



CONNECT FIRST AND SERVUS CREDIT UNION LTD.  
Consolidated Financial Statements

For the year ended October 31, 2024

**CONNECT FIRST AND SERVUS CREDIT UNION LTD.**  
**Consolidated Financial Statements**

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**CONNECT FIRST AND SERVUS CREDIT UNION LTD.**  
**Consolidated Financial Statements**

**Management's Responsibility for Financial Reporting**

These Consolidated Financial Statements have been prepared by the management of Connect First and Servus Credit Union Ltd. (the Credit Union), who are responsible for their reliability, completeness and integrity. They were developed in accordance with requirements of the Credit Union Act of Alberta and conform in all material respects with IFRS Accounting Standards.

Systems of internal control and reporting procedures are designed to provide reasonable assurance that financial records are complete and accurate so as to safeguard the assets of the organization. These systems include the establishment and communication of standards of business conduct through all levels of the organization to prevent conflicts of interest and unauthorized disclosure, to provide assurance that all transactions are authorized and to ensure proper records are maintained. A function of the internal audit process is to provide management and the Board of Directors (the Board) with the ability to assess the adequacy of these controls.

The Board has approved the Consolidated Financial Statements. The Board has appointed an Audit and Finance Committee, comprising four directors, to review with management, advisers and auditors the annual Consolidated Financial Statements in detail prior to submission to the Board for final approval. The Audit and Finance Committee has also received regular reports on internal control findings from the Internal Auditor. KPMG LLP, the independent external auditors appointed by the Board, audited the Consolidated Financial Statements and accompanying notes of the Credit Union in accordance with Canadian generally accepted auditing standards. They have had full and free access to the internal audit staff, other management staff and the Audit and Finance Committee. Their independent auditor's report outlines the scope of their examination and their opinion.

*Original signed by:*

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Ian Burns, President and Chief Executive Officer

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Ryan Gobolos, Chief Financial Officer



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## INDEPENDENT AUDITOR'S REPORT

To the Members of Connect First and Servus Credit Union Ltd.

### **Opinion**

We have audited the consolidated financial statements of Connect First and Servus Credit Union Ltd. (the "Entity"), which comprise:

- the consolidated statement of financial position as at October 31, 2024
- the consolidated statement of income for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at October 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



We are independent of the Entity 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***

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditor's report thereon, included in the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will 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 and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in Management's Discussion and Analysis as at 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 the 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants

Calgary, Canada  
January 22, 2025

**CONNECT FIRST AND SERVUS CREDIT UNION LTD.**  
**Consolidated Statement of Financial Position**  
(Canadian \$ thousands)

	Notes	October 31 2024	October 31 2023
<b>Assets</b>			
Cash and cash equivalents <sup>(1)</sup>	6	\$ 903,715	\$ 86,134
Investments	7	2,928,998	1,493,841
Members' loans and leases	8,10	24,849,354	18,206,087
Income taxes receivable		3,071	736
Assets held for sale	11	10,986	6,127
Other assets	12	67,209	51,215
Property and equipment	13	184,496	133,512
Leased assets	14	95,253	62,734
Investment property	15	5,922	5,680
Derivative financial assets	16	22,247	4,538
Investment in associate	17	29,924	210,536
Intangible assets	18	84,136	52,794
Goodwill	18	19,173	19,173
Defined benefit plan assets	24	3,392	-
Deferred income tax assets	19	54,855	-
<b>Total assets</b>		<b>29,262,731</b>	<b>20,333,107</b>
<b>Liabilities</b>			
Borrowings	20	199,056	8,334
Securitization liabilities	21	1,644,813	1,454,324
Members' deposits	22	24,414,448	16,662,604
Trade payables and other liabilities	23	314,789	235,968
Lease liabilities	14	110,345	72,319
Income taxes payable		429	-
Allowance for off balance sheet credit instruments	8,9	5,956	3,608
Derivative financial liabilities	16	28,090	31,559
Investment shares	25	457	451
Defined benefit plan liabilities	24	4,691	4,251
Deferred income tax liabilities	19	-	4,056
<b>Total liabilities</b>		<b>26,723,074</b>	<b>18,477,474</b>
<b>Equity</b>			
Share capital	25	1,161,474	690,461
Retained earnings		1,241,113	1,161,082
Contributed surplus		39,488	-
Accumulated other comprehensive income		9,041	4,090
<b>Total equity attributable to members of the Credit Union</b>		<b>2,451,116</b>	<b>1,855,633</b>
Non-controlling interest		88,541	-
<b>Total equity</b>		<b>2,539,657</b>	<b>1,855,633</b>
<b>Total liabilities and equity</b>		<b>\$ 29,262,731</b>	<b>\$ 20,333,107</b>

<sup>(1)</sup> Cash and cash equivalents includes restricted cash as at October 31, 2024 of \$3,382 (2023 - \$6,278)

The accompanying notes are an integral part of these Consolidated Financial Statements

Approved on behalf of the Board of Directors

Original signed by:

Perry Dooley, Chair, Board of Directors

Doug Bristow, Chair, Audit and Finance Committee



**CONNECT FIRST AND SERVUS CREDIT UNION LTD.**  
**Consolidated Statement of Income**  
(Canadian \$ thousands)

	Notes	Year ended October 31 2024	Year ended October 31 2023
<b>Interest income</b>			
Members' loans and leases		\$ 1,173,467	\$ 803,160
Investments, including derivatives	26	123,408	49,756
<b>Total interest income</b>		<b>1,296,875</b>	<b>852,916</b>
<b>Interest expense</b>			
Members' deposits		580,785	356,512
Other interest expense	27	100,098	37,031
<b>Total interest expense</b>		<b>680,883</b>	<b>393,543</b>
<b>Net interest income</b>		<b>615,992</b>	<b>459,373</b>
Non-interest income	28	212,721	157,989
Share of (losses) profits from associate	17	(2,165)	173
<b>Net interest income and non-interest income</b>		<b>826,548</b>	<b>617,535</b>
Provision for credit losses	9	72,533	36,327
<b>Net interest income and non-interest income after provision for credit losses</b>		<b>754,015</b>	<b>581,208</b>
<b>Operating expenses</b>			
Personnel		321,131	251,871
General		152,644	129,539
Occupancy		21,786	18,298
Member security		14,291	11,599
Depreciation	13,14,15	25,460	19,395
Organization		4,196	5,069
Impairment of assets	11,13,18	3,145	2,439
Amortization	18	24,247	11,116
<b>Total operating expenses</b>		<b>566,900</b>	<b>449,326</b>
<b>Income before patronage allocation to members and income taxes</b>		<b>187,115</b>	<b>131,882</b>
Patronage allocation to members	25	30,911	31,513
<b>Income before income taxes</b>		<b>156,204</b>	<b>100,369</b>
Income taxes	19	24,280	22,527
<b>Net income</b>		<b>\$ 131,924</b>	<b>\$ 77,842</b>
<b>Net income</b>			
Net income attributable to members		124,552	77,842
Net income attributable to non-controlling interest		7,372	-
<b>Net income</b>		<b>\$ 131,924</b>	<b>\$ 77,842</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

**CONNECT FIRST AND SERVUS CREDIT UNION LTD.**  
**Consolidated Statement of Comprehensive Income**  
(Canadian \$ thousands)

	Notes	Year ended October 31 2024	Year ended October 31 2023
<b>Net income</b>		<b>\$ 131,924</b>	<b>\$ 77,842</b>
<b>Other comprehensive income for the year, net of tax:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial (loss) gain on defined benefit pension plans <sup>(1)</sup>	24	(355)	80
Change in unrealized gain on equity securities at fair value through other comprehensive income securities <sup>(2)</sup>		278	-
<i>Share of other comprehensive income from associate</i>			
Actuarial gain on defined benefit pension plans <sup>(1)</sup>		87	310
Change in unrealized gain on equity securities at fair value through other comprehensive income securities <sup>(2)</sup>		483	1,237
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Change in unrealized gain on debt securities at fair value through other comprehensive income securities <sup>(3)</sup>		10,697	-
Reclassification adjustments for realized loss on debt securities <sup>(4)</sup>		(475)	-
<i>Share of other comprehensive income (loss) from associate</i>			
Change in unrealized gain on debt securities at fair value through other comprehensive income securities <sup>(3)</sup>		3,407	2,274
Reclassification adjustments for realized loss on debt securities <sup>(4)</sup>		-	(1,286)
<b>Total other comprehensive income</b>		<b>\$ 14,122</b>	<b>\$ 2,615</b>
<b>Total comprehensive income</b>		<b>\$ 146,046</b>	<b>\$ 80,457</b>
<b>Total comprehensive income</b>			
Comprehensive income attributable to members		136,686	80,457
Comprehensive income attributable to non-controlling interest		9,360	-
<b>Total comprehensive income</b>		<b>\$ 146,046</b>	<b>\$ 80,457</b>

<sup>(1)</sup> Net of income tax (recovery) expense for the year ended October 31, 2024 of \$(51) (2023 - \$117)

<sup>(2)</sup> Net of income tax expense for the year ended October 31, 2024 of \$165 (2023 - \$369)

<sup>(3)</sup> Net of income tax expense for the year ended October 31, 2024 of \$4,254 (2023 - \$679)

<sup>(4)</sup> Net of income tax (recovery) for the year ended October 31, 2024 of \$(145) (2023 - \$(383))

The accompanying notes are an integral part of these Consolidated Financial Statements.

**CONNECT FIRST AND SERVUS CREDIT UNION LTD.**  
**Consolidated Statement of Changes in Equity**  
(Canadian \$ thousands)

	Notes	Share Capital			Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income		Non-controlling Interest	Total Equity
		Common Shares	Investment Shares	Total Share Capital			Comprehensive Income			
Balance at October 31, 2022		\$ 579,893	\$ 121,382	\$ 701,275	\$ 1,106,390	\$ -	\$ 6,518	\$ -	\$ -	\$ 1,814,183
Changes in equity										
Issues of share capital	25	7,611	-	7,611	-	-	-	-	-	7,611
Redemption of share capital	25	(48,225)	(6,814)	(55,039)	-	-	-	-	-	(55,039)
Dividends on share capital	25	29,484	7,130	36,614	(36,614)	-	-	-	-	-
Net income		-	-	-	77,842	-	-	-	-	77,842
Tax recovery on dividend		-	-	-	8,421	-	-	-	-	8,421
Other comprehensive income		-	-	-	-	-	2,615	-	-	2,615
Share of reclassification of accumulated other comprehensive income to retained earnings from associate <sup>(1)</sup>		-	-	-	5,043	-	(5,043)	-	-	-
Balance at October 31, 2023		\$ 568,763	\$ 121,698	\$ 690,461	\$ 1,161,082	\$ -	\$ 4,090	\$ -	\$ -	\$ 1,855,633

	Notes	Share Capital			Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income		Non-controlling Interest	Total Equity
		Common Shares	Investment Shares	Total Share Capital			Comprehensive Income			
Balance at October 31, 2023		\$ 568,763	\$ 121,698	\$ 690,461	\$ 1,161,082	\$ -	\$ 4,090	\$ -	\$ -	\$ 1,855,633
Changes in equity										
Issues of share capital	5,25	344,978	148,861	493,839	-	-	-	-	-	493,839
Redemption of share capital	25	(70,541)	(10,105)	(80,646)	-	-	-	-	-	(80,646)
Dividends on share capital	25	41,482	16,338	57,820	(57,820)	-	-	-	-	-
Net income		-	-	-	124,552	-	-	-	7,372	131,924
Tax recovery on dividend		-	-	-	13,299	-	-	-	-	13,299
Non-controlling interest acquired through business combination	2	-	-	-	-	-	-	-	79,181	79,181
Contributed surplus arising from business combination	2	-	-	-	-	39,488	-	-	-	39,488
Other comprehensive income		-	-	-	-	-	12,134	-	1,988	14,122
Transfer AOCI to net income due to acquired control of Alberta Central <sup>(2)</sup>	5	-	-	-	-	-	(7,183)	-	-	(7,183)
Balance at October 31, 2024		\$ 884,682	\$ 276,792	\$ 1,161,474	\$ 1,241,113	\$ 39,488	\$ 9,041	\$ 88,541	\$ -	\$ 2,539,657

<sup>(1)</sup> Alberta Central sold shares of an investment, which resulted in a reclassification of accumulated other comprehensive income to retained earnings. The amount reported is the Credit Union's portion of the reclassification, net of income tax expense for the year ended October 31, 2023 of \$1,507

<sup>(2)</sup> As a result of the business combination with Connect First Credit Union and acquisition of control over Alberta Central (refer to Note 5) the Credit Union transferred AOCI previously recognized from the equity pickup method for the investment in Alberta Central to Other Income for \$9,328 and Income tax expense for \$2,145 in the Consolidated Statement of Income.

The accompanying notes are an integral part of these Consolidated Financial Statements.

**CONNECT FIRST AND SERVUS CREDIT UNION LTD.**  
**Consolidated Statement of Cash Flows**  
(Canadian \$ thousands)

	Year ended October 31 2024	Year ended October 31 2023
<b>Cash flows from (used in) operating activities</b>		
<b>Net income</b>	<b>\$ 131,924</b>	<b>\$ 77,842</b>
<b>Adjustments for non-cash items and others</b>		
Net interest income <sup>(1)</sup>	(615,992)	(459,373)
Provision for credit losses	72,533	36,327
Share of losses (profits) from investment in associate	2,165	(173)
Depreciation	25,460	19,395
Amortization	24,247	11,116
Impairment of assets	3,145	2,439
Loss (gain) on leased assets	174	(7)
Gain on assets held for sale	(2,257)	(418)
Loss (gain) on disposal of property and equipment	1,247	(51)
Loss on disposal of intangible assets	30	27
Gain from acquisition of business	(14,470)	-
Income taxes	24,280	22,527
<b>Adjustments for net changes in operating assets and liabilities</b>		
Change in members' loans and leases	(438,304)	(1,750,204)
Change in members' deposits	502,424	1,298,051
Change in assets held for sale	(16,455)	(7,771)
Change in other assets, provisions, and trade payables and other liabilities, net	3,007	(14,591)
Income taxes paid, net	(17,031)	(9,834)
Interest received	1,234,021	824,834
Interest paid	(599,201)	(296,137)
<b>Net cash used in operating activities</b>	<b>320,947</b>	<b>(246,001)</b>
<b>Cash flows from (used in) investing activities</b>		
Additions to intangible assets	(8,403)	(8,109)
Additions to property and equipment, and investment property	(11,989)	(13,689)
Proceeds on disposal of property and equipment, and investment property	1,789	679
Proceeds on disposal of assets held for sale	14,603	6,996
Purchase of Alberta Central shares (pre acquisition)	(11,776)	(9,796)
Distributions from Alberta Central	-	2,349
Purchase of investments, net	(234,527)	(91,972)
Acquisition of business	-	(16,143)
Cash and restricted cash acquired	738,926	9,410
Changes in working capital related to acquisition of business	-	4,295
<b>Net cash from (used in) investing activities</b>	<b>488,623</b>	<b>(115,980)</b>
<b>Cash flows from (used in) financing activities</b>		
Repayments of term loans and lines of credit, net	(8,085)	(191,666)
Repayments of term loans and lines of credit acquired, net	-	(17,863)
Repayments of bank debt acquired	-	(1,715)
Advances of securitization liabilities	452,749	923,593
Repayments of securitization liabilities	(378,490)	(292,156)
Repayments of principal portion of lease liabilities	(7,771)	(5,460)
Shares issued	30,254	7,611
Shares redeemed	(80,646)	(55,039)
<b>Net cash from financing activities</b>	<b>8,011</b>	<b>367,305</b>
<b>Increase in cash and cash equivalents</b>	<b>817,581</b>	<b>5,324</b>
Cash and cash equivalents, beginning of year	86,134	80,810
<b>Cash and cash equivalents, end of year</b>	<b>\$ 903,715</b>	<b>\$ 86,134</b>

<sup>(1)</sup> Net interest income includes a fair value gain on derivatives for the year ended October 31, 2024 of \$7,062 (2023 - \$18,411)

The accompanying notes are an integral part of these Consolidated Financial Statements.

**CONNECT FIRST AND SERVUS CREDIT UNION LTD.**  
**Notes to Consolidated Financial Statements**  
For the Year Ended October 31, 2024  
(Canadian \$ thousands, except per share amounts)

## **1. REPORTING ENTITY**

Connect First and Servus Credit Union Ltd. is incorporated in Canada under the Credit Union Act (The Act) of the Province of Alberta. The address of the Credit Union's registered office is 200-2850 Sunridge Blvd NE, Calgary, Alberta. The Credit Union operates in the financial services industry regulated under the Credit Union Act, serving members across Alberta.

The Credit Union Deposit Guarantee Corporation (the Corporation), a provincial corporation, guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. The Act provides that the Province of Alberta will ensure that the Corporation carries out this obligation.

## **2. BASIS OF PRESENTATION**

These Consolidated Financial Statements (financial statements) of the Credit Union have been prepared in accordance with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The material accounting policies applied in the preparation of the financial statements are described in Note 3.

The financial statements for the year ended October 31, 2024, were authorized for issue by the Board of Directors on January 22, 2025.

### **Basis of Measurement**

The financial statements have been prepared using the historical cost basis except for financial instruments classified as fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI).

### **Functional Currency**

The financial statements are presented in Canadian dollars (Canadian \$), which is the Credit Union's functional currency.

### **Use of Estimates, Assumptions and Critical Judgments**

The preparation of the financial statements requires management to make estimates, assumptions and critical judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and related disclosures. Estimates and underlying assumptions required under IFRS Accounting Standards are best estimates undertaken in accordance with the applicable standards and are reviewed on a continuous basis.

Estimates and assumptions have been used in areas including, but not limited to, fair values of financial instruments, expected credit losses (ECL), and the fair value of assets and liabilities acquired in a business combination, including contingent consideration. Actual results may differ significantly from these estimates, and the impact of any such differences will be recorded in future periods.

Critical judgments have been made in the following areas: impairment of non-financial assets, ECL, classification of financial instruments, classification of leases as a lessor, valuation of leased assets and lease liabilities and accounting for investment in associates and joint ventures. There are also critical judgments around the accounting for business combinations including determination of control, fair value of assets and liabilities, and identification and valuation of intangible assets.

Provincially, ongoing inflation and a changing interest rate environment have affected markets overall, causing some unpredictability in socioeconomic conditions. Although interest rates have started to decline, members continue to feel the dragging impact of high inflation on borrowing costs and household spending. Despite deterred spending, population growth and robust energy markets are key contributors to Alberta's overall positive economic outlook. These factors have a significant impact on management's estimates and assumptions in preparing the financial statements. One area of significant judgment affected strongly by the economic environment is the estimate for ECL; refer to Notes 4, 9 and 10 for more information on significant judgments made to estimate the ECL.



**CONNECT FIRST AND SERVUS CREDIT UNION LTD.**  
**Notes to Consolidated Financial Statements**  
For the Year Ended October 31, 2024  
(Canadian \$ thousands, except per share amounts)

### **3. MATERIAL ACCOUNTING POLICIES**

#### **Basis of Consolidation**

The financial statements of the Credit Union include the assets, liabilities, income and expenses of subsidiaries after elimination of inter-company transactions.

Subsidiaries are entities controlled by the Credit Union. Control is achieved when all of the following conditions are met:

- Existing rights that give the investor the ability to direct the relevant activities of the investee (the activities that significantly affect the investee's returns)
- Exposure, or rights, to variable returns from the investor's involvement with the investee
- The ability to use the investor's power over the investee to affect the amount of investor's return

The financial statements of subsidiaries are included in the Credit Union's Consolidated Financial Statements from the date that control commences until the date that control ceases. The financial statements of the subsidiaries have been prepared using accounting policies consistent with the Credit Union.

#### **Subsidiaries**

Included in the financial statements are the accounts of the Credit Union and the following subsidiaries:

- The Credit Union's 100% ownership interest of Servus Wealth Strategies Ltd., which provides wealth management services
- The Credit Union's 100% ownership interest of Servus Registries Ltd., which provides registry services
- The Credit Union's 100% ownership interest of 2416924 Alberta Ltd. (Stride Capital), which provides equipment leasing services

The Credit Union has 81% ownership interest of Alberta Central Ltd., because of the merger between Servus and Connect First Credit Union (cFCU) on May 1, 2024, the Credit Union acquired control over Alberta Central.

Alberta Central has investments in the following companies:

- 33.3% ownership Prairie Payments Joint Venture (PPJV), an unincorporated company
- 33.3% ownership in RemainCo Joint Venture (RemainCo, formerly Celero Solutions)
- 8.71% ownership in CU CUMIS Wealth Holdings LP (CU CUMIS)
- 33.3% ownership in 16170277 Canada Inc. Joint Venture (HoldCo)

#### **Business Combinations**

Business combinations are accounted for using the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they are recorded in the acquiree's financial statements prior to acquisition. At acquisition date, the assets and liabilities of the acquired subsidiary are included in the consolidated balance sheet at their fair value, which are also used as the basis for subsequent measurement in accordance with the Credit Union's accounting policies.

At acquisition date, the allocation of the purchase price is recorded on a provisional basis. Final calculations are done after the acquisition date. Therefore, changes to the allocation may occur as additional information becomes available concerning the fair value of net identifiable assets. Any adjustments to the purchase price allocation will be made as soon as is practicable but no later than twelve months from the acquisition date.

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### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

Goodwill, if any, is stated after separating out identifiable intangible assets if the fair value of identifiable net assets at the date of acquisition is less than the consideration paid at the date of acquisition. Any excess of identifiable net assets over consideration paid is recognized in the consolidated income statement immediately after acquisition. Costs incurred in connection with the acquisition are recognized in profit or loss as incurred.

#### Intangible Assets Acquired Through Business Combinations

Intangible assets acquired through business combinations have limited lives and include customer relationships and wealth management relationships.

Customer relationships represent the fair value of future cash flows from leased assets expected to be generated from existing customers at the time of acquisition. This intangible is amortized each year as leasing revenue from existing customers at acquisition is recognized. The amortization period is six years and is based on customer attrition rates.

Wealth management relationships represent the fair value at the acquisition date of future cash flows the Credit Union expects to generate from wealth management products and services. This intangible is amortized each year as wealth management revenue is recognized from members existing at acquisition. The amortization period is fifteen years and is based on member attrition rates.

#### **Investment in Associates**

Investment in associate include any entities over which the Credit Union, either on its own or by virtue of control over Alberta Central, has significant influence but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. In addition, investment in associate includes any entities over which the Credit union, either on its own or by virtue of control over Alberta Central, has joint control and has concluded the arrangement is a joint venture. CUMIS, RemainCo and HoldCo are the entities classified as investment in associate on the Credit Union's consolidated statements for the reporting period, by virtue of control over Alberta Central.

