than stage transfers	(37)	327	6,418	6,708
Derecognitions and maturities	(359)	(60)	(52)	(471)
Loan originations	356	-	13	369
Total remeasurement of loss allowance	73	235	6,298	6,606
Write offs	-	-	(1,992)	(1,992)
As at April 30, 2023	4,034	1,199	19,229	24,462
As at November 1, 2023	10,503	1,965	10,918	23,386
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	451	(710)	259	-
Remeasurement of loss allowance other than stage transfers	(6,048)	(18)	17,663	11,597
Derecognitions and maturities	(755)	(758)	(14)	(1,527)
Loan originations	362	-	1,813	2,175
Total remeasurement of loss allowance	(5,990)	(1,486)	19,721	12,245
Write offs	-	-	-	-
As at April 30, 2024	4,513	479	30,639	35,631
Totals at April 30, 2023	9,282	5,868	21,251	36,401
Totals at April 30, 2024	8,382	5,007	33,257	46,646

The total allowance for expected credit losses is reconciled as follows:		
	<b>April 2024</b>	<b>April 2023</b>
November 1 allowance for expected credit losses	33,381	29,766
Charge for loan impairment:		
Net remeasurement due to stage transfers	-	-
Remeasurement of loss allowance other than stage transfers	14,932	9,584
Derecognitions and maturities	(2,267)	(597)
Loan originations	2,690	1,097
Write-offs	(2,090)	(3,449)
Allowance for expected credit losses, April 30	46,646	36,401
The charge for loan impairment on the statement of comprehensive income is reconciled as follows:		
Charge for loan impairment (remeasurement/derecognition/loan origination)	15,355	10,084
Charge for loan impairment on foreclosed property at April 30	-	290
Charge for impairment (recovery) on investments	(47)	(275)
Recoveries	(422)	(385)
Total charge for loan impairment	14,886	9,714

As previously disclosed in Note 3, the measurement of the allowance for expected credit losses as well as foreclosed property involved the use of significant judgements, estimates and assumptions. The Credit Union has applied judgment, including consideration of these factors in the assessment of any underlying credit deterioration, and considered both qualitative and quantitative information. Specifically, the Credit Union considered the following:

**Significant Increase in Credit Risk (“SICR”)**

The judgments related to whether or not there was a SICR resulted in loans moving between stages and, therefore, being subject to different ECL models, as disclosed in the 2023 annual financial statements. With respect to delinquencies, the judgements used related to SICR have remained consistent with those at October 31, 2023.

**Forward Looking Information (“FLI”)**

As of April 30, 2024, the following FLI has been used in the measurement of the ECL, as compared to that used at October 31, 2023.

2024 SECOND QUARTER FINANCIAL REPORT

April 30, 2024	Base case scenario		Alternative scenario optimistic		Alternative scenario pessimistic	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
<b>Driver</b>						
3 month BA rate %	3.38	2.69	5.72	4.23	2.02	1.59
3 month Government of Canada Bond Rate %	3.10	2.45	5.50	4.07	1.70	1.30
Alberta housing price index % change	5.82	2.95	7.84	4.42	(3.48)	0.55
Alberta unemployment rate %	6.70	6.32	5.59	5.65	8.06	7.09

October 31, 2023	Base case scenario		Alternative scenario optimistic		Alternative scenario pessimistic	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
<b>Driver</b>						
3 month BA rate %	4.14	2.80	5.78	4.29	2.10	1.65
3 month Government of Canada Bond Rate %	3.80	2.51	5.50	4.07	1.70	1.30
Alberta housing price index % change	3.98	1.92	5.97	2.77	(2.20)	0.15
Alberta unemployment rate %	6.10	5.30	5.09	4.74	8.14	7.16

The reported expected credit losses as at April 30, 2024 for financial assets in Stage 1 and Stage 2 under the optimistic macroeconomic conditions, with other assumptions held constant, including the application of experienced credit adjustment would result in a decrease of approximately \$0.7 million (2023 – \$0.8 million).

The reported expected credit losses as at April 30, 2024 for financial assets in Stage 1 and Stage 2 under the pessimistic macroeconomic conditions, with other assumptions held constant, including the application of experienced credit adjustment would result in an increase of approximately \$1.0 million (2023 - \$2.0 million).