Investment in associate is accounted for using the equity method and is initially recognized at cost. Subsequent to the date of acquisition, the carrying amount is increased or decreased to recognize the proportionate share of the associates' net income or loss, including the proportionate share of the associates' other comprehensive income or loss. Dividends received are recorded as a reduction in the carrying amount.

#### **Investment in PPJV**

Alberta Central, a subsidiary of the Credit Union, has a 33.33% interest in the PPJV joint arrangement. As PPJV is legally structured as an unincorporated entity, its assets and liabilities are primarily those of the parties to the joint arrangement. Accordingly, the Credit Union accounts for its investment in PPJV as a joint operation, and its proportionate share of PPJV's assets, liabilities, revenues and expenses are combined with similar items, line by line, in its financial statements. Intercompany gains on transactions between the Credit Union and the joint operation are eliminated to the extent of the Credit Union's interest in the joint operation. Intercompany losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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### 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Financial Instruments — Classification and Measurement

All financial assets are measured either at amortized cost, FVOCI or FVTPL based on their contractual cash flow characteristics and the business model for managing the financial assets. All financial instruments are initially measured at fair value and are recognized at the trade date, when the Credit Union becomes a party to the contractual provisions of the instrument. Transaction costs on financial instruments classified as FVTPL are expensed as incurred. For all other classifications of financial instruments, only initial transaction costs are capitalized.

The Solely Payment of Principal and Interest (SPPI) test is used to assess the classification and requires that the contractual terms of the financial asset (as a whole) give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding i.e. cash flows that are consistent with a basic lending arrangement. Principal is defined as the fair value of the asset at initial recognition. Interest for the purpose of this test is defined as the consideration for the time value of money and credit risk, which are most significant elements of interest within the lending arrangement.

The Credit Union's business models are determined in a manner that reflects how groups of financial assets are managed in order to generate cash flows, that is, they reflect whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Determining business models requires the use of judgment and is based on all relevant evidence available at the date of the assessment.

The Credit Union's business models are defined as follows:

- Held to collect contractual cash flows;
- Held to collect contractual cash flows and sell;
- Other business models: The objective is not consistent with any of the above mentioned business models and represent business objectives where assets are managed on a fair value basis.

Financial assets are not reclassified following their initial recognition, unless the business model for managing those financial assets changes.

The below table outlines how the Credit Union has classified its financial assets and liabilities:

Classification and Measurement	Amortized Cost	Fair Value Through Other Comprehensive Income (FVOCI)	Fair Value Through Profit or Loss (FVTPL)
Cash and cash equivalents	▼		
Accounts receivable	▼		
Investments - debt securities	▼	▼	
Investments - equity securities		▼	
Investments - terms in other financial institutions		▼	▼
Investment shares in entities			▼
Members' loans and leases	▼		
Securitized mortgage pools	▼		
Securitized leases	▼		
Derivatives - interest rate swaps			▼
Derivatives - equity linked options			▼
Members' deposits	▼		
Trade payables and other liabilities	▼		
Contingent consideration			▼
Borrowings and securitization liabilities	▼		
Investment share liability portion			▼

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### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### Financial Assets Measured at Amortized Cost

Financial assets under the held to collect contractual cash flows business model and with contractual cash flows that pass the SPPI test are measured at amortized cost. The assets are initially recognized at fair value which is the cash consideration to originate or purchase the asset, including any transaction costs, and is subsequently measured at amortized cost using the effective interest rate method. Interest is included in the consolidated statement of income as part of net interest income.

For member loans and leases, ECL is reported as a deduction in the asset's carrying value on the consolidated statement of financial position and are recognized in the consolidated statement of income as a provision for credit losses.

#### Financial Assets at Fair Value through Other Comprehensive Income

Financial assets under the held to collect contractual cash flows and sell business model and where contractual cash flows meet the SPPI test are measured at FVOCI. Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income (OCI). Interest income is included in the consolidated statements of income in net interest income.

Prior to consolidation with Alberta Central, no financial assets at the Credit Union were fair valued through OCI. With the consolidation of Alberta Central from May 1, 2024, assets now classified as FVOCI include debt securities and equity investments held by Alberta Central.

Debt securities classified as FVOCI are initially and subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment are recognized in net income. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI related to debt securities are reclassified to net income.

Alberta Central's debt securities portfolio is held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets to meet liquidity needs as they arise. As the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest, these financial assets are measured at FVOCI. However, Alberta Central may designate any financial asset or liability as FVTPL if certain specified conditions are met.

On initial recognition of an equity investment that is not held for trading, Alberta Central may irrevocably elect to present subsequent changes in fair value through OCI. This election is made on an investment-by-investment basis. Alberta Central has made this election for equity securities held in cooperative entities. Accordingly, gains and losses accumulated in OCI related to equity securities are not reclassified to net income.

#### Financial Assets and Liabilities at Fair Value through Profit and Loss

Financial assets that are measured at FVTPL fall into two categories:

- Financial assets that are required to be measured at fair value as a result of the business model for managing those assets.
- Financial assets classified by the Credit Union as FVTPL upon initial recognition.

Interest income and expense on these financial assets classified as FVTPL are included in net interest income.

Equity instruments are measured at FVTPL. Fair value changes are recorded as part of Interest income in the consolidated statement of income.

The liability portion of investment shares and derivative contracts are also measured at FVTPL. Gains and losses arising from changes in fair value are included in the consolidated statement of income as part of net interest income.

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### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

In the ordinary course of business, the Credit Union enters into various derivative contracts, including interest rate forwards, swaps, and options. The Credit Union enters into such contracts principally to manage its exposure to interest rate fluctuations or risks associated with other financial indices as part of its asset/liability management program. The Credit Union may apply hedge accounting to certain of its interest rate swaps which are measured at FVOCI. Interest rate swaps that are not included in a hedging relationship are recorded at FVTPL.

The Credit Union may also designate any financial asset or liability as FVTPL where the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### Financial Liabilities Measured at Amortized Cost

Financial liabilities that do not meet the criteria for the FVTPL classification fall into this category and include members' deposits, borrowings, securitization liabilities and trade payables and other liabilities. These are measured at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

#### **Impairment of Financial Assets**

The Credit Union records an allowance for credit losses for all financial assets that are measured at amortized cost or at FVOCI. This also includes investments, lease receivables, loan commitments and financial guarantee contracts. Equity investments are not subject to impairment. Impairment losses are measured based on the estimated amount and timing of future cash flows, and collateral values.

For loans and leases carried at amortized cost, impairment losses are recognized at each reporting date as an expected credit loss deduction from the financial asset on the consolidated statement of financial position, and as a provision for credit losses on the consolidated statement of income. Losses are based on a three-stage impairment model outlined below.

For financial assets measured at FVOCI, the calculated expected credit loss does not reduce the carrying amount in the consolidated statement of financial position, which remains at fair value. Instead, the allowance is recognized in OCI as an accumulated impairment amount with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is reclassified to profit and loss when the asset is derecognized.

#### Measurement of Expected Credit Loss Allowances

At each reporting date, the Credit Union recognizes an ECL based on an impairment model that comprises three different stages:

- Stage 1: For financial instruments that have not had a significant increase in credit risk since initial recognition and are not considered credit impaired financial assets at initial recognition, a loss allowance amounting to 12-month expected credit losses is recognized.
- Stage 2: For financial instruments that have had a significant increase in credit risk since initial recognition but are not considered credit impaired financial assets, a loss allowance amounting to the lifetime expected credit losses is recognized.
- Stage 3: For financial instruments considered credit impaired, a loss allowance amounting to the lifetime expected credit losses continues to be recognized.

Stage 1 and 2 are considered to be performing loans and Stage 3 consists of credit impaired loans. Financial instruments may, over their life, move from one impairment model stage to another based on the improvement or deterioration in their credit risk and the level of expected credit losses. Instruments are categorized based on the change in credit risk from origination (initial recognition) to current reporting date.

Loans acquired in a business combination are considered purchased loans. Purchased loans are initially measured at fair value and identified as either purchased performing loans, or purchased credit impaired loans. Purchased performing loans have an ECL recorded on the first reporting date after purchase. The loans are subsequently measured at amortized cost.



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### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

For purchased performing loans, the fair value reflects adjustments for credit risk and market risk. The difference between fair value and par value is amortized into interest income over the expected life of the loan, using the effective interest rate method.

Purchased credit impaired loans are recorded at their fair value on acquisition, and subsequently assessed for additional impairment at each reporting period. Any recovery of impairment is recorded through the provision for credit losses.

#### Forward Looking Indicators

Forward looking indicators (FLI) are incorporated into the measurement of ECL (refer to Note 9 for further information on the relevant macroeconomic factors incorporated into the ECL model).

These factors are updated quarterly and take into consideration any lagging indicators, customized to each major loan grouping. The model used to calculate ECL includes forecasts for these FLI for the next 20 quarters and then uses a weighted average of three scenarios (base, best, and worst). These scenarios are intended to address the variety of possible outcomes in the forecast. The weighting of these scenarios is assessed quarterly by a committee comprised of accounting, credit and banking operations.

As the inputs used may not capture all factors, particular region-specific qualitative adjustments (management overlays) may be applied at the reporting date.

#### Expected Life

For loans and leases in Stages 2 and 3, ECL is calculated over the expected remaining lifetime.

Exceptions can apply to loans if they have the following characteristics:

- includes both a loan and an undrawn commitment component;
- the lender has the contractual ability to demand repayment and cancel the undrawn commitment; and
- there is no stated contractual term (i.e., credit cards, home equity lines of credit and revolving lines of credit).

In these cases, ECL is estimated using a conditional survival curve to determine the expected remaining lifetime. These exceptions do not apply to leases.

#### Significant Increase in Credit Risk

Movement in the stages relies on judgment to assess whether a loan's credit risk has significantly increased relative to the date the loan was initially recognized. For this assessment, an increase in credit risk is considered at the instrument level.

The assessment for significant increases in credit risk is performed quarterly based on the following factors. Should any of these factors indicate a significant increase in credit risk, the loan is moved to the appropriate stage:

- Credit risk ratings: commercial and agriculture loans use an internal risk rating, consumer and credit card and residential mortgages use FICO scores
- Loans 30 days and leases 31 days past due are typically considered to have experienced a significant increase in credit risk (Stage 2)
- Loans 90 days past due are typically considered to be credit impaired (Stage 3) unless other factors are known
- Leases 61 days past due are typically considered to be credit impaired (Stage 3) unless other factors are known
- Other factors known by the Credit Union are also used as appropriate to determine staging if different from above. This can include, but is not limited to, information gathered in the collections process.

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### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

Financial assets with low credit risk are considered to have a low risk of default, as the borrower is still able to fulfill their contractual obligations even under stress scenarios. The ECL on low credit risk items can be assessed on a collective basis if detailed information is not available.

If a member's credit risk increases significantly from initial recognition, the loan associated with that member will increase to the next stage level. If these conditions reverse and the member's credit risk recovers to its initial rating or better, the loan will move back a stage.

#### Default

The Credit Union has defined default as any credit instrument that meets at least one of the following criteria:

- 90 or more days past due, unless other factors rebut this presumption.
- Less than 90 days past due but the Credit Union has information indicating that the member is unlikely to pay their credit obligations in full. Examples include member bankruptcy and breach of covenants.

For leases specifically, the Credit Union has defined default as any lease that meets at least one of the following criteria:

- 61 or more days past due, unless other factors rebut this presumption.
- Less than 61 days past due but there is information indicating that the customer is unlikely to pay their credit obligations in full. Examples include member bankruptcy and breach of covenants.

#### Write-Offs

The Credit Union seeks to work with members to bring their accounts to a current status before taking possession of collateral. Amounts are written off where there is no realistic prospect of future recovery. The amount charged to the allowance consists of the remaining balance after cost to collect and collateral has been realized. Credit cards are written off after 180 days past due. These balances could however still be subject to enforcement actions. In subsequent periods, any recoveries of amounts previously written off are credited to the allowance for credit losses in the consolidated statement of financial position.

#### Modifications

A modification is when a loan or lease's original terms, payment schedule, interest rate or limit are renegotiated, or an existing financial asset is replaced with a new one resulting in a change to the loan's contractual cash flows. The Credit Union can modify the contractual terms to provide more competitive pricing or to grant concessions to a borrower experiencing financial difficulty.

When a modification occurs, it must be assessed to determine if the financial asset should be derecognized. If the result is a modification, the origination date used to determine a significant increase in credit risk does not change. When the modification is considered substantial, the financial asset is derecognized and the date of the modification becomes the new origination date and the loan is recognized at its fair value at that date. Other derecognition criteria is described in the following section.

The impact of a modification is calculated by taking the net present value of the new contractual cash flows, discounted at the original effective interest rate (EIR) less the current carrying value, with the difference recognized as a gain or loss. The gain or loss is recorded in non-interest income in the consolidated statement of income.

#### **Financial Instruments — Derecognition**

Financial assets are derecognized when the rights to receive cash flows from the asset have expired or substantially all the risks and rewards of the assets have been transferred. If the Credit Union has neither transferred nor retained substantially all the risks and rewards of the financial asset, it will assess whether it has retained control over the asset. If the Credit Union determines that control has not been retained, it will derecognize the transferred asset.

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### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

In the securitization of residential and commercial mortgage loans and leases, the Credit Union retains all the risks and rewards. These assets are not derecognized and a liability for cash proceeds from securitization is recognized in the consolidated statement of financial position.

Financial liabilities are derecognized when the obligation has been discharged, cancelled or expired.

#### **Impairment of Non-Financial Assets**

The Credit Union assesses at each reporting date whether there is an indication that an asset may be impaired. If there is an indication of impairment, the Credit Union performs an impairment test. In addition, intangible assets that are not yet available for use or that have indefinite lives are tested for impairment annually.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. Fair value is estimated based on recent transactions for similar assets within the same industry. Value in use is estimated based on discounted net cash flows from continuing use and the ultimate disposal of an asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the asset's cash-generating unit (CGU), which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows. As at October 31, 2024, management has determined that there are two CGUs in the consolidated entity. One CGU is Alberta Central; the other CGU is comprised of the merged credit union and all subsidiaries excluding Alberta Central.

The Credit Union also assesses at each reporting date whether the conditions that caused a previous impairment to be recognized no longer exist. If the conditions that cause an impairment no longer exist, the recoverable amount is reassessed and the previous impairment loss reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Impairments and reversals of impairment are recognized within impairment of assets expense in the consolidated statement of income.

Goodwill is evaluated for impairment against the carrying amount of the CGU at least annually. The carrying amount of the CGU includes the carrying amounts of assets, liabilities and allocated goodwill. If the recoverable amount is less than the carrying value, the impairment loss is first allocated to reduce the carrying amount of any allocated goodwill and then to the other non-financial assets of the CGU proportionally based on the carrying amount of each asset. Any impairment loss is charged to profit or loss in the period when the impairment is identified. An impairment loss in respect of goodwill is not reversed.

#### **Cash and Cash Equivalents**

Cash and cash equivalents, which comprise cash on hand, ATM cash, cash held in foreign currencies, cash in other financial institutions (including cash held for liquidity management purposes), restricted cash and items in transit, are recorded at amortized cost in the consolidated statement of financial position. Cash equivalents are highly liquid financial assets with maturities of three months or less from the acquisition date and are used by the Credit Union in the management of short-term commitments.

#### Restricted Cash

The Credit Union holds restricted cash which represents funds in connection with securitization activities. The securitization agreements require these funds to be held in trust as security on securitized lease receivables.

#### **Derivative Financial Instruments**

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, equity instrument or index.

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### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

Derivative contracts are used to manage financial risks associated with movements in interest rates and other financial indices. The Credit Union does not use derivative instruments for trading or speculative purposes. Quotes are based on current observable market data to estimate the fair value of all derivative financial instruments on the consolidated statement of financial position.

Derivatives with positive fair values are recorded in derivative financial assets, while derivatives with negative fair values are recorded in derivative financial liabilities.

Derivative financial instruments may also be embedded in other financial instruments. For financial assets containing an embedded derivative, the entire contract is classified based on the business model and contractual terms. Derivative financial instruments embedded in financial liabilities and non-financial contracts are separated from the host contract and accounted for separately when certain criteria are met: their economic characteristics and risks are not closely related to the host contract, they meet the definition of a derivative financial instrument, and the host contract is not classified as FVTPL.

#### **Estimated Fair Value**

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When financial instruments are subsequently remeasured to fair value, quoted market prices or dealer price quotations in an active market provide the best evidence of fair value, and when such prices are available, the Credit Union uses them to measure financial instruments. Where independent quoted market prices are not available, fair value is determined by reference to arm's-length market transactions for similar instruments, the current fair value of other instruments having substantially the same terms, conditions and risk characteristics or through the use of valuation techniques.

Through valuation techniques, fair value is estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows. Some of the inputs to these models may not be market observable and are therefore based on assumptions.

Some of the Credit Union's financial instruments classified as FVTPL lack an available trading market and are intended to be held to maturity; therefore, fair values are based on estimates using present value and other valuation techniques. These techniques are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk. Due to this estimation process the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The level in the fair value hierarchy within which the financial assets or liabilities are categorized is based on the lowest level of input that is significant to the fair value measurement. Financial assets and liabilities held at fair value through profit or loss are classified in their entirety in one of following three levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **Assets Held for Sale**

Assets that are expected to be recovered principally through sale rather than through continuing use are classified as held for sale. Assets held for sale include property and land previously used by the Credit Union, property that has been repossessed following foreclosure on loans that are in default and equipment that has been repossessed on a lease that is in default. The Credit Union follows procedures in place to dispose of these assets.

Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell and are not depreciated. An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell but not exceeding any cumulative impairment losses previously recognized. Impairment losses are recognized in the impairment of assets expense and gains are recognized in non-interest income on the consolidated statement of income.

If the Credit Union has classified an asset as held for sale, but the recognition criteria are no longer met, then the Credit Union ceases to classify the asset as held for sale. The Credit Union measures an asset that ceases to be classified as held for sale at the lower of either:

- (i) The carrying amount before the asset was classified as held for sale, adjusted for any depreciation that would have been recognized had the asset not been classified as held for sale; or
- (ii) Its recoverable amount at the date of the subsequent decision not to sell.

Any required adjustments to the carrying amount of an asset that ceases to be classified as held for sale will be recognized in general operating expenses in the period in which the recognition criteria are no longer met.

#### **Property and Equipment**

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures and borrowing costs that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing items and restoring the site on which they are located.

When parts of property and equipment have different useful lives, they are accounted for as separate items of property and equipment. Additions and subsequent expenditures are capitalized if they enhance the future economic benefits expected to be derived from the assets. The cost of day-to-day servicing of property and equipment is recognized as general operating expenses as incurred.

Depreciation is calculated based on the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recorded commencing in the month the asset becomes available for use; no depreciation is recorded in the month of disposal. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized within general operating expenses.

Depreciation is recognized within operating expenses on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	10 to 40 years
Furniture, office equipment and vehicles	4 to 15 years
Leasehold improvements	Lease term plus any applicable extensions
Computer equipment	3 to 7 years

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property and equipment are reviewed annually.



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### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **Intangible Assets and Goodwill**

##### Intangible Assets

Intangible assets with a finite life are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and borrowing costs.

The cost of internally generated assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Intangible assets that are developed for internal use are capitalized only if it is probable that future economic benefits will be obtained from use of the asset and that the development costs can be measured reliably. Other development expenditures are recognized within operating expenses as incurred. Additions and subsequent expenditures are capitalized only when it increases the future economic benefits expected to be derived from the specific asset to which it relates.

Amortization is calculated based on the amortizable amount, which is the cost of an asset less its residual value. Amortization is recorded commencing in the month the asset becomes available for use; no amortization is recorded in the month of disposal. Gains and losses on disposal of an intangible asset are determined by comparing the proceeds from disposal with the asset's carrying amount and are recognized within general operating expenses.

Amortization is recognized within operating expenses on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for the current and comparative periods are as follows:

Computer software and development costs	3 to 15 years
Credit card related intangible	10 years
Customer relationships	6 years
Wealth management relationships	15 years

Amortization rates, methods and the residual values underlying the calculation of amortization of items of intangible assets are reviewed annually.

##### Goodwill

Goodwill is initially measured at cost and is calculated as the excess of the purchase price for an acquired business over the fair value of acquired net identifiable assets and liabilities and is allocated to the CGU to which it relates. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Subsequent reversals of goodwill impairment are prohibited.

#### **Leases**

Leases are arrangements containing identified assets that the lessee has the right to control, obtain substantially all economic benefit and the right to direct use of the asset. Leases are recognized at the lease commencement date.

##### The Credit Union as a Lessee

At initial recognition, the leased asset (right-of-use asset) is equal to the value of the lease liability with adjustments for incentives received, initial direct costs, and an estimate of costs to restore the asset to the condition required by the contract. The lease liability is calculated as the present value of the lease payments taking into consideration all allowable adjustments, such as a penalty for termination or exercise price of a purchase option.

Subsequent to initial recognition, leased assets are depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term, in accordance with the accounting policy for property and equipment. Leased land is also depreciated over the lease term. Lease liability is measured at amortised cost using the effective interest rate (EIR). Depreciation expense is recognized on the leased asset and interest expense on the lease liability is recorded in occupancy expenses.

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### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

The discount rate used in calculating the present value of the lease payment is either the interest rate implicit in the lease, if it is practicable to determine, or the incremental borrowing rate.

The classes of leases currently held by the Credit Union are: land, building, other equipment (signage and vehicles), and computer equipment.

The Credit Union typically exercises all extension options on leases. For this reason, the leased asset and liability include all extension options that are expected to be exercised in each individual lease. Due to the nature of business and the work required to set up a branch, contracts with an extension are preferable to maintain the same location and presence in the community long-term. While this is the standard application on Credit Union lease options, a reassessment is required when there is a significant event or change.

#### The Credit Union as a Lessor

Leases in which the Credit Union does not transfer substantially all the risks and rewards of the asset are classified as operating leases. Rental income received under operating leases are recognized in non-interest income on a straight-line-basis over the term of the lease. Lease incentives provided are recognized on a straight-line basis over the term of the lease.

Finance leases, which are contracts containing terms that provide for the transfer of substantially all the benefits and risks of the equipment ownership to members, are measured at amortized cost. These leases are recorded at the aggregate future minimum lease payments plus residual values less unearned finance income. Revenue is recognized in interest income.

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

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

#### **Members' Shares**

Members' share capital includes common and investment shares and are recorded as a part of equity unless there is right to redemption that is unrestricted which is then recorded as a liability. Dividends on shares are recognized as a liability in the year in which they are declared by the Board of Directors. Dividends will be calculated on the Credit Union fiscal year end and paid annually. Cash dividends are recorded through retained earnings.

Shares that provide the member with the right to request redemption subject to the Credit Union maintaining adequate regulatory capital are initially measured at the fair value of a similar liability without a right to redemption option.

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### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **Revenue Recognition**

##### Interest Income and Expense

Interest income and expense earned and charged on members' loans and leases, deposits, credit cards and investments are recognized within interest income and interest expense using the effective interest method. The effective interest method calculates the amortized cost of a financial asset or financial liability and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts the estimated future cash receipts through the expected life of the financial asset or liability. The calculation of the effective interest rate includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

##### Commissions and Fees

Commissions and fees that are considered an integral part of the effective interest rate are amortized over the life of the loan and included in net interest income. Typically, commissions and fees that are not an integral part of the effective interest rate, including insurance commissions and mortgage and lease prepayment penalties, are recognized as income when charged to members. Other fees and commissions, such as mutual fund trailer fees, are recognized when earned.

##### Non-interest Income

Non-interest income is revenue recognized using a principle based five step model to be applied to all contracts with customers, either at a point in time or recognized over time, based on when performance obligations are satisfied.

Revenue earned within PPJV relates to payment processing services. Payment processing services are sold at fixed unit prices over the term of the service contract. The performance obligation related to the contract is satisfied at the point in time when the services are rendered to the customer.

##### *Credit Card Fees*

Revenue from interchange fees related to loyalty points are deferred and are recognized at a point in time as points are redeemed, as this is when the performance obligation is satisfied.

##### *Other revenue*

Revenue from rendering account services, safety deposit box rentals, and income from registries are recognized at a point in time when the services are provided, which is when the performance obligations are satisfied.

##### *Other gains and losses*

Non-interest income also includes other non-operating gains or losses that arise on transactions such as business combinations and sales of tangible assets. These gains or losses are recognized at the time the transaction occurs.

#### **Patronage Allocation to Members**

Patronage is the amount of profit that the Credit Union shares with members based on their business with the Credit Union. Patronage allocations to members are recognized in the consolidated statement of income when circumstances indicate that the Credit Union has a constructive obligation where it has little or no discretion to deny payment and where it can make a reasonable estimate of the amount required to settle the obligation.

#### **Income Taxes**

Income tax expense comprises current and deferred tax and is recognized in the consolidated statement of income except to the extent that it relates to items that are recognized in other comprehensive income or directly in equity. Tax impacts that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

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### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years. Current tax for current and prior years is recognized as a liability to the extent that it is unpaid.

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination, and that affects neither accounting nor taxable profit or loss, and
- differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured on the tax rates that are expected to be in effect in the period the asset is realized, or the liability is settled based on the tax rate and tax laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same authority on the same taxable entity or on different tax entities if they intend to settle current tax assets and liabilities on a net basis. Otherwise, the tax assets and liabilities will be recognized simultaneously.

#### **Financial Guarantees**

Financial guarantees represent an irrevocable obligation to make payments to a third party in certain situations. Guarantees include contracts or indemnities that contingently require the Credit Union to make payments (either in the form of an asset or in the form of services) to another party based on changes in an asset, liability or equity the other party holds; failure of a third party to perform under an obligation agreement; or failure of a third party to pay its indebtedness when due. The term of these guarantees varies according to the contract.

#### **Foreign Currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing on the reporting date. Income and expenses denominated in foreign currencies are translated into Canadian dollars at average rates through the year. Gains and losses resulting from translation are recorded in non-interest income.

### **4. CURRENT AND FUTURE ACCOUNTING CHANGES**

#### **Adoption of Standards in the Current Year**

In the current year, the Credit Union has adopted the following accounting standards and determined that it does not have an impact on the financial statements:

##### Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the IASB published Definition of Accounting Estimates (Amendments to IAS 8). The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates, where accounting estimates are defined as “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

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#### **4. CURRENT AND FUTURE ACCOUNTING CHANGES (CONTINUED)**

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

In May 2021, the IASB published Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to IFRS 17 – Insurance Contracts

In June 2020, the IASB amended IFRS 17 Insurance Contracts. First issued in May 2017, IFRS 17 sets out the requirements for an entity reporting information about insurance contracts it issues and reinsurance contracts it holds. The amendments are aimed at helping entities implement the IFRS 17 standard and making it easier for them to explain their financial performance.

The following amendment has been adopted in the Consolidated Financial Statements, and resulted in the inclusion of only material accounting policies:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), which is intended to disclose material accounting policies and distinguish these from significant accounting policies. The amendments to IFRS Practice Statement 2: Making Materiality Judgements provide guidance on how to apply a 'four-step materiality process' to accounting policy disclosures.

The Credit Union reviewed the accounting policies and made updates to the information disclosed in the material accounting policy section in certain instances in line with the amendments.

#### **Future Accounting Changes**

##### **Effective for the Credit Union — November 1, 2024**

The impact to the Credit Union of the standards effective November 1, 2024 is not yet assessed:

IAS 1 Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

In October 2022, the IASB issued further amendments to IAS 1 to modify the requirements on how an entity classifies debt and other financial liabilities as current or non-current under certain circumstances. An entity must also disclose information to convey the risk that non-current liabilities with covenants could become repayable within twelve months.

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to clarify how a seller-lessee subsequently measures sale and leaseback transactions. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains.

##### **Effective for the Credit Union — November 1, 2026**

The impact to the Credit Union of the standards effective November 1, 2026 is not yet assessed:

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#### **4. CURRENT AND FUTURE ACCOUNTING CHANGES (CONTINUED)**

##### Amendments to IFRS 7 and IFRS 9 – Classification and Measurement of Financial Instruments

In May 2024 the IASB issued 'Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)' to address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 'Financial Instruments'.

The amendments clarify financial assets and financial liabilities are recognized and derecognized at settlement date except for regular way purchases or sales of financial assets and financial liabilities meeting conditions for new exception. The new exception permits companies to elect to derecognize certain financial liabilities settled via electronic payment systems earlier than the settlement date.

They also provide guidelines to assess contractual cash flow characteristics of financial assets, which apply to all contingent cash flows, including those arising from environmental, social, and governance (ESG)-linked features.

##### **Effective for the Credit Union — November 1, 2027**

The impact to the Credit Union of the standards effective November 1, 2027 is not yet assessed:

##### IFRS 18 Presentation and Disclosure to replace IAS 1

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements. The new standard will replace IAS 1 Presentation of Financial Statements as the primary source of requirements for financial statement presentation. The new standard includes new requirements related to income statement structure and subtotals and management-defined performance measure disclosures, as well as new principles for grouping financial statement information.

##### IFRS 19 Subsidiaries without Public Accountability

In May 2024 the IASB published the new standard IFRS 19 'Subsidiaries without Public Accountability: Disclosures', which permits a subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it. IFRS 19 simplifies disclosures on various topics, including leases, exchange rates, income taxes, statement of cash flows, etc.

#### **5. MERGERS AND ACQUISITIONS**

##### **Merger of connectFirst and Servus**

On May 1, 2024, the previously announced merger of Servus and connectFirst Credit Union (cFCU) was completed to form Connect First and Servus Credit Union Ltd. (CFSCU or the Credit Union). The merger arose to ensure that the long-term needs of members of both credit unions would be met, while fulfilling growth and expansion goals.

On and until April 30, 2024, cFCU operated as a separate financial institution primarily in the business of receiving deposits from and issuing loans to members. The merger occurred through the exchange of each common share and investment share of the two pre-merger credit unions for the same type of share of CFSCU.

Under IFRS, the merger is accounted for in accordance with the acquisition method of accounting outlined in IFRS 3 Business Combinations, whereby Servus was determined to be the acquirer.

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## **5. MERGERS & ACQUISITIONS (CONTINUED)**

### Consideration transferred

As a business combination of a mutual entity, the value of the consideration exchanged is determined with reference to the fair value of the equity within the acquiree, being cFCU. In determining the fair value of the equity within the acquiree, this was concluded to equal the fair value of net assets of cFCU. In addition, the fair value of the net assets are a direct addition to equity. The difference between the value of the member shares and the fair value of the consideration has been classified as contributed surplus. The transaction does not generate any goodwill, loss, or gain on a bargain purchase. There is no contingent consideration.

### Fair value of assets acquired and liabilities assumed

Accounting standards require that in a business combination, the individual assets and liabilities of the business which is identified as the acquiree must each be measured at its fair value on the date of acquisition. The methodology and key assumptions made in determining the fair value of the assets acquired and liabilities assumed are as follows:

- The fair value of investments was determined by discounting future cash flows at a market interest rate for similar instruments. This fair value is amortized over the remaining term of the investments.
- The fair value of loans to members was determined using a discounted cash flow method, incorporating key assumptions related to future cash flows, liquidation and prepayment rates, market interest rates at acquisition and borrower credit risk. The fair value adjustment is amortized over the acquired loans' weighted average remaining life, based on the loans' contractual terms.  
A 0.5% decrease in the market interest rates used results in an increase in the fair value of loans to members by \$52,300. A 0.5% increase in the market interest rates used decreases the fair value of loans by \$51,523.  
A 5% decrease to the liquidation rates used decreases the fair value of loans by \$11,296. A 5% increase in liquidation rates increases the fair value of loans by \$10,013.  
A 0.5% decrease in the prepayment rate used decreases the fair value of loans \$1,447. A 0.5% increase to prepayment rates increases fair value of loans by \$1,204.
- The fair value of credit impaired assets was determined using a discounted cash flow method, incorporating assumptions about loan recovery amount and timing, discounted at a market interest rate.
- The fair value of property and equipment was determined based on a sample of appraisals completed on the properties acquired. These appraisals considered both the market and income approaches.
- The fair values of right of use assets and lease liabilities were determined by discounting the remaining contractual lease payments from the acquisition date, using the Credit Union's incremental borrowing rate at acquisition date.
- The fair value of investments in associates was derived from the fair value of the net assets of Alberta Central, as determined in the business combination accounting applied and disclosed below.
- The fair values of member deposits and secured borrowings were calculated by discounting future cash flows at a market rate for similar instruments. The fair value adjustment is amortized over the remaining life of these instruments, based on their contract terms.
- For the remaining assets and liabilities, fair values were determined to equal carrying values, due to the nature of these assets and liabilities.

In addition, judgments were made in the identification of intangible assets. Management has concluded, based on market data, that there is no value ascribed to the brand or the member deposit relationships as part of the acquisition. Member relationships related to wealth management have been identified and measured. The fair value is measured using a multi-period excess earnings approach that estimates the future cash flows from these member relationships.

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## 5. MERGERS & ACQUISITIONS (CONTINUED)

The following are the fair values of cFCU assets and liabilities on the date of acquisition:

	<b>As at May 1,</b>		<b>As Adjusted</b>
	<b>2024</b>	<b>Adjustments<sup>(3)</sup></b>	
<b>Assets</b>			
Cash and cash equivalents	\$ 50,673	\$ (12,926)	\$ 37,747
Investments	644,727	-	644,727
Loans to members <sup>(1)</sup>	6,015,864	(10,414)	6,005,450
Purchase of credit impaired assets	69,474	-	69,474
Derivative assets	6,694	-	6,694
Assets held for sale	3,895	-	3,895
Other assets	13,191	-	13,191
PPE and investment property <sup>(2)</sup>	54,963	(25)	54,938
Right of use assets	23,509	-	23,509
Deferred tax assets	51,843	(1,713)	50,130
Investment in associates	91,528	5	91,533
Income tax asset	3,671	-	3,671
Intangible assets	11,899	4,501	16,400
<b>Total assets</b>	<b>\$ 7,041,931</b>	<b>\$ (20,572)</b>	<b>\$ 7,021,359</b>
<b>Liabilities</b>			
Accounts payable	\$ 68,655	\$ -	\$ 68,655
Members' deposits	6,082,654	-	6,082,654
Lease liabilities	23,570	-	23,570
Secured borrowings	348,467	(12,900)	335,567
Defined benefit plan	1,146	-	1,146
Derivative liabilities	6,694	-	6,694
<b>Total liabilities</b>	<b>\$ 6,531,186</b>	<b>\$ (12,900)</b>	<b>\$ 6,518,286</b>
<b>Total identifiable net assets at fair value</b>	<b>\$ 510,745</b>	<b>\$ (7,672)</b>	<b>\$ 503,073</b>

<sup>(1)</sup> The gross contractual principal amounts of acquired loans is \$6,281,311.

<sup>(2)</sup> Includes \$2,196 of investment property.

<sup>(3)</sup> Revisions to provisional purchase price allocation amounts were due to additional information obtained between the acquisition date and October 31, 2024, and correction of previous errors. The corrections included the reclassification of balances between Cash and cash equivalents and Secured borrowings, as well as corrections in the calculation of the fair value of Loans to members.

The amount of the total identifiable net assets measured at fair value is added directly to equity. However, legislation requires that within equity the par value of shares is separately recognized. The residual is allocated to Contributed Surplus.

<b>Net identifiable assets</b>	<b>\$ 503,073</b>
Common share capital	(314,724)
Investment share capital	(148,861)
<b>Contributed Surplus</b>	<b>\$ 39,488</b>

Updates to the purchase price allocation may occur as additional information becomes available concerning the fair value of the assets acquired and the liabilities assumed. Any adjustments to the purchase price allocation will be made as soon as practicable but no later than one year from the acquisition date.

### Separate income

From the date of acquisition, the business operations of cFCU increased net interest income and reduced net income of the merged entity by \$59,214 and \$21,452 respectively.



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## **5. MERGERS & ACQUISITIONS (CONTINUED)**

### **Consolidation with Alberta Central**

The merger between cFCU and Servus caused the merged entity to hold 81% of the voting rights and control 7 of 12 Board of Directors seats at Alberta Central Ltd. (Alberta Central). This resulted in an acquisition of control over Alberta Central as of May 1, 2024. An acquisition of control is accounted for under the acquisition method of accounting under IFRS 3 Business Combinations.

Alberta Central is a business entity in Calgary, Alberta with a legislated mandate to serve credit unions and the credit union system of the Province of Alberta. Its primary functions are to provide and manage member credit union liquidity, manage credit union investments, provide educational and advisory services, and supply clearing house arrangements.

Notwithstanding the acquisition of control, Alberta Central is bound to observe significant restrictions on the use and settlement of its cash and investment assets, as stated in the Credit Union Act and accompanying regulations.

### Acquisition achieved in stages

Immediately prior to the merger, Servus and cFCU respectively held 59% and 22% of the outstanding common shares of Alberta Central. As Servus held an investment in Alberta Central immediately prior to the merger, the acquisition of control was completed in stages. In an acquisition achieved in stages, the previous investment is remeasured to fair value immediately prior to the acquisition, with any difference between the book value and the fair value of the investment recorded as a gain or loss. The fair value of the previous investment was determined to be \$245,617, resulting in a gain of \$15,851. In addition, \$9,328 of income previously recognized in accumulated other comprehensive income was reclassified to comprehensive income and included in non-interest income.

### Consideration transferred and settlement of pre-existing relationships

As a business combination of a mutual entity, the value of the consideration exchanged is determined with reference to the fair value of the equity within the acquiree, being Alberta Central. In determining the fair value of the equity within the acquiree, this was concluded to equal CFSCU's proportionate share of the fair value of net assets of Alberta Central. This is also equal to the sum of the fair value of the investment in associate acquired as part of the cFCU acquisition, and the fair value of Servus' interest prior to the merger as determined above. As a mutual entity, the fair value of the net assets is a direct addition to equity. As well, consideration transferred includes the settlement of any pre-existing relationships.

Prior to consolidation Alberta Central acted as counterparty to the merged entity in commercial contracts. Such contracts are considered pre-existing relationships and are therefore accounted for as if they are effectively settled upon the acquisition of control. The fair value of the assets and liabilities acquired exclude the amounts that are effectively settled, and the same amount is included in the consideration transferred. A loss of \$10,710 was recognized on the effective settlement and is included in non-interest income on the consolidated statement of income. The amounts effectively settled include:

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**5. MERGERS & ACQUISITIONS (CONTINUED)**

**Assets**

Cash and cash equivalents	\$ 62,032
Investments	2,386,168
Other assets	3,065
Derivative financial assets	4,074
<b>Total assets settled</b>	<b>\$ 2,455,339</b>

**Liabilities**

Borrowings and securitization liabilities	\$ 261,280
Trade payables and other liabilities	2,249
Derivative financial liabilities	13,562
<b>Total liabilities settled</b>	<b>\$ 277,091</b>

<b>Net assets</b>	<b>\$ 2,178,248</b>
Loss on effective settlement	(10,710)
<b>Net settlements</b>	<b>\$ 2,167,538</b>

Prior to effective settlement the sum of net assets at fair value is measured at \$416,331. Consideration transferred is calculated as the sum of the net assets and the net settlements, or \$2,583,869.

Fair value of assets acquired and liabilities assumed

Upon an acquisition of control, the acquisition method of accounting is applied which requires individual assets and liabilities of the acquiree to be measured at their fair values on the date of acquisition.

The methodology and key assumptions made in determining the fair value of the assets acquired and liabilities assumed are as follows:

- The fair value of investments in securities was determined by discounting future cash flows at a market interest rate for similar instruments. This fair value is amortized over the remaining term of the investments.
- The fair value of loans was determined using a discounted cash flow method, incorporating key assumptions related to future cash flows, market interest rates at acquisition and borrower credit risk. The fair value adjustment is amortized over the acquired loans' weighted average remaining life, based on the loans' contractual terms.
- The fair values of member deposits and commercial paper were calculated by discounting future cash flows associated with these instruments at a market rate for similar instruments. The fair value adjustment is amortized over the remaining life of these instruments, based on their contract terms.
- The fair value of the investments in associates approximates book value. Initially recorded at cost, these investments in associates are adjusted to reflect Alberta Central's share of the associates' net income for each reporting period by using the equity method of accounting. Thus, the book value at any given time represents the initial cost plus Alberta Central's proportionate share of the associates' financial results. Since these investments in associates are unique and lack an active market, book value serves as the best estimate for fair value.
- For the remaining assets and liabilities, fair values were determined to equal carrying values, due to the nature of these assets and liabilities.

In addition, judgments were made in the identification of intangible assets. It was concluded, based on the nature of the entity, that no intangible assets were measured.

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**5. MERGERS & ACQUISITIONS (CONTINUED)**

The fair value of the assets and liabilities of Alberta Central on the acquisition date are as follows:

	As at May 1, 2024	Adjustments <sup>2</sup>	As Adjusted
<b>Assets</b>			
Cash and cash equivalents	\$ 277,508	\$ 497,035	\$ 774,543
Investments in securities	3,461,312	(520,474)	2,940,838
Loans <sup>(1)</sup>	134,298	27	134,325
Derivative assets	10,970		10,970
Other assets	7,762	(197)	7,565
Sublease receivables	4,234		4,234
Fixed assets	3,710		3,710
Leased assets	5,110		5,110
Deferred tax assets	4,555	(6)	4,549
Investment in associates	657	23,438	24,095
Intangible assets	30,816		30,816
<b>Total assets</b>	<b>\$ 3,940,932</b>	<b>\$ (177)</b>	<b>\$ 3,940,755</b>
<b>Liabilities</b>			
Accounts payable	\$ 4,001		\$ 4,001
Members' deposits	1,119,603	6,649	1,126,252
Lease liabilities	9,362		9,362
Commercial paper	198,771		198,771
Income taxes payable	1,268		1,268
Derivative liabilities	17,232		17,232
<b>Total liabilities</b>	<b>\$ 1,350,237</b>	<b>\$ 6,649</b>	<b>\$ 1,356,886</b>
<b>Total identifiable net assets at fair value</b>	<b>\$ 2,590,695</b>	<b>\$ (6,826)</b>	<b>\$ 2,583,869</b>
<b>Total consideration</b>	<b>\$ 2,590,695</b>	<b>\$ (6,826)</b>	<b>\$ 2,583,869</b>

<sup>(1)</sup> The gross contractual principal amounts of acquired loans is \$146,273.

<sup>(2)</sup> Revisions to provisional purchase price allocation amounts were due to additional information obtained between the acquisition date and October 31, 2024, and correction of previous errors. The adjustment to Cash and cash equivalents and Investment and securities is due to the correction of an error in the previously presented purchase price allocation, whereby it was concluded that certain amounts classified as Investments in securities should be classified as Cash and cash equivalents as these amounts are demand deposits and meet the definition of cash. As well, the adjustment to Investments in associates is due to the reclassification of amounts that were previously presented in Investments in securities, and adjustments to Members' deposits is due to a correction in the calculation of the effective settlement of previous relationships.

Updates to the purchase price allocation may occur as additional information becomes available concerning the fair value of assets and liabilities. Any adjustments to the purchase price allocation will be made as soon as practicable but no later than one year from the acquisition date.

The merger transaction includes no contingent consideration or liabilities.

**Non-controlling interest**

The merged credit union holds 81% of the outstanding share capital of Alberta Central, which approximates to 81% of the voting rights in the general meetings of the subsidiary. The non-controlling interest holds the remainder of the voting rights and share capital, which is valued at \$79,178.

The value of the non-controlling interest was measured with reference to the fair value of the net assets of Alberta Central of \$416,331, as described above. The non-controlling interest share was then applied to this amount to determine the initial non-controlling interest.

See note 35 for details on amounts attributable to non-controlling interests.

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## 5. MERGERS & ACQUISITIONS (CONTINUED)

### Separate income

From the date of acquisition, the business operations of Alberta Central contributed a loss of \$4,037 to the net interest income and a loss of \$18,024 to the net income of the consolidated entity.

### **Combined Net Interest Income and Net Income**

The business combinations with cFCU and Alberta Central occurred on May 1, 2024, after which date the financial results of the business operations are combined in the consolidated form of financial reporting. For disclosure purposes, if the merger and consolidation had occurred at the beginning of the fiscal year on November 1, 2023, the net interest income and net income of the consolidated entity for the year ended October 31, 2024 are estimated to have been \$702,599 and \$126,416 respectively.