At April 30, 2024, management concluded that the weighting to be used would be 80% base, 10% best case, and 10% worst case (April 2023 – 80% base case, 10% best case, 10% worst case).

While conducting regular analyses at each reporting period to assess the weighting used in the Expected Credit Loss (ECL) model, management acknowledges certain limitations. Specifically, the model does not account for industry-specific or asset class-specific factors in its broader-based assumptions. To address these limitations, management has performed sensitivity analysis to support an overlay that augments the ECL outcome calculated by the model.

As of April 30, 2024, the management overlay to modelled results is nil (October 2023 - \$5.1 million). During the first six months of fiscal 2024, certain contracts with heightened credit risk within two commercial sectors were impaired to stage 3. Consequently, forward-looking risk for the performing portfolio as of the reporting date has now aligned more closely with the modelled probability of default. Additionally, the remaining risk in these two sectors has also reverted to long-term averages within the total commercial portfolio.

Shown below are the quarterly future looking indicators for the next 12 months:

**Base case scenario**

	Next 3 months	Next 4 to 6 months	Next 7 to 9 months	Next 10 to 12 months	Remaining forecast period
<b>Driver</b>					
3 month BA rate %	4.87	4.38	3.83	3.38	2.69
3 month Government of Canada Bond Rate %	4.60	4.10	3.55	3.10	2.45
Alberta housing price index % change	2.00	1.70	1.00	1.00	2.95
Alberta unemployment rate %	6.50	6.80	6.60	6.70	6.32

**Alternative scenario  
pessimistic**

	Next 3 months	Next 4 to 6 months	Next 7 to 9 months	Next 10 to 12 months	Remaining forecast period
<b>Driver</b>					
3 month BA rate %	4.10	3.39	2.83	2.02	1.59
3 month Government of Canada Bond Rate %	3.75	3.05	2.50	1.70	1.30
Alberta housing price index % change	(2.66)	(0.55)	(0.42)	0.12	0.55
Alberta unemployment rate %	6.99	8.15	8.54	8.06	7.09

**Alternative scenario  
optimistic**

	Next 3 months	Next 4 to 6 months	Next 7 to 9 months	Next 10 to 12 months	Remaining forecast period
<b>Driver</b>					
3 month BA rate %	5.47	5.72	5.73	5.72	4.23
3 month Government of Canada Bond Rate %	5.25	5.50	5.50	5.50	4.07
Alberta housing price index % change	2.51	2.21	1.50	1.40	4.42
Alberta unemployment rate %	5.97	5.93	5.62	5.59	5.65

**Foreclosed Property**

In the six-month period ended April 30, 2024, one residential property and one commercial property remain in foreclosure.

**8. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The amounts set out in the table below represent the fair values of the Credit Union's financial instruments. The valuations and assumptions are consistent with the most recent 2023 annual financial statements of Connect First.

2024 SECOND QUARTER FINANCIAL REPORT

April 30, 2024	Level 1	Level 2	Level 3	Total fair value	Carrying amount
<b>Financial assets at amortized cost</b>					
Member loans			6,110,779	6,110,779	6,264,635
Investment securities		567,157		567,157	572,849
<b>Financial assets at FVTPL</b>					
Investment securities			2,030	2,030	2,030
Derivatives		6,694		6,694	6,694
<b>Financial assets at FVOCI</b>					
Investment securities		145,659		145,659	145,659
Total financial assets	-	719,510	6,112,809	6,832,319	6,991,867
<b>Financial liabilities at amortized cost</b>					
Deposits		6,079,650		6,079,650	6,109,655
Secured borrowings		336,149		336,149	364,007
<b>Financial assets at FVTPL</b>					
Derivatives		6,694		6,694	6,694
Total financial liabilities	-	6,422,493	-	6,422,493	6,480,356
October 31, 2023	Level 1	Level 2	Level 3	Total fair value	Carrying amount
<b>Financial assets at amortized cost</b>					
Member loans			6,185,140	6,185,140	6,419,117
Investment securities		581,167		581,167	586,670
<b>Financial assets at FVTPL</b>					
Investment securities			1,989	1,989	1,989
Derivatives		9,460		9,460	9,460
<b>Financial assets at FVOCI</b>					
Investment securities		111,960		111,960	111,960
Total financial assets	-	702,587	6,187,129	6,889,716	7,129,196
<b>Financial liabilities at amortized cost</b>					
Deposits		6,170,945		6,170,945	6,232,605
Secured borrowings		347,877		347,877	372,196
<b>Financial assets at FVTPL</b>					
Derivatives		4,885		4,885	4,885
Total financial liabilities	-	6,523,707	-	6,523,707	6,609,686