## 6. CASH AND CASH EQUIVALENTS

	As at October 31 2024	As at October 31 2023
Cash on hand	\$ 39,815	\$ 29,120
Cash held in foreign currencies	920	1,053
Cash with Alberta Central	-	49,012
Cash with other financial institutions	785,143	394
Cheques and items in transit	74,455	277
Restricted cash	3,382	6,278
<b>Total</b>	<b>\$ 903,715</b>	<b>\$ 86,134</b>

## 7. INVESTMENTS

	As at October 31 2024	As at October 31 2023
<b>Investments at Amortized Cost</b>		
Term deposits with Alberta Central	\$ -	\$ 1,484,866
Asset backed securities	17,681	-
<b>Investments at FVOCI</b>		
Debt securities	2,860,209	22
Terms in other financial institutions	26,500	-
Equity securities	11,012	-
<b>Investments at FVTPL</b>		
Terms in other financial institutions	5,400	-
Investment shares in entities	2,294	86
	2,923,096	1,484,974
Accrued interest	6,299	8,869
	2,929,395	1,493,843
ECL allowance on investments	(397)	(2)
<b>Total</b>	<b>\$ 2,928,998</b>	<b>\$ 1,493,841</b>

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## 8. MEMBERS' LOANS AND LEASES

The following table presents the carrying amount of loans and leases, and the exposure amount for off-balance sheet items according to the stage in which they are classified as well as the allowance for expected credit losses:

As at October 31, 2024	Performing		Impaired		Total	Allowance for Credit Losses	Total Net of Allowance
	Stage 1	Stage 2	Stage 3	Stage 3 - POCI <sup>(3)</sup>			
<b>Members' Loans and Leases</b>							
Residential mortgages	\$ 11,776,971	\$ 724,437	\$ 16,322	\$ 3,212	\$ 12,520,942	\$ 4,183	\$ 12,516,759
Commercial <sup>(1)</sup>	10,211,414	265,059	108,989	56,790	10,642,252	74,438	10,567,814
Consumer <sup>(2)</sup>	1,639,472	130,671	4,940	1,385	1,776,468	11,687	1,764,781
<b>Total members' loans and leases</b>	<b>\$ 23,627,857</b>	<b>\$ 1,120,167</b>	<b>\$ 130,251</b>	<b>\$ 61,387</b>	<b>\$ 24,939,662</b>	<b>\$ 90,308</b>	<b>\$ 24,849,354</b>
<b>Off Balance Sheet Credit Instruments</b>							
Residential mortgages	\$ 2,996,988	\$ 22,051	\$ 359	\$ -	\$ 3,019,398	\$ 207	\$ 3,019,191
Commercial <sup>(1)</sup>	2,510,263	14,586	484	-	2,525,333	3,251	2,522,082
Consumer <sup>(2)</sup>	1,385,627	22,825	267	-	1,408,719	2,498	1,406,221
<b>Total off balance sheet credit instruments</b>	<b>\$ 6,892,878</b>	<b>\$ 59,462</b>	<b>\$ 1,110</b>	<b>\$ -</b>	<b>\$ 6,953,450</b>	<b>\$ 5,956</b>	<b>\$ 6,947,494</b>

<sup>(1)</sup> Includes commercial loans, credit card, agriculture loans, and lease receivables

<sup>(2)</sup> Includes consumer loans and credit card

<sup>(3)</sup> Stage 3 includes POCI loans with a related allowance for loan losses of \$60,796, which have been included in the "Impaired" risk rating category as they were impaired at acquisition

As at October 31, 2023	Performing		Impaired		Total	Allowance for Credit Losses	Total Net of Allowance
	Stage 1	Stage 2	Stage 3				
<b>Members' Loans and Leases</b>							
Residential mortgages	\$ 8,767,382	\$ 574,469	\$ 13,986	\$ -	\$ 9,355,837	\$ 3,558	\$ 9,352,279
Commercial <sup>(1)</sup>	7,271,905	309,941	104,132	-	7,685,978	52,135	7,633,843
Consumer <sup>(2)</sup>	1,128,947	93,054	5,540	-	1,227,541	7,576	1,219,965
<b>Total members' loans and leases</b>	<b>\$ 17,168,234</b>	<b>\$ 977,464</b>	<b>\$ 123,658</b>	<b>\$ -</b>	<b>\$ 18,269,356</b>	<b>\$ 63,269</b>	<b>\$ 18,206,087</b>
<b>Off Balance Sheet Credit Instruments</b>							
Residential mortgages	\$ 2,249,294	\$ 21,126	\$ 470	\$ -	\$ 2,270,890	\$ 201	\$ 2,270,689
Commercial <sup>(1)</sup>	1,796,411	15,353	3,980	-	1,815,744	1,479	1,814,265
Consumer <sup>(2)</sup>	1,047,901	23,189	17	-	1,071,107	1,928	1,069,179
<b>Total off balance sheet credit instruments</b>	<b>\$ 5,093,606</b>	<b>\$ 59,668</b>	<b>\$ 4,467</b>	<b>\$ -</b>	<b>\$ 5,157,741</b>	<b>\$ 3,608</b>	<b>\$ 5,154,133</b>

<sup>(1)</sup> Includes commercial loans, credit card, agriculture loans, and lease receivables

<sup>(2)</sup> Includes consumer loans and credit card

## 9. ALLOWANCE FOR EXPECTED CREDIT LOSSES

### Key Data and Assumptions

Estimating the ECL is based on a set of inputs, assumptions and methodologies placed around credit risk and future looking indicators and therefore requires significant judgment. Management has made complex and subjective judgments to assess the adequacy of the assumptions used to calculate the ECL.

These inputs and assumptions are assessed each reporting period considering both positive and negative aspects of the current economic environment. ECL models use historical information in their methodologies and assumptions, and therefore are not able to address all considerations of the current economic state. Additional analysis and an amount added to model results as a management overlay, which is calculated outside of the model based on analyses, may be required. The best information available as at the reporting date is used in the model and in all additional analysis.

The Credit Union uses a model (the model) created by Central 1 Credit Union (Central 1) to estimate the ECL. Changes in inputs and the assumptions used have an impact on the assessment of significant increase in credit risk and the measurement of ECL. The main areas where judgment is used in the model is in the assessment of whether there is a significant increase in credit risk on loans, the probability that a member will default on a loan, forecasted future looking indicators and the weightings to be used on the base, best and worst case scenarios for the FLI.

Alberta Central uses an internally generated model but their portfolio is relatively small compared to the Credit Union and the significant assumptions and scenarios have been aligned with those used by the Credit Union.

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## 9. ALLOWANCE FOR EXPECTED CREDIT LOSSES (CONTINUED)

The macroeconomic factors used in the model that affect the Credit Union ECL calculations are:

- Alberta unemployment rates
- Canadian unemployment rates (Credit Card book only)
- Alberta housing price index
- The rate spread between the three-month Bank of Canada bond and three-month Bankers' Acceptance rates

Each factor is forecast in three scenarios, a base case, a best case and a worst-case scenario. These scenarios are weighted, and the weighted average is used to build the calculated estimate for ECL. At October 31, 2024, management concluded that weighting to be used is a 60% base, 10% best and 30% worst-case (2023 - 60% base, 20% best and 20% worst-case).

Sensitivity analysis will show when the loan book has a risk that is not adequately covered by the model calculation, and this analysis provides justification for a management overlay to be applied to the ECL calculated by the model. These analyses are performed and assessed each reporting period to estimate the amount of a management overlay amount to add to the model results.

At October 31, 2024, management has not applied an overlay (2023 - \$0) to the calculated ECL.

When loans are acquired with evidence of incurred credit loss (i.e., it is probable at the acquisition date that the Credit Union will be unable to collect all contractually required principal and interest payments), such loans are considered to be purchased or originated credit impaired (POCI) loans. No ECL is recognized on these loans at acquisition. POCI loans are identified as impaired at acquisition based on specific risk characteristics of the loans, including past due status, performance history, and recent borrower credit scores. The Credit Union determines both the present and fair values of POCI loans using assumptions and calculations on the amount and timing of expected cash flows, rather than the original contractual cash flows of these loans. Accounting for POCI loans is applied individually at the loan level. Subsequent to acquisition, the Credit Union regularly reassesses and updates its estimates of expected cash flows for changes to amount and timing. Probable decreases in expected cash flows trigger the recognition of additional impairment. Additional impairment is measured as the difference between the present value of the revised expected cash flows discounted at the loan's credit-adjusted effective interest rate (EIR) and the carrying value of the loan, and this difference is recorded in the provision for credit losses. Interest income on POCI loans is calculated by applying the credit-adjusted EIR to the amortized cost of acquired credit impaired loans.

The following table presents the changes in the allowance for credit losses:

	Residential Mortgages	Commercial <sup>(1)</sup>	Consumer <sup>(2)</sup>	Total
<b>As at October 31, 2023</b>	\$ 3,759	\$ 53,614	\$ 9,504	\$ 66,877
Recoveries of previous loan and lease write-offs	1	592	4,510	5,103
Provision charged to net income <sup>(4)</sup>	1,855	53,759	16,524	72,138
	5,615	107,965	30,538	144,118
Loans and leases written off	(1,225)	(30,276)	(16,353)	(47,854)
<b>As at October 31, 2024</b>	\$ 4,390	\$ 77,689	\$ 14,185	\$ 96,264
<b>Presented on Consolidated Statement of Financial Position as:</b>				
Netted with members' loans and leases	4,183	74,438	11,687	90,308
Off balance sheet credit instruments <sup>(3)</sup>	207	3,251	2,498	5,956
<b>Total</b>	\$ 4,390	\$ 77,689	\$ 14,185	\$ 96,264

<sup>(1)</sup> Includes commercial loans, credit card, agriculture loans, and lease receivables

<sup>(2)</sup> Includes consumer loans and credit card

<sup>(3)</sup> Off balance sheet credit instruments consist of undrawn commitments and financial guarantees

<sup>(4)</sup> Includes provision on newly purchased loans amounting to \$12,927 during the period

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**9. ALLOWANCE FOR EXPECTED CREDIT LOSSES (CONTINUED)**

		Residential Mortgages		Commercial <sup>(1)</sup>		Consumer <sup>(2)</sup>		Total
As at October 31, 2022	\$	4,744	\$	27,526	\$	11,428	\$	43,698
Acquisition, June 1, 2023		-		409		-		409
Recoveries of previous loan write-offs		30		171		4,286		4,487
Provision charged to net income		1,561		31,018		3,748		36,327
		6,335		59,124		19,462		84,921
Loans written off		(2,576)		(5,510)		(9,958)		(18,044)
As at October 31, 2023	\$	3,759	\$	53,614	\$	9,504	\$	66,877
Presented on Consolidated Statement of Financial Position as:								
Netted with members' loans and leases		3,558		52,135		7,576		63,269
Off balance sheet credit instruments <sup>(3)</sup>		201		1,479		1,928		3,608
Total	\$	3,759	\$	53,614	\$	9,504	\$	66,877

<sup>(1)</sup> Includes commercial loans, credit card, agriculture loans, and lease receivables

<sup>(2)</sup> Includes consumer loans and credit card

<sup>(3)</sup> Off balance sheet credit instruments consist of undrawn commitments and financial guarantees

The provision (recovery) charged to net income is:

		Year ended October 31 2024		Year ended October 31 2023
Loans and leases <sup>(1)</sup>	\$	72,138	\$	36,327
Investments		395		-
<b>Provision for (recovery of) credit losses</b>	<b>\$</b>	<b>72,533</b>	<b>\$</b>	<b>36,327</b>

<sup>(1)</sup> Includes provision on newly purchased loans amounting to \$12,927 during the period

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**9. ALLOWANCE FOR EXPECTED CREDIT LOSSES (CONTINUED)**

The following tables reconcile the opening and closing allowances for loans, by stage, for each major category:

**Allowance for credit losses – Residential Mortgages**

	Performing		Impaired		
	Stage 1	Stage 2	Stage 3	Stage 3 - POCI <sup>(5)</sup>	Total
<b>As at October 31, 2023</b>	\$ 1,198	\$ 1,849	\$ 712	\$ -	\$ 3,759
Transfers					
Stage 1 <sup>(1)</sup>	642	(607)	(35)	-	-
Stage 2 <sup>(1)</sup>	(156)	270	(114)	-	-
Stage 3 <sup>(1)</sup>	(8)	(84)	92	-	-
New originations <sup>(2)</sup>	1,425	573	1	-	1,999
Repayments <sup>(3)</sup>	(204)	(229)	(213)	-	(646)
Remeasurements <sup>(4)</sup>	(1,547)	406	1,650	(7)	502
Loans written off	-	-	(1,225)	-	(1,225)
Recoveries	-	-	1	-	1
<b>As at October 31, 2024</b>	\$ 1,350	\$ 2,178	\$ 869	\$ (7)	\$ 4,390
<b>Presented on Consolidated Statement of Financial Position as:</b>					
Netted with members' loans and leases	1,197	2,127	866	(7)	4,183
Off balance sheet credit instruments	153	51	3	-	207
<b>Total</b>	\$ 1,350	\$ 2,178	\$ 869	\$ (7)	\$ 4,390

	Performing		Impaired		
	Stage 1	Stage 2	Stage 3		Total
<b>As at October 31, 2022</b>	\$ 1,476	\$ 2,178	\$ 1,090	\$	\$ 4,744
Transfers					
Stage 1 <sup>(1)</sup>	935	(894)	(41)		-
Stage 2 <sup>(1)</sup>	(94)	188	(94)		-
Stage 3 <sup>(1)</sup>	(3)	(63)	66		-
New originations <sup>(2)</sup>	248	453	23		724
Repayments <sup>(3)</sup>	(123)	(223)	(223)		(569)
Remeasurements <sup>(4)</sup>	(1,241)	210	2,437		1,406
Loans written off	-	-	(2,576)		(2,576)
Recoveries	-	-	30		30
<b>As at October 31, 2023</b>	\$ 1,198	\$ 1,849	\$ 712	\$	\$ 3,759
<b>Presented on Consolidated Statement of Financial Position as:</b>					
Netted with members' loans and leases	1,038	1,808	712		3,558
Off balance sheet credit instruments	160	41	-		201
<b>Total</b>	\$ 1,198	\$ 1,849	\$ 712	\$	\$ 3,759

<sup>(1)</sup> Stage transfers represent movement between stages

<sup>(2)</sup> Represents the increase in allowance resulting from loans that were newly originated or purchased and reflect movement into different stages within the period

<sup>(3)</sup> Repayments relate to loans fully repaid or derecognized and exclude loans written off where a credit loss was incurred

<sup>(4)</sup> Represents the change in the allowance due to changed in economic factors, risk and model parameters

<sup>(5)</sup> Includes provision for (recovery of) credit losses related to POCI loans



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**9. ALLOWANCE FOR EXPECTED CREDIT LOSSES (CONTINUED)**

**Allowance for credit losses – Commercial Loans, Credit Card, Agriculture Loans, and Lease Receivables**

	Performing		Impaired		
	Stage 1	Stage 2	Stage 3	Stage 3 - POCI <sup>(5)</sup>	Total
<b>As at October 31, 2023</b>	\$ 5,188	\$ 2,166	\$ 46,260	\$ -	\$ 53,614
Transfers					
Stage 1 <sup>(1)</sup>	450	(233)	(217)	-	-
Stage 2 <sup>(1)</sup>	(109)	204	(95)	-	-
Stage 3 <sup>(1)</sup>	(20)	(192)	212	-	-
New originations <sup>(2)</sup>	9,127	514	1,797	-	11,438
Repayments <sup>(3)</sup>	(1,280)	(645)	(443)	-	(2,368)
Remeasurements <sup>(4)</sup>	9,509	3,677	23,213	8,290	44,689
Loans and leases written off	-	-	(29,870)	(406)	(30,276)
Recoveries	-	-	592	-	592
<b>As at October 31, 2024</b>	\$ 22,865	\$ 5,491	\$ 41,449	\$ 7,884	\$ 77,689
<b>Presented on Consolidated Statement of Financial Position as:</b>					
Netted with members' loans and leases	19,785	5,377	41,392	7,884	74,438
Off balance sheet credit instruments	3,080	114	57	-	3,251
<b>Total</b>	\$ 22,865	\$ 5,491	\$ 41,449	\$ 7,884	\$ 77,689

	Performing		Impaired		
	Stage 1	Stage 2	Stage 3		Total
<b>As at October 31, 2022</b>	\$ 6,229	\$ 1,684	\$ 19,613	\$	\$ 27,526
Acquisition, June 1, 2023	205	9	195		409
Transfers					
Stage 1 <sup>(1)</sup>	529	(375)	(154)		-
Stage 2 <sup>(1)</sup>	(193)	215	(22)		-
Stage 3 <sup>(1)</sup>	(35)	(569)	604		-
New originations <sup>(2)</sup>	1,522	385	511		2,418
Repayments <sup>(3)</sup>	(546)	(102)	(162)		(810)
Remeasurements <sup>(4)</sup>	(2,523)	919	31,014		29,410
Loans written off	-	-	(5,510)		(5,510)
Recoveries	-	-	171		171
<b>As at October 31, 2023</b>	\$ 5,188	\$ 2,166	\$ 46,260	\$	\$ 53,614
<b>Presented on Consolidated Statement of Financial Position as:</b>					
Netted with members' loans and leases	3,804	2,083	46,248		52,135
Off balance sheet credit instruments	1,384	83	12		1,479
<b>Total</b>	\$ 5,188	\$ 2,166	\$ 46,260	\$	\$ 53,614

<sup>(1)</sup> Stage transfers represent movement between stages

<sup>(2)</sup> Represents the increase in allowance resulting from loans that were newly originated or purchased and reflect movement into different stages within the period

<sup>(3)</sup> Repayments relate to loans fully repaid or derecognized and exclude loans written off where a credit loss was incurred

<sup>(4)</sup> Represents the change in the allowance due to changed in economic factors, risk and model parameters

<sup>(5)</sup> Includes provision for (recovery of) credit losses related to POCI loans

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**9. ALLOWANCE FOR EXPECTED CREDIT LOSSES (CONTINUED)**

**Allowance for credit losses – Consumer Loans and Credit Card**

	Performing		Impaired		
	Stage 1	Stage 2	Stage 3	Stage 3 - POCI <sup>(5)</sup>	Total
<b>As at October 31, 2023</b>	\$ 2,866	\$ 4,890	\$ 1,748	\$ -	\$ 9,504
Transfers					
Stage 1 <sup>(1)</sup>	1,816	(1,645)	(171)	-	-
Stage 2 <sup>(1)</sup>	(574)	823	(249)	-	-
Stage 3 <sup>(1)</sup>	(5)	(59)	64	-	-
New originations <sup>(2)</sup>	7,306	1,768	814	-	9,888
Repayments <sup>(3)</sup>	(975)	(507)	(223)	-	(1,705)
Remeasurements <sup>(4)</sup>	(5,098)	1,851	11,653	(65)	8,341
Loans written off	-	-	(16,353)	-	(16,353)
Recoveries	-	-	4,510	-	4,510
<b>As at October 31, 2024</b>	\$ 5,336	\$ 7,121	\$ 1,793	\$ (65)	\$ 14,185

**Presented on Consolidated Statement of Financial Position as:**

Netted with members' loans and leases	3,914	6,064	1,774	(65)	11,687
Off balance sheet credit instruments	1,422	1,057	19	-	2,498
<b>Total</b>	\$ 5,336	\$ 7,121	\$ 1,793	\$ (65)	\$ 14,185

	Performing		Impaired		
	Stage 1	Stage 2	Stage 3		Total
<b>As at October 31, 2022</b>	\$ 3,842	\$ 6,251	\$ 1,335	\$ -	\$ 11,428
Transfers					
Stage 1 <sup>(1)</sup>	2,539	(2,384)	(155)	-	-
Stage 2 <sup>(1)</sup>	(306)	379	(73)	-	-
Stage 3 <sup>(1)</sup>	(12)	(105)	117	-	-
New originations <sup>(2)</sup>	620	933	159	-	1,712
Repayments <sup>(3)</sup>	(309)	(454)	(123)	-	(886)
Remeasurements <sup>(4)</sup>	(3,508)	270	6,160	-	2,922
Loans written off	-	-	(9,958)	-	(9,958)
Recoveries	-	-	4,286	-	4,286
<b>As at October 31, 2023</b>	\$ 2,866	\$ 4,890	\$ 1,748	\$ -	\$ 9,504

**Presented on Consolidated Statement of Financial Position as:**

Netted with members' loans and leases	1,850	3,978	1,748	-	7,576
Off balance sheet credit instruments	1,016	912	-	-	1,928
<b>Total</b>	\$ 2,866	\$ 4,890	\$ 1,748	\$ -	\$ 9,504

<sup>(1)</sup> Stage transfers represent movement between stages

<sup>(2)</sup> Represents the increase in allowance resulting from loans that were newly originated or purchased and reflect movement into different stages within the period

<sup>(3)</sup> Repayments relate to loans fully repaid or derecognized and exclude loans written off where a credit loss was incurred

<sup>(4)</sup> Represents the change in the allowance due to changed in economic factors, risk and model parameters

<sup>(5)</sup> Includes provision for (recovery of) credit losses related to POCI loans

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## 10. CREDIT QUALITY OF MEMBERS' LOANS AND LEASES

The following table outlines the ranges used for the categorization of risk assessments:

Risk Assessment	FICO Score Range		Risk Rating Range	
	Insured Residential Mortgages	Conventional Residential Mortgages	Consumer <sup>(1)</sup>	Commercial <sup>(2)</sup>
Very low risk	800 +	800 +	800 +	1
Low risk	701 - 799	701 - 799	701 - 799	2 and 3
Medium risk	600 - 700	650 - 700	650 - 700	4 and 5
High risk/impaired	599 or less	649 or less	649 or less	6, 7, 8, and 9

<sup>(1)</sup> Includes consumer loans and credit card

<sup>(2)</sup> Includes commercial loans, credit card, agriculture loans, and lease receivables

The following table presents the gross carrying amount of the loans subject to impairment by risk category:

As at October 31, 2024	Residential Mortgages		Commercial <sup>(1)</sup>		Consumer <sup>(2)</sup>		Total
<b>Risk Categories</b>							
Very low risk	\$	5,330,371	\$	25,622	\$	546,659	\$ 5,902,652
Low risk		4,409,464		4,167,295		665,884	9,242,643
Medium risk		1,973,389		6,033,350		378,757	8,385,496
High risk		788,184		250,206		178,843	1,217,233
Impaired <sup>(3)</sup>		19,534		165,779		6,325	191,638
<b>Total members' loans and leases</b>	<b>\$</b>	<b>12,520,942</b>	<b>\$</b>	<b>10,642,252</b>	<b>\$</b>	<b>1,776,468</b>	<b>\$ 24,939,662</b>

<sup>(1)</sup> Includes commercial loans, credit card, agriculture loans, and lease receivables

<sup>(2)</sup> Includes consumer loans and credit card

<sup>(3)</sup> Stage 3 includes POCI loans of \$60.8 Million and a related allowance for loan losses of \$0.74 Million, which have been included in the "Impaired" risk rating category as they were impaired at acquisition as they were impaired at acquisition

As at October 31, 2023	Residential Mortgages		Commercial <sup>(1)</sup>		Consumer <sup>(2)</sup>		Total
<b>Risk Categories</b>							
Very low risk	\$	3,773,447	\$	18,920	\$	398,946	\$ 4,191,313
Low risk		3,494,690		3,318,206		512,378	7,325,274
Medium risk		1,513,696		4,059,101		200,250	5,773,047
High risk		560,018		185,619		110,427	856,064
Impaired		13,986		104,132		5,540	123,658
<b>Total members' loans and leases</b>	<b>\$</b>	<b>9,355,837</b>	<b>\$</b>	<b>7,685,978</b>	<b>\$</b>	<b>1,227,541</b>	<b>\$ 18,269,356</b>

<sup>(1)</sup> Includes commercial loans, credit card, agriculture loans, and lease receivables

<sup>(2)</sup> Includes consumer loans and credit card

The following table presents the amount of undrawn loan commitments subject to impairment by risk category:

As at October 31, 2024	Residential Mortgages		Commercial <sup>(1)</sup>		Consumer <sup>(2)</sup>		Total
<b>Risk Categories</b>							
Very low risk	\$	1,666,480	\$	192,688	\$	853,804	\$ 2,712,972
Low risk		1,265,767		1,845,508		450,096	3,561,371
Medium risk		66,157		474,840		75,576	616,573
High risk		20,635		11,813		28,976	61,424
Impaired		359		484		267	1,110
<b>Total off balance sheet credit instruments</b>	<b>\$</b>	<b>3,019,398</b>	<b>\$</b>	<b>2,525,333</b>	<b>\$</b>	<b>1,408,719</b>	<b>\$ 6,953,450</b>

<sup>(1)</sup> Includes commercial loans, credit card, agriculture loans, and lease receivables

<sup>(2)</sup> Includes consumer loans and credit card

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**10. CREDIT QUALITY OF MEMBERS' LOANS AND LEASES (CONTINUED)**

As at October 31, 2023	Residential Mortgages	Commercial <sup>(1)</sup>	Consumer <sup>(2)</sup>	Total
Risk Categories				
Very low risk	\$ 1,188,266	\$ 200,106	\$ 671,696	\$ 2,060,068
Low risk	1,011,688	1,203,675	308,163	2,523,526
Medium risk	50,388	393,476	63,258	507,122
High risk	20,078	14,507	27,973	62,558
Impaired	470	3,980	17	4,467
Total off balance sheet credit instruments	\$ 2,270,890	\$ 1,815,744	\$ 1,071,107	\$ 5,157,741

<sup>(1)</sup> Includes commercial loans, credit card, agriculture loans, and lease receivables

<sup>(2)</sup> Includes consumer loans and credit card

Loans Past Due, as at October 31, 2024	Up to 30 Days	31 to 59 Days	60 to 89 Days	90 Days and Above	Total
<b>Stage 1</b>					
Residential mortgages	\$ 63,550	\$ -	\$ -	\$ -	\$ 63,550
Commercial <sup>(1)</sup>	72,251	-	-	-	72,251
Consumer <sup>(2)</sup>	24,085	-	-	-	24,085
<b>Stage 2</b>					
Residential mortgages	29,760	32,302	12,116	6,666	80,844
Commercial <sup>(1)</sup>	19,514	43,242	21,951	70,839	155,546
Consumer <sup>(2)</sup>	9,252	7,070	4,039	88	20,449
<b>Stage 3</b>					
Residential mortgages	298	236	231	18,266	19,031
Commercial <sup>(1)</sup>	250	874	915	162,727	164,766
Consumer <sup>(2)</sup>	105	120	138	7,143	7,506
<b>Total</b>	<b>\$ 219,065</b>	<b>\$ 83,844</b>	<b>\$ 39,390</b>	<b>\$ 265,729</b>	<b>\$ 608,028</b>

<sup>(1)</sup> Includes commercial loans, credit card, agriculture loans, and lease receivables

<sup>(2)</sup> Includes consumer loans and credit card

Loans Past Due, as at October 31, 2023	Up to 30 Days	31 to 59 Days	60 to 89 Days	90 Days and above	Total
<b>Stage 1</b>					
Residential mortgages	\$ 63,341	\$ -	\$ -	\$ -	\$ 63,341
Commercial <sup>(1)</sup>	17,362	-	-	-	17,362
Consumer <sup>(2)</sup>	19,291	-	-	-	19,291
<b>Stage 2</b>					
Residential mortgages	24,600	34,280	13,783	7,023	79,686
Commercial <sup>(1)</sup>	12,161	73,562	55,433	27,593	168,749
Consumer <sup>(2)</sup>	6,210	6,807	3,593	65	16,675
<b>Stage 3</b>					
Residential mortgages	-	-	-	13,951	13,951
Commercial <sup>(1)</sup>	11,856	64	1,152	83,874	96,946
Consumer <sup>(2)</sup>	-	-	-	5,783	5,783
<b>Total</b>	<b>\$ 154,821</b>	<b>\$ 114,713</b>	<b>\$ 73,961</b>	<b>\$ 138,289</b>	<b>\$ 481,784</b>

<sup>(1)</sup> Includes commercial loans, credit card, agriculture loans, and lease receivables

<sup>(2)</sup> Includes consumer loans and credit card

The Credit Union has documented policies and procedures in place for the valuation of financial and non-financial collateral. For impaired loans and leases, an assessment of the collateral is taken into consideration when estimating the net realizable amount of the loan or lease.

The amount and types of collateral required depend on the Credit Union's assessment of members' credit quality and repayment capacity. Non-financial collateral taken by the Credit Union includes vehicles, residential real estate, real estate under development, business assets such as trade receivables, inventory, and property and equipment. The main types of financial collateral taken by the Credit Union include mortgage, cash, negotiable securities and investments. Guarantees are also taken to reduce credit risk exposure risk.

Loans and Leases by Security	As at October 31 2024	As at October 31 2023
Insured loans and mortgages	\$ 3,945,944	\$ 3,633,504
Secured by mortgage	17,972,383	12,795,438
Secured by equipment and other	2,149,740	1,215,543
Unsecured loans	601,650	368,708
Unsecured credit card	269,945	256,163
<b>Total</b>	<b>\$ 24,939,662</b>	<b>\$ 18,269,356</b>

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**11. ASSETS HELD FOR SALE**

	As at October 31 2024	As at October 31 2023
Foreclosed property	\$ 5,418	\$ 2,074
Other land and buildings	560	1,966
Reposessed equipment	5,008	2,087
<b>Total</b>	<b>\$ 10,986</b>	<b>\$ 6,127</b>

Management has concluded that an impairment on assets held for sale was required to be recorded by the Credit Union. An impairment loss of \$3,145 (2023 – \$1,356) has been recorded in the consolidated statement of income.

**12. OTHER ASSETS**

	As at October 31 2024	As at October 31 2023
Accounts receivable and other receivables	\$ 25,541	\$ 25,461
Prepaid expenses	37,439	25,754
Net investment in subleases	3,960	-
Inventory	269	-
<b>Total</b>	<b>\$ 67,209</b>	<b>\$ 51,215</b>

**13. PROPERTY AND EQUIPMENT**

	Land	Buildings	Leasehold Improvement	Furniture, Office Equipment and Vehicles	Computer Equipment	Total
<b>Cost</b>						
Balance as at October 31, 2022	\$ 26,354	\$ 160,818	\$ 43,616	\$ 30,987	\$ 25,837	\$ 287,612
Acquisition, June 1, 2023	-	-	-	13	84	97
Additions	-	5,309	2,818	3,354	2,208	13,689
Disposals	-	(1,895)	(695)	(1,492)	(2,726)	(6,808)
Transfer (to) from assets held for sale	(624)	(7,049)	-	(12)	-	(7,685)
Transfer to investment property	-	(178)	-	-	-	(178)
Balance as at October 31, 2023	\$ 25,730	\$ 157,005	\$ 45,739	\$ 32,850	\$ 25,403	\$ 286,727
Acquisition, May 1, 2024	6,821	27,492	13,032	7,200	1,908	56,453
Additions	-	3,586	2,501	2,235	3,666	11,988
Disposals	-	(3,207)	(1,495)	(2,095)	(4,865)	(11,662)
Transfer to investment property	(22)	(263)	-	-	-	(285)
<b>Balance as at October 31, 2024</b>	<b>\$ 32,529</b>	<b>\$ 184,613</b>	<b>\$ 59,777</b>	<b>\$ 40,190</b>	<b>\$ 26,112</b>	<b>\$ 343,221</b>
<b>Accumulated Depreciation</b>						
Balance as at October 31, 2022	\$ -	\$ 82,991	\$ 32,329	\$ 19,855	\$ 17,350	\$ 152,525
Acquisition, June 1, 2023	-	-	-	2	62	64
Depreciation	-	4,548	1,430	2,777	3,734	12,489
Disposals	-	(1,323)	(695)	(1,480)	(2,681)	(6,179)
Transfer to assets held for sale	-	(5,712)	-	(8)	-	(5,720)
Transfer from investment property	-	36	-	-	-	36
Balance as at October 31, 2023	\$ -	\$ 80,540	\$ 33,064	\$ 21,146	\$ 18,465	\$ 153,215
Depreciation	-	6,178	2,718	3,520	3,702	16,118
Disposals	-	(2,440)	(1,480)	(1,913)	(4,728)	(10,561)
Transfer to investment property	-	(47)	-	-	-	(47)
<b>Balance as at October 31, 2024</b>	<b>\$ -</b>	<b>\$ 84,231</b>	<b>\$ 34,302</b>	<b>\$ 22,753</b>	<b>\$ 17,439</b>	<b>\$ 158,725</b>
<b>Net Book Value</b>						
At October 31, 2023	25,730	76,465	12,675	11,704	6,938	133,512
<b>At October 31, 2024</b>	<b>32,529</b>	<b>100,382</b>	<b>25,475</b>	<b>17,437</b>	<b>8,673</b>	<b>184,496</b>

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## 14. LEASES

### Leases as Lessee

		Land		Buildings		Other Equipment		Computer Equipment		Total
<b>Cost</b>										
Balance as at October 31, 2022	\$	3,061	\$	78,649	\$	745	\$	1,108	\$	83,563
Additions		1,806		1,957		13		79		3,855
Disposals		(64)		(32)		-		-		(96)
Balance as at October 31, 2023	\$	4,803	\$	80,574	\$	758	\$	1,187	\$	87,322
Acquisition, May 1, 2024		-		28,601		18		-		28,619
Additions		607		15,467		86		81		16,241
Disposals		(2,624)		(2,071)		-		-		(4,695)
<b>Balance as at October 31, 2024</b>	<b>\$</b>	<b>2,786</b>	<b>\$</b>	<b>122,571</b>	<b>\$</b>	<b>862</b>	<b>\$</b>	<b>1,268</b>	<b>\$</b>	<b>127,487</b>
<b>Accumulated Depreciation</b>										
Balance as at October 31, 2022	\$	414	\$	16,410	\$	166	\$	935	\$	17,925
Depreciation		330		6,152		61		132		6,675
Disposals		(10)		(2)		-		-		(12)
Balance as at October 31, 2023	\$	734	\$	22,560	\$	227	\$	1,067	\$	24,588
Depreciation		339		8,558		65		123		9,085
Disposals		(459)		(980)		-		-		(1,439)
<b>Balance as at October 31, 2024</b>	<b>\$</b>	<b>614</b>	<b>\$</b>	<b>30,138</b>	<b>\$</b>	<b>292</b>	<b>\$</b>	<b>1,190</b>	<b>\$</b>	<b>32,234</b>
<b>Net Book Value</b>										
At October 31, 2023		4,069		58,014		531		120		62,734
<b>At October 31, 2024</b>		<b>2,172</b>		<b>92,433</b>		<b>570</b>		<b>78</b>		<b>95,253</b>

For the year ended October 31, 2024, the Credit Union had non-cash additions to leased assets of \$16,241 (2023 - \$3,856), lease liabilities of \$16,426 (2023 - \$3,857) and interest expense related to leases of \$4,379 (2023 - \$3,347). Lease interest expense is recorded in occupancy expense and leased assets depreciation is recorded in depreciation expense in the consolidated statement of income.

Present value of future lease payments are as follows:

		As at October 31 2024		As at October 31 2023
Within 1 year	\$	14,603	\$	8,654
Between 1 and 5 years		53,335		30,972
After 5 years		84,061		59,174
<b>Total future lease payments</b>	<b>\$</b>	<b>151,999</b>	<b>\$</b>	<b>98,800</b>
Less present value discount		41,654		26,481
<b>Total lease liabilities</b>	<b>\$</b>	<b>110,345</b>	<b>\$</b>	<b>72,319</b>

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## 14. LEASES (CONTINUED)

### Leases as Lessor

Stride Capital serves as lessor of equipment in the energy, construction, agriculture, and transportation industries.

Interest income on lease receivables for the year ending October 31, 2024 is \$21,796 (2023 - \$6,336) and is included in Interest income on the consolidated statement of income. Adjusted net investment in leases is included in Members' loans and leases on the consolidated statement of financial position. For the year ended October 31, 2024, the Credit Union has not sold any lease assets. The amounts receivable for the assets leased do not vary due to changes in circumstances after the commencement date, and all interest rates are fixed. Since the leases transfer substantially all the benefits and risks of equipment ownership to the lessee, the lessor does not retain any rights in the underlying leased assets.

The following table shows changes to the carrying amount of the net investment in finance leases:

	As at October 31, 2024	As at October 31, 2023
Minimum lease payments	\$ 314,659	\$ 192,503
Unearned finance income	(48,807)	(28,937)
Unguaranteed residual values	1,157	1,372
<b>Net investment in leases</b>	<b>267,009</b>	<b>164,938</b>
Allowance for credit losses	(2,481)	(762)
Fair value adjustment	(377)	(1,884)
<b>Adjusted net investment in leases</b>	<b>264,151</b>	<b>162,292</b>

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received:

	2024	2023
Within 1 year	95,795	65,230
Between 1 and 2 years	84,225	53,863
Between 2 and 3 years	67,665	38,186
Between 3 and 4 years	44,011	22,513
Between 4 and 5 years	19,035	10,118
After 5 years	3,928	2,592
<b>Total undiscounted lease receivable</b>	<b>314,659</b>	<b>192,502</b>

Alberta Central subleases premises space to PPJV. The subleases are classified as finance leases.

Income earned on subleases for the year ending October 31, 2024 is \$108 and is included in non-interest income on the consolidated statement of income. Adjusted net investment in subleases is included in Other assets on the consolidated statement of financial position.

The future undiscounted lease payments to be received are as follows:

	2024
Within 1 year	580
Between 1 and 5 years	3,379
After 5 years	831
<b>Total undiscounted lease receivable</b>	<b>4,790</b>

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**15. INVESTMENT PROPERTY**

		<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<b>Cost</b>				
Balance as at October 31, 2022	\$	1,523	\$ 10,442	\$ 11,965
Transfer from property and equipment		-	178	178
Balance as at October 31, 2023	\$	1,523	\$ 10,620	\$ 12,143
Acquisition, May 1, 2024		193	2,003	2,196
Transfer from property and equipment		22	263	285
Disposals		(381)	(1,692)	(2,073)
<b>Balance as at October 31, 2024</b>	<b>\$</b>	<b>1,357</b>	<b>\$ 11,194</b>	<b>\$ 12,551</b>
<b>Accumulated Depreciation</b>				
Balance as at October 31, 2022	\$	-	\$ 6,268	\$ 6,268
Depreciation		-	231	231
Transfer from property and equipment		-	(36)	(36)
Balance as at October 31, 2023	\$	-	\$ 6,463	\$ 6,463
Depreciation		-	257	257
Transfer from property and equipment		-	47	47
Disposals		-	(138)	(138)
<b>Balance as at October 31, 2024</b>	<b>\$</b>	<b>-</b>	<b>\$ 6,629</b>	<b>\$ 6,629</b>
<b>Net Book Value</b>				
At October 31, 2023		1,523	4,157	5,680
<b>At October 31, 2024</b>		<b>1,357</b>	<b>4,565</b>	<b>5,922</b>

The fair value of investment property held is \$13,830 (2023 – \$11,509).

	<b>As at October 31 2024</b>	<b>As at October 31 2023</b>
<b>Income Related To Investment Property</b>		
Rental income	\$ 933	\$ 884
Direct operating expense from property generating rental income	821	757
<b>Total</b>	<b>\$ 112</b>	<b>\$ 127</b>

Future rental payments receivable are as follows:

	<b>As at October 31 2024</b>	<b>As at October 31 2023</b>
Less than 1 year	\$ 820	\$ 517
Between 1 and 5 years	2,272	1,724
More than 5 years	2,534	2,446
<b>Total</b>	<b>\$ 5,626</b>	<b>\$ 4,687</b>



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## 16. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at October 31, 2024			As at October 31, 2023		
	Gross Financial Assets	Gross Financial Liabilities	Net	Gross Financial Assets	Gross Financial Liabilities	Net
Equity-linked options	\$ 17,445	\$ (17,304)	\$ 141	\$ 4,538	\$ (4,450)	\$ 88
Interest rate swaps	4,783	(10,767)	(5,984)	-	(27,109)	(27,109)
Foreign exchange forwards	19	(19)	-	-	-	-
<b>Total</b>	<b>\$ 22,247</b>	<b>\$ (28,090)</b>	<b>\$ (5,843)</b>	<b>\$ 4,538</b>	<b>\$ (31,559)</b>	<b>\$ (27,021)</b>

As of the current reporting date there are no derivative financial instrument contracts subject to an enforceable master netting agreement.

The notional amounts of derivative financial instrument contracts maturing at various times are:

	1 to 3 Months	3 to 12 Months	1 to 5 Years	As at October 31 2024	As at October 31 2023
Interest rate swaps					
receive fixed, pay floating	\$ 319,749	\$ -	\$ 195,000	\$ 514,749	\$ 600,000
Equity-linked options	13,761	31,467	104,974	150,202	115,525
Foreign exchange forwards	300	-	-	300	-
<b>Total</b>	<b>\$ 333,810</b>	<b>\$ 31,467</b>	<b>\$ 299,974</b>	<b>\$ 665,251</b>	<b>\$ 715,525</b>

### Equity-linked Options

Equity-linked options are used to fix costs on term deposit liabilities that pay a return to the deposit holder based on the change in equity market indices. The embedded derivative in the term deposit liability and the option derivative are marked to market through interest income investments and have similar principal values and maturity dates. The fair value of the equity-linked derivative contract is separately presented as part of derivative instrument assets.

### Interest Rate Swaps

Interest rate swaps are agreements where two counterparties exchange a series of interest payments based on different interest rates applied to a notional amount.

Due to the fluctuations in interest rates, the fair value of interest rate swaps for the Credit Union may be presented as an asset or liability on the consolidated statement of financial position.

### Foreign Exchange Forwards

Foreign exchange forwards are agreements where two counterparties agree to exchange one currency for another at a future date on a specified notional amount.

## 17. INVESTMENT IN ASSOCIATE

### Alberta Central Ltd.

Alberta Central is the central banking facility, service bureau and trade association for Alberta credit unions. The proportion of ownership interest held by the Credit Union as at October 31, 2024, is 81% (2023 – 58.3%).

As of May 1, 2024 the Credit Union has acquired control over Alberta Central due to the merger with cFCU. As such, the information presented below will include results for 2023 and up to April 30, 2024 as Alberta Central results are consolidated in the Credit Union's results subsequent to May 1, 2024 (see note 5).

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**17. INVESTMENT IN ASSOCIATE (CONTINUED)**

The table below is summarized from monthly financial statements provided by Alberta Central:

	<b>As at October 31 2024</b>	<b>As at October 31 2023</b>
<b>Financial Information from Alberta Central</b>		
Assets	\$ 4,158,457	\$ 3,864,160
Liabilities	3,750,990	3,494,650
Revenues <sup>(1)</sup>	185,570	154,581
(Loss) income before distributions <sup>(1)</sup>	2,311	(683)
Income tax recovery from distributions <sup>(1)</sup>	-	978
Other comprehensive income (loss) <sup>(1)</sup>	19,325	5,790

<sup>(1)</sup> Amounts represent income (loss) between November 1 to October 31

	<b>As at May 1 2024</b>	<b>As at October 31 2023</b>
<b>Investment in Associate - Alberta Central</b>		
Opening balance	\$ 210,536	\$ 199,623
Purchase of additional shares	11,776	9,796
Share of profits	2,290	173
Share of other comprehensive income	5,165	3,293
Distributions	-	(2,349)
Consideration exchanged for acquisition	(229,767)	-
<b>Total</b>	\$ -	\$ 210,536

The summary of outstanding balances in the consolidated statement of financial position and transactions in the consolidated statement of income with associate are summarized in the table below. Subsequent to April 30, 2024 Alberta Central's results are consolidated.