**9. OTHER INCOME**

	<b>6 months ended April 30</b>	
	<b>2024</b>	<b>2023</b>
Service charges and other fees	3,787	3,488
Foreign exchange gain/(loss)	1,144	700
Loan fees	952	809
Insurance	791	752
Wealth management	4,652	4,510
Other	544	1,305
	<b>11,870</b>	<b>11,564</b>

**10. OTHER EXPENSES**

	<b>6 months ended April 30</b>	
	<b>2024</b>	<b>2023</b>
Advertising	1,055	1,332
Technology	9,547	7,893
Member security and deposit insurance premium	2,220	2,216
Professional fees	1,118	2,105
Stationary, telephone, postage, courier	885	775
Financial planning	126	101
ATM/POS operations	1,022	954
Board expenses	727	403
Lending costs	1,021	1,024
Charitable donations/community investment	154	101
Occupancy	2,051	2,186
Other	4,840	2,251
	<b>24,766</b>	<b>21,341</b>

**11. CAPITAL MANAGEMENT**

The Credit Union provides financial services to its members and is subject to regulatory capital requirements set out in the Credit Union Act (the "Act").

Capital requirements for the Credit Union, as mandated by the Act, is regulated through two approaches: a risk-weighted asset approach and a total asset approach. Risk-weighting for each asset class is determined using definitions and calculations as set out in the Act. The legislated minimum capital required under the Act is the higher of 4% of total assets or 8% of risk-weighted assets.

Minimum regulatory capital requirements for the Credit Union is calculated by taking the greater of the legislated minimum capital determined from the two approaches discussed above, *plus* a regulatory buffer of 3.50% of risk-weighted assets, *plus* a minimum internal buffer which is at least 2% of risk-weighted assets or a higher value as determined by the Internal Capital Adequacy Assessment Process ("ICAAP").

Consequently, the collective minimum regulatory capital requirement under this approach is 13.50% of risk-weighted assets.

During the third quarter of 2023, the Credit Union Deposit Guarantee Corporation (“CUDGC”) approved a temporary 100 bps drop of its regulatory capital requirements to 12.50%, down from 13.50% in the previous reporting periods. This forbearance expires the earlier of May 1, 2025 or the date of the merger transaction with Servus Credit Union.

Should the actual capital fall below the pre-defined amounts, management, together with the Board of Directors, will determine what corrective action is needed to bring the capital ratio back above the minimum required amount.

Regulatory capital ratio of the Credit Union was 13.54% as at April 30, 2024 (13.65% at April 30, 2023). The Credit Union remained fully compliant with the applicable regulatory capital requirements at the reporting date.

For further information on capital management activities of the Credit Union, refer to note 6 of the annual consolidated financial statements.

## **12. MERGER WITH SERVUS CREDIT UNION**

On March 3, 2023, the Board of Directors of Connect First and Servus Credit Union (“Servus”) announced their intent to merge the two organizations. Subsequently, on August 2, 2023, both credit unions’ boards approved the merger business case and amalgamation agreement. Special General Meetings and member votes took place on September 19, 2023, for Servus and on November 9, 2023, for Connect First. Members of both credit unions voted in favor of the merger, and on November 23, 2023, the Credit Union Deposit Guarantee Corporation (“CUDGC”) also granted approval. The final step involved ensuring compliance with the merger provisions of Canada’s Competition Act, which was achieved on completion of the transaction on May 1, 2024.

As of May 1, 2024, Connect First Credit Union Ltd. no longer exists as an independent legal entity; it has become an integral part of Connect First and Servus Credit Union Ltd. These financial statements represent the final reporting for Connect First, as it has been determined under IFRS 3 that Servus is the acquiring entity.