<b>Alberta Central</b>	<b>As at October 31 2023</b>
Cash	\$ 49,012
Term deposits	1,484,866
Accrued interest on term deposits	8,867
Other assets	1,426
Alberta Central line of credit	8,334
Trade payables and other liabilities	14,241

  

	<b>As at April 30 2024</b>	<b>As at October 31 2023</b>
Interest income <sup>(1)</sup>	\$ 29,782	\$ 30,753
Interest expense <sup>(1)</sup>	1,076	4,044
Other income <sup>(1)</sup>	572	889
Membership fees expense <sup>(1)</sup>	1,722	3,559
Other expense <sup>(1)</sup>	1,181	2,384

<sup>(1)</sup> Amounts represent income (loss) between November 1 to April 30, 2024

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## 17. INVESTMENT IN ASSOCIATE (CONTINUED)

The following associates are individually immaterial to the Credit Union's financial statements:

Investment in Associate	As at October 31, 2024			
	CU CUMIS	RemainCo	HoldCo	Total
Investment in associate through consolidation of Alberta Central	\$ 24,095	\$ -	\$ -	\$ 24,095
Share of net income (loss)	48	(4,769)	348	(4,373)
Share of other comprehensive income (loss)	299	-	-	299
Impairment of investment	-	(1,470)	-	(1,470)
<b>Total comprehensive income (loss)</b>	<b>347</b>	<b>(6,239)</b>	<b>348</b>	<b>(5,544)</b>
Loans converted to equity	-	8,372	-	8,372
Capital contribution (withdrawal)	-	(2,836)	5,836	3,000
<b>Total carrying amount of investment in associate</b>	<b>\$ 24,442</b>	<b>\$ (703)</b>	<b>\$ 6,184</b>	<b>\$ 29,923</b>

## 18. INTANGIBLE ASSETS AND GOODWILL

	Purchased Software and Other	Internally Developed Software	Computer Software Under Development	Credit Card Related Intangible	Customer Relationships	Total Intangible Assets	Goodwill
<b>Cost</b>							
Balance as at October 31, 2022	\$ 4,173	\$ 84,615	\$ 16,103	\$ 28,707	\$ -	\$ 133,598	\$ -
Acquisition, June 1, 2023	-	-	-	-	3,400	3,400	19,173
Additions	21	7	8,081	-	-	8,109	-
Disposals	(484)	(647)	-	-	-	(1,131)	-
Impairment	-	-	(1,083)	-	-	(1,083)	-
Transfers	-	2,842	(2,842)	-	-	-	-
Balance as at October 31, 2023	\$ 3,710	\$ 86,817	\$ 20,259	\$ 28,707	\$ 3,400	\$ 142,893	\$ 19,173
Acquisition, May 1, 2024	3,848	7,379	31,512	-	4,477	47,216	-
Additions	-	33,174	(28,141)	-	3,370	8,403	-
Disposals	(492)	(17,618)	-	-	-	(18,110)	-
Transfers	-	23,255	(23,255)	-	-	-	-
<b>Balance as at October 31, 2024</b>	<b>\$ 7,066</b>	<b>\$ 133,007</b>	<b>\$ 375</b>	<b>\$ 28,707</b>	<b>\$ 11,247</b>	<b>\$ 180,402</b>	<b>\$ 19,173</b>
<b>Accumulated Amortization</b>							
Balance as at October 31, 2022	\$ 2,688	\$ 63,763	\$ -	\$ 13,636	\$ -	\$ 80,087	\$ -
Amortization	451	7,558	-	2,871	236	11,116	-
Disposals	(484)	(620)	-	-	-	(1,104)	-
Balance as at October 31, 2023	\$ 2,655	\$ 70,701	\$ -	\$ 16,507	\$ 236	\$ 90,099	\$ -
Amortization	1,282	19,225	-	2,871	869	24,247	-
Disposals	(462)	(17,618)	-	-	-	(18,080)	-
<b>Balance as at October 31, 2024</b>	<b>\$ 3,475</b>	<b>\$ 72,308</b>	<b>\$ -</b>	<b>\$ 19,378</b>	<b>\$ 1,105</b>	<b>\$ 96,266</b>	<b>\$ -</b>
<b>Net Book Value</b>							
As at October 31, 2023	1,055	16,116	20,259	12,200	3,164	52,794	19,173
<b>As at October 31, 2024</b>	<b>3,591</b>	<b>60,699</b>	<b>375</b>	<b>9,329</b>	<b>10,142</b>	<b>84,136</b>	<b>19,173</b>

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## 19. INCOME TAXES

### Income tax expense:

The significant components of tax expense included in the consolidated statement of income are:

Income Tax Expense	2024	2023
<b>Current tax expense</b>		
Based on current year taxable income	\$ 31,538	\$ 26,347
Adjustments for (over) under provision in prior periods	(1,016)	13
Sub total	30,522	26,360
<b>Deferred tax (recovery) expense</b>		
Origination and reversal of temporary differences	(7,131)	(3,753)
Adjustments for under (over) provision in prior periods	889	(80)
Sub total	(6,242)	(3,833)
<b>Total</b>	<b>\$ 24,280</b>	<b>\$ 22,527</b>

### Reconciliation of effective tax rate:

	2024		2023	
Income before income taxes	\$ 156,204		\$ 100,369	
Income tax expense based on statutory rate	35,928	23.00%	23,110	23.00%
Effect on non-deductible expenses	1,954	1.25%	(516)	(0.51%)
Effect of tax rate change	101	0.06%	-	-
Adjustments for over provision in prior periods	(128)	(0.08%)	(67)	(0.07%)
Non-taxable gain on acquisition	(13,723)	(8.79%)	-	0.00%
Other	148	0.09%	-	0.00%
<b>Total income tax expense</b>	<b>\$ 24,280</b>	<b>15.53%</b>	<b>\$ 22,527</b>	<b>22.42%</b>

### Deferred tax assets and liabilities:

The movement in deferred tax assets and liabilities is:

Deferred Tax Assets and Liabilities	As at October 31 2023	Recognized on Business Combination	Recognized in Net Income	Recognized in OCI	Recognized in AOCI	As at October 31 2024
Deferred tax assets (liabilities):						
Allowance for expected credit losses	\$ 5,544	\$ 40,307	\$ (4,214)	\$ 28	\$ -	\$ 41,665
Property, equipment and intangibles	(5,971)	(4,433)	2,639	-	-	(7,765)
Lease receivables and related tax assets	(5,167)	-	(3,877)	-	-	(9,044)
Derivative instruments	93	-	(42)	-	-	51
Investment in associate	(8,360)	-	5,423	(1,188)	2,145	(1,980)
Reserves and other liabilities	3,497	838	6,189	81	-	10,605
Leased assets	(14,428)	(5,407)	(983)	-	-	(20,818)
Lease liabilities	16,632	5,421	1,303	-	-	23,356
Non-capital losses	4,104	17,357	611	(3,074)	-	18,998
Employee benefits and other payables	-	(1,058)	4	-	-	(1,054)
Other	-	1,654	(811)	(2)	-	841
<b>Net consolidated deferred tax assets (liabilities)</b>	<b>\$ (4,056)</b>	<b>\$ 54,679</b>	<b>\$ 6,242</b>	<b>\$ (4,155)</b>	<b>\$ 2,145</b>	<b>\$ 54,855</b>

Deferred Tax Assets and Liabilities	As at October 31 2022	Recognized on Business Combination	Recognized in Net Income	Recognized in OCI	Recognized in Equity	As at October 31 2023
Deferred tax assets (liabilities):						
Allowance for expected credit losses	\$ 5,578	\$ 94	\$ (128)	\$ -	\$ -	\$ 5,544
Property, equipment and intangibles	(9,901)	2,424	1,506	-	-	(5,971)
Lease receivables and related tax assets	-	(1,654)	(3,513)	-	-	(5,167)
Derivative instruments	84	-	9	-	-	93
Investment in associate	(8,244)	-	641	(2,263)	1,506	(8,360)
Reserves and other liabilities	3,450	(864)	935	(24)	-	3,497
Leased assets	(15,096)	-	668	-	-	(14,428)
Lease liabilities	17,022	-	(390)	-	-	16,632
Non-capital losses	-	-	4,104	-	-	4,104
<b>Net consolidated deferred tax assets (liabilities)</b>	<b>\$ (7,107)</b>	<b>\$ -</b>	<b>\$ 3,832</b>	<b>\$ (2,287)</b>	<b>\$ 1,506</b>	<b>\$ (4,056)</b>

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## 20. BORROWINGS

	As at October 31 2023	Acquisition May 1 2024	Advances	Repayments	As at October 31 2024	Interest and Fee Payments
Line of credit	\$ 8,334	\$ -	\$ 842,311	\$ (850,645)	\$ -	\$ 180
Revolving	-	-	-	-	-	1,012
Commercial paper	-	198,771	445,522	(445,237)	199,056	4,843
<b>Total</b>	<b>\$ 8,334</b>	<b>\$ 198,771</b>	<b>\$ 1,287,833</b>	<b>\$ (1,295,882)</b>	<b>\$ 199,056</b>	<b>\$ 6,035</b>

	As at October 31 2022	Advances	Repayments	As at October 31 2023	Interest and Fee Payments
Line of credit	\$ -	\$ 1,541,358	\$ (1,533,024)	\$ 8,334	\$ 449
Revolving	-	-	-	-	978
Non-Revolving	200,000	185,000	(385,000)	-	487
<b>Total</b>	<b>\$ 200,000</b>	<b>\$ 1,726,358</b>	<b>\$ (1,918,024)</b>	<b>\$ 8,334</b>	<b>\$ 1,914</b>

### Commercial Paper

Alberta Central is authorized to issue commercial paper to a maximum of \$600,000. Amounts bear interest at a weighted-average rate of 4.35% and have a weighted average term of 91 days.

### Caisse Centrale Desjardins

The Credit Union has a credit facility agreement with Caisse Central Desjardins (CCD). The facility consists of a three year revolving term loan available in Canadian dollars, with a maximum credit available of \$75,000. The maturity date of the credit facility is July 29, 2025.

The loans may be structured as either due on demand or repayable for periods of one to three months for each advance. Interest is calculated at Adjusted Term Corra or CCD cost of funds depending on the facility and duration chosen as determined from time to time. A standby fee is paid quarterly for any undrawn amounts from the facility.

Borrowings are secured by eligible residential mortgages and by a debenture in favor of CCD, creating a floating charge over eligible residential mortgages of the Credit Union.

### Canadian Imperial Bank of Commerce

#### Revolving Credit Facility

The Credit Union has a credit facility agreement with the Canadian Imperial Bank of Commerce (CIBC). The facility allows for multiple advances within 364 days available in Canadian dollars renewable annually, with a maximum credit available of \$200,000.

The advances drawn may be structured as either due on demand or repayable for periods of one to three months for each advance. Interest is calculated at CIBC prime rate or Adjusted Daily Compounded CORRA or Adjusted Term CORRA depending on the facility and duration chosen as determined from time to time. A standby fee is paid quarterly for any undrawn amounts from the facility.

Borrowings are secured by eligible residential mortgages and by a debenture in favour of CIBC, creating a floating charge over eligible residential mortgages of the Credit Union.

Amounts are due on demand and bear interest at the Bank of Canada overnight rate, or such other rate charged by the Bank of Canada, for Canadian dollar advances. For US dollar advances, amounts bear interest at the rate charged to Central 1 by the correspondent US bank.

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## 21. SECURITIZATION LIABILITIES

Securitization Liabilities	Maturity Date	Interest Rate	As at October 31 2024	As at October 31 2023
Loans	Dec 1, 2024 to Oct 1, 2029	0.33% to 4.44%	\$ 1,599,878	\$ 1,371,051
Leasing	Nov 1, 2024 to Oct 1, 2029	2.72% to 7.52%	44,935	83,273
<b>Total</b>			<b>\$ 1,644,813</b>	<b>\$ 1,454,324</b>

### Loan Securitization Liabilities

Securitization of residential and commercial mortgages provide the Credit Union with additional sources of liquidity. These are guaranteed by the Canada Mortgage and Housing Corporation through the Government of Canada's *National Housing Act* Mortgage-Backed Securities and Canada Mortgage Bonds (CMB) programs. The Credit Union sells the securitized loans to third party investors or through the CMB program.

Securitization liabilities interest payments made for the year are \$40,714 (2023 - \$16,189). Interest received for unsold mortgage pools during the year are \$14,306 (2023 - \$2,683).

The carrying amount as at October 31, 2024, of the associated residential and commercial mortgages held as security is \$2,487,108 (2023 - \$1,714,986). As a result of the transaction, the Credit Union receives the net differential between the monthly interest receipts of the mortgages and the interest expense on the liabilities.

### Leasing Securitization Liabilities

During the year, Stride Capital securitized lease receivables to third party facilities which are repayable on the basis of amounts collected from the related pledged lease receivables and secured by the net investment in leases. The carrying amounts of the lease receivables held as security as at October 31, 2024 is \$47,286 (2023 - \$84,695). The interest payments on the securitization liabilities made during the year are \$4,171 (2023 - \$1,970).

These agreements have a cash reserve requirement where cash is to be held in trust as security for the securitization liabilities. The funds are released to Stride Capital when the balance in the account exceeds a certain percentage of the carrying value of the leases transferred. The funds in the cash reserve as at October 31, 2024 is \$3,382 (2023 - \$6,278).

Stride Capital is required to meet specific covenants with the securitization partners; at October 31, 2024 all covenants are in compliance.

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**22. MEMBERS' DEPOSITS**

	As at October 31 2024	As at October 31 2023
Demand accounts	\$ 10,416,463	\$ 7,929,922
Term deposits	9,447,342	5,660,892
Registered plans	4,273,956	2,908,342
Other deposits	13,272	12,891
	<b>24,151,033</b>	16,512,047
Accrued interest	263,415	150,557
<b>Total</b>	<b>\$ 24,414,448</b>	<b>\$ 16,662,604</b>

**23. TRADE PAYABLES AND OTHER LIABILITIES**

	As at October 31 2024	As at October 31 2023
Cheques and other items in transit	\$ 33,797	\$ 27,867
Accounts payable	220,164	151,057
Credit card points liability	7,515	8,774
Dividend and patronage to members	30,040	30,595
Deferred income	19,184	12,980
Legal provisions	435	143
Contingent consideration	3,433	4,182
Accrued interest on borrowings	221	370
<b>Total</b>	<b>\$ 314,789</b>	<b>\$ 235,968</b>

In the ordinary course of business, the Credit Union and its subsidiaries are involved in various legal and regulatory actions. The Credit Union establishes legal provisions when it becomes probable that the Credit Union will incur a loss and the amount can be reliably estimated. The estimates for the provisions are based on the best information available at the reporting date.

**Legal and Contractual Claims**

Balance at October 31, 2022	\$ 284
Additional provisions recognized	140
Amounts incurred and charged against existing provisions	(187)
Unused amounts reversed	(94)
Balance at October 31, 2023	\$ 143
Additional provisions recognized	342
Amounts incurred and charged against existing provisions	(45)
Unused amounts reversed	(5)
<b>Balance at October 31, 2024</b>	<b>\$ 435</b>

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**24. EMPLOYEE BENEFITS**

	2024	2023
Short-term employee benefits	\$ 301,143	\$ 238,064
Post-employment benefits <sup>(1)</sup>	13,843	10,618
Other long-term benefits	825	529
Termination benefits	3,670	701
<b>Total</b>	<b>\$ 319,481</b>	<b>\$ 249,912</b>

<sup>(1)</sup> Includes \$13,261 (2023 - \$10,593) in Credit Union defined contribution plans and \$544 in Alberta Central defined contribution plans

Other expenses related to employees that are not classified as the type of benefits listed above are also included in personnel expenses.

Defined Benefit Plan Liability

Plan Cost	Pension Plans	Other Benefit Plans	2024	2023
Net benefit plan cost in net income				
Current service cost	\$ 136	\$ -	\$ 136	\$ 111
Interest cost	162	70	232	219
<b>Total</b>	<b>298</b>	<b>70</b>	<b>368</b>	<b>330</b>
Actuarial loss (gain) recognized in other comprehensive income	587	(1,161)	(574)	(929)
<b>Total</b>	<b>\$ 885</b>	<b>\$ (1,091)</b>	<b>\$ (206)</b>	<b>\$ (599)</b>

Accrued Benefit Obligation and Liability	Pension Plans	Other Benefit Plans	As at October 31 2024	As at October 31 2023
Unfunded accrued benefit obligation				
Balance, beginning of year	\$ 3,005	\$ 1,246	\$ 4,251	\$ 4,313
Current service cost <sup>(1)</sup>	136	-	136	111
Interest cost <sup>(1)</sup>	162	70	232	219
Benefits paid	(247)	(36)	(283)	(288)
Actuarial loss (gain)	249	106	355	(104)
<b>Balance, end of year</b>	<b>\$ 3,305</b>	<b>\$ 1,386</b>	<b>\$ 4,691</b>	<b>\$ 4,251</b>

<sup>(1)</sup> Current service cost and Interest cost are included in personnel operating expenses on the consolidated statement of income

	Pension Plans		Other Benefit Plans	
	2024	2023	2024	2023
Discount rate	4.60%	5.70%	4.60%	5.70%



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**24. EMPLOYEE BENEFITS (CONTINUED)**

Changes in the assumed health care cost trend rates for the post-retirement benefit plans for the year ended October 31, 2024, are:

<b>Effect on:</b>	<b>Inflation increased by 1%</b>		<b>Discount rate decreased by 1%</b>	
Accrued benefit obligation	\$	1	\$	109
<b>Experience Adjustments</b>		<b>2024</b>		<b>2023</b>
Accrued benefit obligation and liability	\$	4,691	\$	4,251
Experience loss (gain)		355		(104)
Tax (recovery) expense		(81)		24
<b>Net experience gain</b>	\$	274	\$	(80)
<b>Defined benefit contributions expected to be paid in 2025</b>	\$	283		

Defined Benefit Plan Asset

	<b>As at October 31 2024</b>
<b>Pension Plan Cost</b>	
Net benefit plan cost in net income	
Interest income	\$ 78
<b>Total</b>	<b>78</b>

Actuarial loss recognized in other comprehensive income	(77)
<b>Total</b>	<b>\$ (77)</b>

	<b>As at October 31 2024</b>
<b>Accrued Pension Plan Benefit Obligation and Asset</b>	
Funded pension surplus	
Balance, acquired May 1, 2024	\$ 3,391
Interest income	78
Actuarial loss	(77)
<b>Balance, end of year</b>	<b>\$ 3,392</b>

<b>Alberta Central Employee Benefits Discount rate</b>	<b>Pension Plans 2024</b>
Discount rate	4.8%

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## 24. EMPLOYEE BENEFITS (CONTINUED)

<b>Experience Adjustments</b>		<b>2024</b>
Accrued benefit asset and plan surplus	\$	<b>3,392</b>
Experience loss		<b>77</b>
Tax expense		<b>4</b>
<b>Net experience gain</b>	<b>\$</b>	<b>81</b>
<b>Defined benefit contributions expected to be paid in 2025</b>	<b>\$</b>	<b>-</b>

## 25. SHARE CAPITAL

The merger of Servus and cFCU was achieved by the exchange of each share in the predecessor credit unions for an equivalent type of share in the new merged credit union. The share capital of the new credit union on May 1, 2024 was therefore equal to the sum of the share capital in the credit unions that pre-existed CFSCU.

### Common Shares

Common shares have the following characteristics:

- a) Authorized for issue in unlimited number
- b) A par value of \$1, but issuable as fractional shares
- c) Transferable in restricted circumstances
- d) Non-assessable
- e) Redeemable at par value, subject to the Credit Union's redemption policy, which includes approval of the Board of Directors and restrictions contained in the Act and Regulations, including limitation to 10% of outstanding balances
- f) Adult members must hold a minimum of one share to retain membership in the Credit Union
- g) Carries the right to vote at a general meeting

### Series A to H Investment Shares (applicable to converted Servus and cFCU shares)

Series A to H Investment Shares have the following characteristics:

- a) No par value
- b) No voting rights
- c) Non-assessable
- d) Transferable under limited circumstances
- e) Callable at the discretion of the Credit Union upon five years' written notice
- f) Dividends are not cumulative and subject to the Credit Union's dividend policy and approval of the Board of Directors
- g) Redeemable at \$1 subject to the Credit Union's redemption policy, including limitation to no more than 10% of the outstanding balance and approval by the Board of Directors

In addition to the above, Series E Investment Shares contain a right to redemption. A financial liability representing the right to redemption of these shares has been recognized.

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**25. SHARE CAPITAL (CONTINUED)**

	Issued and Outstanding as at October 31 2023	Issued	Redeemed and Transferred	Dividends Declared	Issued and Outstanding as at October 31 2024	Investment Share Liability Portion
Common shares total <sup>(1)</sup>	\$ 568,763	\$ 344,978	\$ (70,541)	\$ 41,482	\$ 884,682	
<i>Investment shares converted from Servus</i>						
Series A	54,710	-	(4,785)	2,988	52,913	-
Series B	8,174	-	(299)	432	8,307	-
Series C	20,637	-	(1,499)	1,051	20,189	-
Series D	32,549	-	(2,341)	1,660	31,868	-
Series E	4,687	-	(227)	270	4,730	457
Series F	622	-	(76)	30	576	-
Series G	319	-	(8)	17	328	-
<i>Investment Shares converted from cFCU</i>						
Series A	-	6,121	(72)	404	6,453	-
Series B	-	11,505	(173)	757	12,089	-
Series C	-	12,470	(149)	823	13,144	-
Series D	-	9,685	(131)	639	10,193	-
Series E	-	20,854	(98)	1,387	22,143	-
Series F	-	18,981	(22)	1,267	20,226	-
Series G	-	29,590	(79)	1,972	31,483	-
Series H	-	39,655	(146)	2,641	42,150	-
Investment shares total	\$ 121,698	\$ 148,861	\$ (10,105)	\$ 16,338	\$ 276,792	\$ 457
<b>Share capital total</b>	<b>\$ 690,461</b>	<b>\$ 493,839</b>	<b>\$ (80,646)</b>	<b>\$ 57,820</b>	<b>\$ 1,161,474</b>	

<sup>(1)</sup> Common shares and investment shares were converted from cFCU at par for a total of \$314,724 and \$148,861 respectively on May 1, 2024

	Issued and Outstanding as at October 31 2022	Issued	Redeemed and Transferred	Dividends Declared	Issued and Outstanding as at October 31 2023	Investment Share Liability Portion
Common shares total	\$ 579,893	\$ 7,611	\$ (48,225)	\$ 29,484	\$ 568,763	
<i>Investment shares</i>						
Series A	54,087	-	(2,703)	3,326	54,710	-
Series B	8,076	-	(363)	461	8,174	-
Series C	21,066	-	(1,593)	1,164	20,637	-
Series D	32,607	-	(1,894)	1,836	32,549	-
Series E	4,570	-	(173)	290	4,687	451
Series F	606	-	(19)	35	622	-
Series G	370	-	(69)	18	319	-
Investment shares total	\$ 121,382	\$ -	\$ (6,814)	\$ 7,130	\$ 121,698	\$ 451
<b>Share capital total</b>	<b>\$ 701,275</b>	<b>\$ 7,611</b>	<b>\$ (55,039)</b>	<b>\$ 36,614</b>	<b>\$ 690,461</b>	

**Patronage and Dividends Payable in Cash or Shares**

	2024	2023
Patronage allocation to members in cash	\$ 30,911	\$ 31,513
Common share dividend	41,482	29,484
Investment share dividend	16,338	7,130
<b>Total</b>	<b>\$ 88,731</b>	<b>\$ 68,127</b>

Common share dividends are paid to members by the issuance of additional common shares and are allocated to members' accounts as determined by the Board of Directors. Series A, B, C, D, E, F, G and H investment share dividends are paid in additional Series A, B, C, D, E, F, G and H investment shares, respectively.

**Dividend Rate (%)**

	2024	2023
Common share	5.00%	5.50%
Investment share	5.5% - 6.70%	6.00% - 6.50%

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**26. INVESTMENT INCOME**

	2024	2023
Debt and equity securities	\$ 79,139	\$ -
Term deposits with Alberta Central <sup>(1)</sup>	35,853	56,191
Terms in other financial institutions	6,495	626
Asset backed securities	557	-
Other investments	219	119
Unrealized gain on derivative instruments	7,199	18,420
Realized loss on derivative instruments	(6,054)	(25,600)
<b>Total</b>	<b>\$ 123,408</b>	<b>\$ 49,756</b>

<sup>(1)</sup> Amount reported for 2024 represents income earned between November 1, 2024 to April 30, 2024 prior to the acquisition of control over Alberta Central

**27. OTHER INTEREST EXPENSE**

	2024	2023
Term loans	\$ 1,037	\$ 2,962
Line of credit	180	449
Commercial paper	4,879	-
Securitization liabilities	69,459	31,087
Securities sold under repurchase agreements	1,083	2,402
Credit Union deposits	22,776	-
Other	684	131
<b>Total</b>	<b>\$ 100,098</b>	<b>\$ 37,031</b>

**28. NON-INTEREST INCOME**

	2024	2023
Account service charges	\$ 44,562	\$ 38,467
Loan and prepayment fees	20,636	15,034
Commissions	20,717	17,170
Wealth management revenue	31,938	27,766
Credit card revenue	44,250	38,260
Insurance revenue	13,307	13,830
Registries revenue	401	383
Foreign exchange income	5,699	4,867
Revenue from PPJV	10,147	-
Gain on acquisition	14,470	-
Other	6,594	2,212
<b>Total</b>	<b>\$ 212,721</b>	<b>\$ 157,989</b>

**29. CAPITAL MANAGEMENT**

The Credit Union provides financial services to its members and is subject to capital requirements set out in the Act and as may be established by the Corporation. The Credit Union's regulatory requirements apply to the merged credit union, excluding Alberta Central. Alberta Central has its own distinct regulatory requirements.

The Credit Union has complied with all requirements as set out in the Act.

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## **29. CAPITAL MANAGEMENT (CONTINUED)**

### **Objectives, Policy and Processes**

The purpose of the Credit Union's Capital Policy, in addition to complying with the Act, is to provide an overall framework for ensuring the Credit Union has:

- Sufficient capital to remain viable through periods of economic weakness and to maintain the security of member deposits
- Clear direction on the desired composition of the Credit Union's capital
- A capital plan that can be used to help make appropriate patronage and profitability decisions

The Credit Union's policy is to hold capital in a range of different forms and from diverse sources. Retained earnings represent the highest quality, most stable and least expensive form of permanent capital. The Credit Union's long-term plan is to maintain retained earnings at an amount sufficient on its own to meet regulatory requirements for capital as a percent of total assets and total risk-weighted assets.

The Credit Union has established processes to meet its objectives and comply with regulation and policies that are approved by the Board of Directors. Management reviews capital levels on a regular basis and reports capital adequacy and financial results to the Board of Directors or its committees. Management also sets budgets and reports variances to these budgets. Financial results and capital adequacy are reported to the Corporation. The capital plan is updated annually and provides a forecast of capital requirements over a three-year planning cycle. The Board has approved an Internal Capital Adequacy Assessment Process that takes a long-term perspective of capital requirements using exceptional, but plausible events.

Should the Credit Union not comply with its legislated capital adequacy requirements, the Chief Executive Officer and Chief Financial Officer would immediately notify the Board Chair, the Audit and Finance Committee Chair and the Corporation. The Board of Directors would be informed at its next scheduled meeting. Per the Act, redemption of common shares would be suspended. An explanation and action plan would be presented and enacted. Finally, the Credit Union may be subjected to intervention of the Corporation as provided for in the Act.

### **Regulatory Capital**

Capital requirements are established by the Act and regulated by the Corporation using a risk-weighted and total asset approach. The reporting requirements specify the Credit Union must report on an individual credit union entity basis, in which subsidiaries meeting specific criteria are to be reported using the equity method of accounting. Total capital consists of both primary and secondary capital. The inputs to primary capital and secondary capital are noted below.

Risk-weighted assets are determined by reviewing each grouping of loans and other assets and assigning a risk weighting using definitions and formulas set out in the Act, Credit Union (Principal) Regulations, and by the Corporation. The more risk associated with an asset, the higher the weighting assigned. The total amount of capital is then divided into this figure. This method allows the Credit Union to measure capital relative to the possibility of loss, with more capital required to support assets that are seen as being high risk.

It is the Credit Union's policy to comply at all times with regulatory requirements establishing required capital balances. As at October 31, 2024, and 2023, the Credit Union's capital ratio was greater than the minimum requirement.

The chart below details the amounts that are included in the 2024 and 2023 capital calculations. Regulator and internal management capital requirements are noted after this chart.

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**29. CAPITAL MANAGEMENT (CONTINUED)**

	As at October 31 2024	As At October 31 2023
<b>Primary Capital:</b>		
Retained earnings	\$ 1,335,780	\$ 1,161,082
Common shares	924,170	568,763
Investment shares (qualifying as primary)	231,970	109,934
Accumulated other comprehensive income	9,048	4,090
<b>Total primary capital</b>	<b>2,500,968</b>	<b>1,843,869</b>
<b>Secondary Capital:</b>		
Credit loss allowance - performing	42,436	18,159
Deferred income tax liabilities	-	4,056
Investment shares (qualifying as secondary)	45,279	12,215
<b>Total secondary capital</b>	<b>87,715</b>	<b>34,430</b>
<b>Deductions From Primary Capital:</b>		
Intangible assets & Goodwill	53,194	71,967
Deferred income tax assets	49,408	-
Subsidiary and affiliate investments	75,743	36,361
<b>Total deductions from capital</b>	<b>178,345</b>	<b>108,328</b>
<b>Total capital available</b>	<b>\$ 2,410,338</b>	<b>\$ 1,769,971</b>
<b>Capital as % of Risk Weighted Assets</b>		
Total capital as % of risk weighted assets	14.75%	14.78%
Legislated minimum	8.00%	8.00%
Minimum supervisory requirement	11.50%	11.50%
<b>Capital as % of Total Assets</b>		
Total capital as % of assets	8.55%	8.70%
Legislated minimum	4.00%	4.00%

Alberta Central's objectives when managing capital are:

- To balance member credit unions' desire for a return on capital with the capital requirements of Alberta Central to fulfill its liquidity mandate
- To maintain a strong capital base to support the continued growth and changing circumstances of the credit union system through the development of Alberta Central's business
- To maintain a consistently strong credit rating and investor confidence
- To comply with the capital requirements set by its regulator

Alberta Central's capital levels are regulated under guidelines issued by CUDGC and require Alberta Central to maintain a prescribed borrowing multiple, the ratio of borrowings to regulatory capital, of 15:1 or less.

As an integral component of its capital management, Alberta Central has established internal operating capital targets above the regulatory minimum to ensure it has appropriate buffers to absorb increases in member deposits or notes payable and other liabilities and/or reductions in its capital. Establishing internal operating capital targets allows Alberta Central to practice prudent capital management. Alberta Central's bylaws provide the ability for Alberta Central to call for capital in the event that capital levels fall below specified risk tolerance levels.

As at October 31, 2024, Alberta Central's capital levels exceed both regulatory and internal minimum capital requirements. Capital includes common shares, retained earnings, adjusted for prepaids expenses, deferred income tax asset, and pension surplus, net of tax and was \$380,704 at October 31, 2024.

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### 30. GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES

#### Guarantees

A guarantee is a contract that contingently requires the guarantor to make payments to a third party based on:

- (i) Changes in an underlying interest rate or other variable, including the occurrence or non-occurrence of an event that is related to an asset or liability held by the guaranteed party
- (ii) An indemnification provided to a third party with the characteristics listed above
- (iii) Another entity's failure to perform under an obligation agreement
- (iv) Another party's failure to fulfil their related debt obligations

The various guarantees and indemnifications that the Credit Union provides to its members and other third parties are not required to be recorded in the financial statements but are presented in the tables below.

#### Standby Letters of Credit and Letters of Guarantee

Standby letters of credit and letters of guarantee are issued at the request of a Credit Union member in order to secure the member's payment or performance obligations to a third party. These guarantees represent an irrevocable obligation of the Credit Union to pay the third party beneficiary upon presentation of the guarantee and satisfaction of the documented requirements stipulated therein, without investigation as to the validity of the beneficiary's claim against the member.

Generally, the term of these guarantees does not exceed three years. The types and amounts of collateral security held by the Credit Union for these guarantees is generally the same as for loans. Standby letters of credit and letters of guarantee outstanding were \$94,680 (2023 - \$58,645). This represents the maximum potential amount of future payments.

#### Indemnification of Directors and Officers

The Credit Union has directors' and officers' insurance coverage that limits its exposure to certain events or occurrences while the director or officer is or was serving at the Credit Union's request. This insurance coverage enables the Credit Union to recover a portion of any future amounts paid. The maximum potential amount of future payments is \$20,000 per claim subject to an annual maximum of \$30,000. Alberta Central also has directors' and officers' insurance coverage to limit exposure, with the maximum potential amount of future payments of \$15,000 per claim subject to an annual maximum of \$15,000.

#### Other Indirect Commitments

In the normal course of business, various indirect commitments are outstanding that are not reflected on the consolidated statement of financial position. These may include:

- (i) Commercial letters of credit that require the Credit Union to honour drafts presented by a third party when specific activities are completed
- (ii) Commitments to extend credit that represent undertakings to make credit available in the form of loans or other financings for specific amounts and maturities, subject to specific conditions

The financial commitments are subject to the Credit Union's normal credit standards, financial controls and monitoring procedures. The following table provides a detailed breakdown of the Credit Union's other indirect commitments expressed in terms of the contractual amounts of the related commitment or contract that are not reflected on the consolidated statement of financial position.

	As at October 31 2024		As at October 31 2023	
<b>Commitments to Extend Credit</b>				
Original term to maturity of one year or less	\$	6,461,468	\$	4,919,824
Original term to maturity of more than one year		397,302		179,272
<b>Total</b>	\$	6,858,770	\$	5,099,096

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**30. GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)**

<b>Property and Equipment and Intangible Assets Expenditure Commitments</b>	<b>As at October 31 2024</b>	<b>As at October 31 2023</b>
Total contractual amount	\$ 1,376	\$ 2,227
<b>Remaining commitment</b>	<b>\$ 1,376</b>	<b>\$ 2,227</b>

The Credit Union also has a callable unfunded capital commitment of \$155 (2023 - \$64) to a co-operative investment fund.

**Contractual Obligations**

The Credit Union has various obligations under long-term, non-cancellable contracts, which include service contracts and operating costs for leased buildings and equipment. The future minimum payments for such obligations for the next five fiscal years and thereafter are as follows:

	<b>Property Operating Costs</b>	<b>Other Contractual Obligations</b>	<b>As at October 31 2024</b>	<b>As at October 31 2023</b>
Within 1 year	\$ 8,316	\$ 17,697	\$ 26,013	\$ 18,992
Between 1 and 5 years	26,118	12,969	39,087	24,348
After 5 years	10,463	313	10,776	6,013
<b>Total</b>	<b>\$ 44,897</b>	<b>\$ 30,979</b>	<b>\$ 75,876</b>	<b>\$ 49,353</b>

As of October 31, 2024, the Credit Union is committed to three leases that have been signed but have not commenced yet. The contracts are not included in the leased assets or liabilities presented in the consolidated financial statements. The leased asset value of these contracts, at time of commencement, which is expected to occur is \$6,781.

**Contingent Liabilities**

There are various legal proceedings and actions that arise from the normal course of business and are pending at October 31, 2024. The aggregate contingent liability of these proceedings and actions are not considered material to these consolidated financial statements.

**Commitments for Joint Venture**

Under the terms of the Amended and Restated Prairie Payments Joint Venture Agreement, the revenues, expenses, income, losses and costs of capital projects of PPJV belong to and are borne exclusively and in equal share by the joint venturers. Each joint venturer is contractually responsible for its share of the liabilities of the PPJV and for funding its share of ongoing expenses. The PPJV has contractual agreements until 2030 for the operation of a payments processing platform. Alberta Central's proportionate share of these commitments is \$39,715.

**31. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The amounts set out in the table below represent the carrying amounts and fair values of the Credit Union's financial instruments using the valuations and assumptions described below. The amounts do not include the fair values of items that are not considered financial assets and financial liabilities.



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**31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

As at October 31, 2024	Note	Carrying Value	Fair Value	Fair Value Difference
<b>Financial Instrument Assets</b>				
Cash and cash equivalents	a	\$ 903,715	\$ 903,715	\$ -
Investments at amortized cost	c,f	17,509	31,974	14,465
Investments at FVOCI	d,f	2,903,709	2,903,709	-
Investments at FVTPL	d	7,780	7,780	-
Assets at FVTPL	e	22,247	22,247	-
Members' loans and leases	b,d,f	24,849,354	24,600,953	(248,401)
Other	a	29,769	29,769	-
<b>Total financial instrument assets</b>		<b>28,734,083</b>	<b>28,500,147</b>	<b>(233,936)</b>
<b>Financial Instrument Liabilities</b>				
Members' deposits	b,d	24,414,448	24,561,581	147,133
Liabilities at FVTPL	e,g	31,980	31,980	-
Borrowings	d	199,056	199,056	-
Securitization liabilities	d	1,644,813	1,666,749	21,936
Payables and other financial liabilities	a	291,735	291,735	-
<b>Total financial instrument liabilities</b>		<b>\$ 26,582,032</b>	<b>26,751,101</b>	<b>\$ 169,069</b>

  

As at October 31, 2023	Note	Carrying Value	Fair Value	Fair Value Difference
<i>Financial Instrument Assets</i>				
Cash and cash equivalents	a	\$ 86,134	\$ 86,134	\$ -
Investments at amortized cost	c,f	1,493,733	1,488,341	(5,392)
Investments at FVOCI	d,f	22	22	-
Investments at FVTPL	d	86	86	-
Assets at FVTPL	e	4,538	4,538	-
Members' loans and leases	b,d,f	18,206,087	17,488,086	(718,001)
Other	a	25,460	25,460	-
<b>Total financial instrument assets</b>		<b>19,816,060</b>	<b>19,092,667</b>	<b>(723,393)</b>
<i>Financial Instrument Liabilities</i>				
Members' deposits	b,d	16,662,604	16,615,162	(47,442)
Liabilities at FVTPL	e,g	36,192	36,192	-
Borrowings	b	8,334	8,334	-
Securitization liabilities	d	1,454,324	1,418,723	(35,601)
Payables and other financial liabilities	a	218,665	218,665	-
<b>Total financial instrument liabilities</b>		<b>\$ 18,380,119</b>	<b>18,297,076</b>	<b>\$ (83,043)</b>

(a) The fair values of cash, other financial assets and other liabilities are assumed to approximate book values, due to their short-term nature.

(b) The estimated fair values of floating rate member loans and member deposits are assumed to equal their book values since the interest rates reprice when market rates change.

(c) The fair value of asset backed securities is determined by discounting contractual cash flows using current markets rates on securities with similar terms.

(d) The fair values of the following instruments are estimated using level 2 inputs:

- Terms in other financial institutions and borrowings are estimated by discounting the expected future cash flows based on yield curves of similar financial instruments with similar terms.
- Fixed-rate member deposits are determined by discounting contractual cash flows using current market rates on deposits with similar terms.
- Securitization liabilities are discounted using adjusted implied yields from prices of similar actively traded government agency securities.

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**31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

- Debt securities are fair valued either with reference to quoted prices in an active market or based on recent arm's length market transactions for similar instruments.

The fair values of the following instruments are estimated using level 3 inputs:

- Fixed-rate member loans and leases are fair-valued by discounting expected future cash flows using current market interest rates for loans with similar credit risk.
- Equity securities and other investments which do not have a quoted market price in an active market; however, they are recorded at an aggregate fair value based on the most recent reliable estimate of fair value available as calculated by a third-party valuation firm using the discounted cash flow method as the primary valuation approach.

(e) The fair values of derivative financial instruments and investment share liability for member shares - series E are calculated based on valuation techniques using inputs reflecting market conditions at a specific point in time and may not be reflective of future fair values. These factors are level 2 inputs.

(f) Allowances, which are netted against the fair value determined as per footnotes d and e, use forward-looking information in the calculation of ECL.

(g) The fair value of contingent consideration in the purchase of Stride Capital's assets in the previous fiscal year is assessed each reporting period. The fair value of the promissory note payable when the leasing subsidiary achieves its revenue targets is determined using forecasted revenue estimates, discounted with Bank of Canada bond yield. The promissory note payable to Stride Capital's key management personnel is evaluated using weighted probabilities of management retention. These forecasted revenue estimates and weighted probabilities are level 3 inputs. A 10% increase or decrease to these inputs results in a fair value of either \$3,678 or \$3,187, respectively.

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

<b>As at October 31, 2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Derivative assets	\$ -	\$ 22,247	\$ -	\$ 22,247
Investments at FVTPL	-	5,515	2,265	7,780
Investments at FVOCI	-	2,892,697	11,012	2,903,709
<b>Total</b>	<b>\$ -</b>	<b>\$ 2,920,459</b>	<b>\$ 13,277</b>	<b>\$ 2,933,736</b>
<b>Financial Liabilities</b>				
Member shares - Series E	-	457	-	457
Derivative liabilities	-	28,090	-	28,090
Contingent consideration	-	-	3,433	3,433
<b>Total</b>	<b>\$ -</b>	<b>\$ 28,547</b>	<b>\$ 3,433</b>	<b>\$ 31,980</b>
Financial assets fair value measurements using Level 3 inputs				
Balance at October 31, 2023			\$ 86	
Addition from acquisition				13,041
Purchases				150
<b>Balance at October 31, 2024</b>			<b>\$</b>	<b>13,277</b>
Financial liabilities fair value measurements using Level 3 inputs				
Balance at October 31, 2023			\$ 4,182	
Contingent consideration payment				(1,250)
Contingent consideration - fair value change				501
<b>Balance at October 31, 2024</b>			<b>\$</b>	<b>3,433</b>

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**31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

As at October 31, 2023		Level 1		Level 2		Level 3		Total
<i>Financial Assets</i>								
Derivative assets	\$	-	\$	4,538	\$	-	\$	4,538
Investments at FVTPL		-		-		86		86
Investments at FVOCI		-		22		-		22
Total	\$	-	\$	4,560	\$	86	\$	4,646
<i>Financial Liabilities</i>								
Member shares - Series E		-		451		-		451
Derivative liabilities		-		31,559		-		31,559
Contingent consideration		-		-		4,182		4,182
Total	\$	-	\$	32,010	\$	4,182	\$	36,192
Financial assets fair value measurements using Level 3 inputs								
Balance at October 31, 2022						\$		1,522
Purchases								10
Sales								(1,446)
Balance at October 31, 2023						\$		86
Financial liabilities fair value measurements using Level 3 inputs								
Balance at October 31, 2022						\$		-
Contingent consideration								4,182
Balance at October 31, 2023						\$		4,182

**32. FINANCIAL RISK MANAGEMENT**

The Credit Union is exposed to the following risk as a result of holding financial instruments: credit risk, market risk and liquidity risk. The Credit Union manages its risk separately from Alberta Central.

The following is a description of those risks and how the Credit Union manages exposure to them.

**Credit Risk**

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Credit Union. The Credit Unions' products with credit risk include members' loans and leases, investments, guarantees, letters of credit, debt securities, and derivatives.

**Risk Measurement**

The Credit Union employs a risk measurement process for its loan portfolio. Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. Risk is measured by reviewing exposure to individual borrowers and by reviewing qualitative and quantitative factors that impact the loan portfolio. Qualitative and quantitative analyses of a borrower's financial information are important factors used in determining the financial state of the counterparty.

Loan exposures are managed and monitored through facility limits for individual borrowers and a credit review process. These reviews ensure that the borrower complies with internal policy and underwriting standards. The Credit Union relies on collateral security typically in the form of a fixed and floating charge over the assets and underwriting of its borrowers. Credit risk is also managed through regular analysis of the ability of members and potential members to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Credit risk for counterparties in other financial instruments, such as investments and derivatives, is assessed through published credit ratings.

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## **32. FINANCIAL RISK MANAGEMENT (CONTINUED)**

### Credit Quality Performance

Refer to Note 10 for additional information on the credit quality performance of members' loans and leases.

### Objectives, Policies and Processes

The Credit Union employs and is committed to a number of important principles to manage credit risk exposure:

- A conservative credit risk appetite based on accepting risk which can be understood, measured, is transparent and can be managed
- A diversified portfolio to minimize industry and concentration risk.
- Prudent lending risk policies, supporting safety and soundness of the credit union.
- Ongoing review of risk through account monitoring, financial covenant testing, and credit reviews.

### **Market Risk**

Market risk arises from changes in interest rates, foreign-exchange rates, and other price risk that affect the Credit Union's income. The Credit Union's objective is to earn an acceptable return on these portfolios, without taking unreasonable risk, while meeting members' needs.

### Interest Rate Risk

The Credit Union's risk position is measured by the difference between interest rate sensitive assets and liabilities. The Treasury department manages day-to-day market risk within approved policies and reports on a regular basis to management's Asset Liability Committee (ALCO) to ensure policy compliance. Management provides quarterly reports on these matters to the Audit and Finance Committee. Tools to measure this risk include the income sensitivity analysis and repricing gap analysis.

### Objectives, Policies and Processes

The Treasury department is responsible for managing the Credit Union's interest rate risk, monitoring approved limits and maintaining compliance with policies. The Credit Union manages market risk by developing and implementing asset and liability management policies. These policies are reviewed and approved by the Board and monitored by ALCO. The Credit Union's goal is to achieve adequate profitability, liquidity and stability. The Credit Union makes use of financial modelling based on possible interest rate scenarios and corresponding analysis to measure and manage its market risk. At least annually, the Audit and Finance Committee reviews the Credit Union's investment and asset liability management policies.

The following table provides the potential before-tax impact of an immediate and sustained 1% increase or decrease in interest rates on net interest income in the next 12 months. These measures are based on assumptions made by senior management and validated by experience. All interest rate risk measures are based upon exposures and modelling assumptions at a specific time and continuously change as a result of business activities and risk management initiatives.

<b>Credit Union Excluding Alberta Central Before Tax Impact of:</b>	<b>2024</b>	<b>2023</b>
1% increase in rates	\$ 29,325	\$ (1,756)
1% decrease in rates	\$ (35,561)	\$ 1,759

### Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risks exist mainly as a result of the existence of financial assets, derivatives and financial liabilities denominated in foreign currencies. The risk associated with changing foreign currency values is managed under the Credit Union's foreign exchange risk management policy. As at October 31, 2024, the Credit Union's net difference between assets and liabilities in foreign currencies was \$6,876 (2023 – \$3,723).

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## **32. FINANCIAL RISK MANAGEMENT (CONTINUED)**

### Other Price Risk

Other price risk is the risk that the fair value of a financial instrument, including derivatives, will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Credit Union manages its other price risk by adhering to an Investment Policy.

### **Liquidity Risk**

Liquidity risk is the risk of having insufficient financial resources to meet either the Credit Union's cash and funding requirements, statutory liquidity requirements or both.

### Risk Measurement

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgment pertaining to current and prospective market conditions and the related behaviour of its members and counterparties. The Credit Union measures and manages its liquidity position from three perspectives:

- Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over-reliance on short-term liabilities to fund long-term illiquid assets
- Tactical liquidity risk, which addresses the day-to-day funding requirements that are managed by imposing prudential limits on net fund outflows
- Contingent liquidity risk, which assesses the impact of and the intended responses to sudden stressful events

### Objectives, Policies and Processes

The acceptable amount of risk is defined by policies approved by the Board and monitored by ALCO.

The Credit Union's liquidity policies and practices include:

- Measurement and forecast of cash flows
- Maintenance of a pool of high-quality liquid assets
- A stable base of core deposits from retail and commercial customers
- Limits on single deposits and sources of deposits
- Monitoring of wholesale demand and term deposits
- Diversification of funding resources
- Monthly liquidity coverage ratio (LCR) analysis and reporting

The Credit Union manages liquidity by monitoring, forecasting and managing cash flows and the concentration of loans and deposits within approved policies. The Treasury department manages day-to-day liquidity within these policies and reports regularly to ALCO to ensure policy compliance. Management provides monthly reports on these matters to the Audit and Finance Committee.

The Credit Union will maintain statutory liquidity levels as required by regulations and Alberta Central bylaws. Statutory liquidity deposits must be held with Alberta Central at a minimum of 9.0% of average liabilities for the second prior month. Statutory liquidity includes eligible deposits and shares of Alberta Central. Immediate corrective action will be taken if the ratio approaches the regulatory minimum. Based on the average liabilities at August 2024, the Credit Union's liquidity as at October 31, 2024, exceeds the minimum requirement. These liquidity deposits are eliminated as part of the consolidation of Alberta Central's results.

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## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Under the Liquidity Policy and Regulations, the Credit Union is required to maintain and report LCR monthly. LCR is calculated as the Credit Union's high quality liquid assets divided by net cash outflows over a 30-day stress scenario. High Quality Liquid Assets (HQLA) are assets that can be easily converted into cash at little or no loss of value and include eligible investments held as liquidity reserve deposits at Alberta Central. The Credit Union seeks to maintain this ratio greater than 100%, with an internal target minimum of 125%. During the year the Credit Union maintained internal liquidity adequacy targets that exceeded regulatory requirements.

Key features of liquidity management include:

- Daily monitoring of expected cash inflows and outflows, as well as tracking and forecasting the liquidity position on a 90-day rolling basis
- Consideration of the term structure of loans and deposits, with emphasis on deposit maturities, as well as expected loan funding and other commitments to ensure the Credit Union can maintain required levels of liquidity while meeting its obligations

The following table comprises aggregating cash flows into maturity dates of the Credit Union's non-derivative financial assets and financial liabilities. Subject to member behavior and applicability to the Credit Union's asset and liability management policy, this table represents the position at the close of business day.

### Financial Assets

- Fixed and variable rate assets, such as residential mortgage loans, consumer loans, commercial loans, lease receivables and investments are reported based on scheduled repayments and maturities.

### Financial Liabilities

- Fixed and variable rate liabilities, such as term deposits, securitization financing and borrowings are reported at scheduled maturity.
- Payables and other liabilities with no defined maturity are reported within the non-maturities category.

As at October 31, 2024	Non-Maturities	Less than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
<b>Financial Assets</b>						
Cash and cash equivalents	\$ 144,022	\$ 759,693	\$ -	\$ -	\$ -	903,715
Investments	5,770	2,679,313	241,403	1,512	1,000	2,928,998
Members' loans and leases	2,138,851	9,124,900	9,418,782	3,801,198	365,623	24,849,354
Accounts receivable	-	28,345	-	-	-	28,345
<b>Total financial assets</b>	<b>\$ 2,288,643</b>	<b>\$ 12,592,251</b>	<b>\$ 9,660,185</b>	<b>\$ 3,802,710</b>	<b>\$ 366,623</b>	<b>\$ 28,710,412</b>
<b>Financial Liabilities</b>						
Members' deposits	10,951,130	10,473,853	2,227,931	761,425	109	24,414,448
Trade payables and other liabilities	457	295,227	-	-	-	295,684
Borrowings	1,228	197,828	-	-	-	199,056
Securitization liabilities	-	486,785	916,264	241,720	44	1,644,813
<b>Total financial liabilities</b>	<b>\$ 10,952,815</b>	<b>\$ 11,453,693</b>	<b>\$ 3,144,195</b>	<b>\$ 1,003,145</b>	<b>\$ 153</b>	<b>\$ 26,554,001</b>
<b>Net maturities</b>	<b>\$ (8,664,172)</b>	<b>\$ 1,138,558</b>	<b>\$ 6,515,990</b>	<b>\$ 2,799,565</b>	<b>\$ 366,470</b>	<b>\$ 2,156,411</b>

As at October 31, 2023	Non-Maturities	Less than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
<b>Financial Assets</b>						
Cash and cash equivalents	\$ 86,134	\$ -	\$ -	\$ -	\$ -	86,134
Investments	461	1,385,811	95,422	12,147	-	1,493,841
Members' loans and leases	1,763,149	4,199,768	7,381,651	4,615,713	245,806	18,206,087
Accounts receivable	-	22,165	-	-	-	22,165
<b>Total financial assets</b>	<b>\$ 1,849,744</b>	<b>\$ 5,607,744</b>	<b>\$ 7,477,073</b>	<b>\$ 4,627,860</b>	<b>\$ 245,806</b>	<b>\$ 19,808,227</b>
<b>Financial Liabilities</b>						
Members' deposits	8,595,485	5,834,295	1,813,850	418,444	530	16,662,604
Trade payables and other liabilities	451	218,664	4,182	-	-	223,297
Borrowings	8,334	-	-	-	-	8,334
Securitization liabilities	-	274,072	785,159	391,027	4,066	1,454,324
<b>Total financial liabilities</b>	<b>\$ 8,604,270</b>	<b>\$ 6,327,031</b>	<b>\$ 2,603,191</b>	<b>\$ 809,471</b>	<b>\$ 4,596</b>	<b>\$ 18,348,559</b>
<b>Net maturities</b>	<b>\$ (6,754,526)</b>	<b>\$ (719,287)</b>	<b>\$ 4,873,882</b>	<b>\$ 3,818,389</b>	<b>\$ 241,210</b>	<b>\$ 1,459,668</b>

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### 33. INTEREST RATE SENSITIVITY

The principal values of assets and liabilities and the notional amount of swaps and other derivative financial instruments used to manage interest rate risk are presented below in the periods in which they next reprice to market rates. These are summed to show repricing gap profile. Accrued interest amounts are included in the non-interest-sensitive section. The average rates presented are principal weighted averages of spot contractual rates as of the reporting date. Additional information on how the Credit Union uses derivative financial instruments to manage interest rate risk is included in Note 16. Information on how the Credit Union manages interest rate risk is included in Note 32.

As at October 31, 2024	Floating Rate	0 to 3 Months	3 to 6 Months	6 to 12 Months	More Than 1 Year	Non Interest Sensitive	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 812,633	\$ -	\$ -	\$ -	\$ -	\$ 91,082	\$ 903,715
Effective yield (%)	3.45%	-	-	-	-	-	3.11%
Investment in associate	-	-	-	-	-	29,924	29,924
Investments	160,149	1,605,709	360,059	554,264	242,913	5,904	2,928,998
Effective yield (%)	3.97%	4.09%	4.34%	3.73%	4.76%	-	4.09%
Members' loans and leases	5,009,766	2,104,330	1,612,060	3,170,414	12,823,460	129,324	24,849,354
Effective yield (%)	7.15%	4.34%	4.08%	3.97%	4.56%	-	4.93%
Other assets	-	-	-	-	-	550,740	550,740
	5,982,548	3,710,039	1,972,119	3,724,678	13,066,373	806,974	29,262,731
<b>Liabilities and Equity</b>							
Members' deposits	4,008,305	2,895,057	2,428,729	4,829,844	4,928,338	5,324,175	24,414,448
Effective yield (%)	2.45%	4.42%	4.70%	4.29%	2.97%	-	2.84%
Other liabilities	-	328	-	-	-	464,429	464,757
Borrowings	-	197,881	-	-	-	1,175	199,056
Effective yield (%)	-	4.37%	-	-	-	-	4.34%
Securitization liabilities	-	108,099	126,665	325,056	1,158,028	(73,035)	1,644,813
Effective yield (%)	-	3.29%	3.58%	3.42%	3.81%	-	3.85%
Equity	-	-	-	-	-	2,539,657	2,539,657
	4,008,305	3,201,365	2,555,394	5,154,900	6,086,366	8,256,401	29,262,731
<b>Off Statement of Financial Position</b>							
Notional value of assets							
derivative financial instruments	-	320,050	4,572	3,925	232,263	-	560,810
Notional value of liabilities							
derivative financial instruments	(495,000)	(20,050)	(4,572)	(3,925)	(37,263)	-	(560,810)
Sub total	(495,000)	300,000	-	-	195,000	-	-
Net 2024 position	\$ 1,479,243	\$ 808,674	\$ (583,275)	\$ (1,430,222)	\$ 7,175,007	\$ (7,449,427)	\$ -
<b>As at October 31, 2023</b>							
<b>Assets</b>							
Cash and cash equivalents	\$ 49,406	\$ -	\$ -	\$ -	\$ -	\$ 36,728	\$ 86,134
Effective yield (%)	1.70%	-	-	-	-	-	0.98%
Investment in associate	-	-	-	-	-	210,536	210,536
Investments	-	1,206,623	62,409	107,909	107,569	9,331	1,493,841
Effective yield (%)	-	5.08%	4.83%	4.61%	1.48%	-	4.74%
Members' loans and leases	3,477,159	678,764	604,064	1,419,708	11,744,544	281,848	18,206,087
Effective yield (%)	8.33%	4.79%	4.46%	4.29%	4.04%	-	4.86%
Other assets	-	-	-	-	-	336,509	336,509
	3,526,565	1,885,387	666,473	1,527,617	11,852,113	874,952	20,333,107
<b>Liabilities and Equity</b>							
Members' deposits	6,227,457	1,168,800	1,402,454	3,081,926	3,227,056	1,554,911	16,662,604
Effective yield (%)	1.78%	4.00%	4.10%	4.41%	3.00%	-	2.69%
Other liabilities	-	-	-	-	-	352,212	352,212
Borrowings	8,334	-	-	-	-	-	8,334
Effective yield (%)	6.70%	0.00%	-	-	-	-	6.70%
Securitization liabilities	-	58,496	70,337	147,417	1,239,147	(61,073)	1,454,324
Effective yield (%)	-	3.74%	2.23%	2.50%	3.31%	-	3.33%
Equity	-	-	-	-	-	1,855,633	1,855,633
	6,235,791	1,227,296	1,472,791	3,229,343	4,466,203	3,701,683	20,333,107
<b>Off Statement of Financial Position</b>							
Notional value of assets							
derivative financial instruments	-	300,000	-	-	300,000	-	600,000
Notional value of liabilities							
derivative financial instruments	(600,000)	-	-	-	-	-	(600,000)
Sub total	(600,000)	300,000	-	-	300,000	-	-
Net 2023 position	\$ (3,309,226)	\$ 958,091	\$ (806,318)	\$ (1,701,726)	\$ 7,685,910	\$ (2,826,731)	\$ -

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### 34. RELATED PARTY DISCLOSURES

Related parties of the Credit Union include associates, joint ventures, subsidiaries, key management personnel, close family members of key management personnel, and employees of the Credit Union.

#### Associates and Subsidiaries

Refer to Note 17 for a summary of related party transactions with Alberta Central. Refer to Note 3 for a list of the Credit Union's subsidiaries.

#### PPJV

During the year, Alberta Central charged PPJV various administrative, facilities services, interest and float fees totaling \$3,530. During the year, PPJV charged the Credit Union various interest, distribution and administrative fees totaling \$1,353. As at October 31, 2024 the Credit Union had a net receivable of \$5,558 from PPJV in respect to operating activities, and PPJV had a balance of cash held with Alberta Central of \$10,419.

#### Key Management Personnel

During the year, the following compensation amounts were included in personnel expense in the consolidated statement of income for directors and management personnel of the Credit Union who have the authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly.

	Salary and Incentive Pay	Benefits	Post Employment Benefits	Other Long Term Benefits	2024
Chief Executive Officer (CEO)	\$ 2,518	\$ 144	\$ 179	\$ 364	\$ 3,205
Chief Operating & Integration Officer (COIO) <sup>(1)</sup>	1,053	38	31	-	1,122
Chief Financial Officer (CFO)	1,007	60	31	-	1,098
Chief Information & Payments Officer (CIPO)	944	68	31	-	1,043
Chief People & Experience Officer (CPEO) <sup>(2)</sup>	973	36	31	-	1,040
All other key management personnel	1,710	101	90	-	1,901
<b>Total</b>	<b>\$ 8,205</b>	<b>\$ 447</b>	<b>\$ 393</b>	<b>\$ 364</b>	<b>\$ 9,409</b>

<sup>(1)</sup> The COO Position title changed to COIO in May 2024

<sup>(2)</sup> The CTO Position title changed to CPEO in May 2024

	Salary and Incentive Pay	Benefits	Post Employment Benefits	Other Long Term Benefits	2023
Chief Executive Officer (CEO)	\$ 1,091	\$ 121	\$ 151	\$ 337	\$ 1,700
Chief Financial Officer (CFO)	774	60	31	-	865
Chief Operating Officer (COO)	795	38	31	-	864
Chief Information & Payments Officer (CIPO)	773	56	30	-	859
Chief Transformation Officer (CTO)	791	39	26	-	856
All other key management personnel	738	53	30	-	821
<b>Total</b>	<b>\$ 4,962</b>	<b>\$ 367</b>	<b>\$ 299</b>	<b>\$ 337</b>	<b>\$ 5,965</b>

Other long-term benefits represent payments that are expected to be paid in 12 or more months after the fiscal period.

<b>Directors' Compensation and Expenses</b>	<b>2024</b>	<b>2023</b>
Compensation to directors	\$ 1,087	\$ 805
Expenses incurred by directors	148	98
<b>Total</b>	<b>\$ 1,235</b>	<b>\$ 903</b>

Compensation to directors ranged from \$33 (2023 – \$32) to \$127 (2023 – \$122) with an average of \$64 (2023 – \$62).

Short-term employee benefits include employee benefits that are payable within 12 months after October 31 of each year and include salary, bonus, benefits and allowances. Post-employment benefits are employee benefits that are payable after the completion of employment and include compensation made to retirement and pension plans. Other long-term benefits are benefits that are payable more than 12 months after October 31 of each year.

Termination benefits are benefits payable as a result of an employee's employment being terminated and include severance payments and accruals for pending severance offers.



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### 34. RELATED PARTY DISCLOSURES (CONTINUED)

The Credit Union, excluding Alberta Central, issues loans, primarily residential mortgages, and offers deposits, primarily fixed-term deposits, to its management and employees at various preferred rates and terms. The value of the difference in rates is included in short-term employee benefits (see note 24). Board of Director loans and deposits are at member rates. All loans are in good standing and are granted in accordance with the Credit Union's standard credit practices.

	As at October 31 2024	As at October 31 2023
<b>Members' Loans</b>		
Key management personnel	\$ 2,721	\$ 1,744
Board of directors	7,390	5,835
<b>Total</b>	<b>\$ 10,111</b>	<b>\$ 7,579</b>

	As at October 31 2024	As at October 31 2023
<b>Members' Deposits</b>		
Key management personnel	\$ 1,008	\$ 614
Board of directors	5,425	1,649
<b>Total</b>	<b>\$ 6,433</b>	<b>\$ 2,263</b>

	Compensation to Directors	Expenses incurred by Directors	2024
<b>Alberta Central Directors' compensation and expenses</b>			
Directors who are key management personnel of the Credit Union	\$ 44	\$ 5	\$ 49
All other directors	135	40	175
<b>Total</b>	<b>\$ 179</b>	<b>\$ 45</b>	<b>\$ 224</b>

Compensation to Alberta Central directors ranged from \$1 to \$26 with an average of \$11.

### 35. NON-CONTROLLING INTEREST

Alberta Central is the only subsidiary of the Credit Union that is partially owned by entities other than the Credit Union. At October 31, 2024 non-controlling interests held 81% of the ownership and voting rights of Alberta Central.

The following tables summarize financial information of Alberta Central and shows amounts attributable to non-controlling interests:

	As at October 31 2024	As at May 1 2024	Change
Shares held by the Credit Union	255,248	255,248	-
Shares held by NCI	59,946	59,946	-
Total Shares	315,194	315,194	-
<b>Credit Union ownership</b>	<b>81.0%</b>	<b>81.0%</b>	<b>-</b>
<b>NCI ownership</b>	<b>19.0%</b>	<b>19.0%</b>	<b>-</b>

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### 35. NON-CONTROLLING INTEREST (CONTINUED)

	As at October 31 2024
Investments in securities	\$ 3,063,014
Other assets	1,043,174
Liabilities	3,697,462
<b>Net assets</b>	<b>\$ 408,726</b>

The net income and other comprehensive income of Alberta Central attributed to the non-controlling interest over the period May 1<sup>st</sup>, 2024 to October 31<sup>st</sup>, 2024, during which time the Credit Union held control over Alberta Central, is \$7,372 and \$1,988 respectively. No dividends were paid to the non-controlling interest during this period.

The Credit Union has certain regulatory restrictions established by the Act and the Corporation on its ability to access or use the assets of Alberta Central, given that Alberta Central operates as a separate legal entity. See notes 29 and 32 for additional details on these regulatory requirements.

### 36. PRIOR YEAR ACQUISITION OF STRIDE CAPITAL CORP

On June 1, 2023, 2416924 Alberta Ltd. (a wholly-owned subsidiary of the Credit Union) entered into an asset purchase agreement to acquire substantially all of the assets of Stride Capital Corp (Stride), in exchange for cash, debt assumption, and contingent consideration. Stride is an equipment leasing company with Canada-wide operations and presence in the energy, construction, agriculture, and transportation industries. The Credit Union believes the acquisition will diversify its commercial lending markets, ultimately supporting growth targets in a rapidly changing financial landscape.

From the date of acquisition, 2416924 Alberta Ltd. contributed \$2,374 to consolidated net interest income and other income and a loss of \$686 to consolidated net income for the period ended October 31, 2023. If the acquisition had occurred on November 1, 2022, it is estimated that the consolidated net interest income and other income would have been \$622,749 and consolidated net income would have been \$79,745 for the year ended October 31, 2023. In determining these amounts, it has been assumed that all fair values and discount rates would not have been materially different had the acquisition been completed on November 1, 2022.

#### Assets acquired and liabilities assumed

	As at Jun 1, 2023	Adjustments <sup>(1)</sup>	As at Oct 31, 2023
<b>Assets</b>			
Cash	\$ 193	\$ 1	\$ 194
Restricted cash	9,217	-	9,217
Accounts receivable	900	-	900
Deposits and prepaid expenses	43	(15)	28
Net lease receivable <sup>(2)</sup>	120,589	(1)	120,588
Assets held for sale	2,123	-	2,123
Property and equipment	33	-	33
Customer relationships	3,540	(140)	3,400
Goodwill	21,225	(2,052)	19,173
<b>Total assets</b>	<b>157,863</b>	<b>(2,207)</b>	<b>155,656</b>
<b>Liabilities</b>			
Bank indebtedness	1,714	-	1,714
Accounts payable and accrued liabilities	284	-	284
Deposits and prepaid leases	220	-	220
Subordinate debt	17,863	-	17,863
Secured borrowing	123,999	(4,567)	119,432
<b>Total liabilities</b>	<b>144,080</b>	<b>(4,567)</b>	<b>139,513</b>
<b>Total identifiable net assets at fair value <sup>(3)</sup></b>	<b>\$ 13,783</b>	<b>\$ 2,360</b>	<b>\$ 16,143</b>

<sup>(1)</sup> Revisions to fair values were due to additional information obtained between the acquisition date and October 31, 2023.

<sup>(2)</sup> Net lease receivable includes the estimated credit loss on lease receivable of \$(409).

<sup>(3)</sup> Represents purchase consideration, which was revised for additional information concerning fair values and classification of consideration.

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### **36. PRIOR YEAR ACQUISITION OF STRIDE CAPITAL CORP (CONTINUED)**

The goodwill of \$19,173 represents the value of expected synergies between the Credit Union and 2416924 Alberta Ltd., with 2416924 Alberta Ltd. having access to capital provided by the Credit Union required to grow the leasing business. In turn, the Credit Union's commercial members benefit from greater access to competitively priced credit for equipment leasing, thereby achieving greater levels of financial fitness. The goodwill recognized is separate from customer relationships because the customer list is comprised of Stride customers as at the acquisition date, while goodwill represents future synergies. The goodwill recognized is not tax deductible upfront, however is eligible for tax cost recovery.

#### **Consideration transferred:**

<b>As at June 1, 2023</b>	<b>Note</b>	<b>Fair Value</b>
Cash		\$ 11,348
Note payable		613
Contingent consideration	a	4,182
<b>Total consideration transferred</b>		<b>\$ 16,143</b>

#### **Contingent consideration**

Per the asset purchase agreement between Stride and the Credit Union, there were two separate components that form the total present value of contingent consideration of \$4,182.

##### Promissory Note for Newly Originated Leasing Revenue

2416924 Alberta Ltd. agreed to pay Stride additional consideration contingent on 2416924 Alberta Ltd. meeting a revenue target after acquisition. The contingent consideration was a non-interest bearing promissory note payable by the credit union issued at June 1, 2023 for a principal amount of \$2,500. The final value of the note payable is contingent on meeting the revenue target. The amount payable may be \$nil if 2416924 Alberta Ltd. newly originated leasing revenue between June 1, 2023 and May 31, 2025 is less than \$106,450. The principal amount payable becomes \$1,250 if new originations for the stated period are greater than \$106,450 but less than \$228,867. If newly originated leasing revenue is greater than or equal to \$228,867, the full \$2,500 becomes payable.

The present value of the promissory note was \$2,110 at October 31, 2023. Bank of Canada bond yield rates were used in determining an appropriate discount rate. The contingent consideration was estimated based on the forecasted revenue, resulting in the assumption that the full amount will be paid. This estimate, and the probability of meeting the revenue target were level 3 inputs in determining the fair value of the promissory note and are reassessed at each reporting period.

##### Contingent consideration for Stride Key Management Employment

The Credit Union agreed to pay Stride additional consideration contingent on the employment of three individuals as at and for the period ending May 31, 2025. This contingent consideration has also been set up as a non-interest bearing promissory note payable by the credit union issued at June 1, 2023 for a principal amount of \$2,500.

The present value of the promissory note was \$2,072, determined using weighted probabilities of employment for each of the three individuals. The contingent consideration was estimated based on the assumption that the full amount will be paid. This estimate, and the probability of employee retention were level 3 inputs in determining the fair value of the promissory note and are reassessed at each reporting period.

The present value of the two promissory notes – for \$2,110 and for \$2,072 – formed the total present value of contingent consideration of \$4,182 at October 31, 2023. This was included in Trade payables and other liabilities in the condensed consolidated statement of financial position.

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**36. PRIOR YEAR ACQUISITION OF STRIDE CAPITAL CORP (CONTINUED)**

**Acquisitions costs**

The Credit Union incurred acquisition-related costs of \$1,297 for the year ended October 31, 2023. These were included in General expenses on the Consolidated statement of income.

**37. COMPARATIVE FIGURES**

Certain comparative figures in the consolidated statements and note disclosures have been reclassified to conform to the current year's presentation.