CONNECT FIRST AND SERVUS CREDIT UNION LTD.
Interim Condensed Consolidated Financial Statements

For the three and nine months ended July 31, 2024
(unaudited)

CONNECT FIRST AND SERVUS CREDIT UNION LTD.
Interim Condensed Consolidated Financial Statements
(unaudited)

CONNECT FIRST AND SERVUS CREDIT UNION LTD.
Interim Condensed Consolidated Statement of Financial Position
(Canadian $ thousands)
(unaudited)

	Notes		July 31 2024		October 31 2023
Assets					
Cash and cash equivalents [1]		$	**197,119**	$	86,134
Investments [2]	4		**3,417,986**		1,493,841
Members' loans and leases	5		**24,821,575**		18,206,087
Income taxes receivable			**-**		736
Assets held for sale			**10,263**		6,127
Other assets			**76,926**		51,215
Property and equipment			**185,588**		133,512
Leased assets			**92,944**		62,734
Investment property			**7,796**		5,680
Derivative financial assets	8		**19,299**		4,538
Investment in associate			**750**		210,536
Intangible assets			**91,257**		52,794
Goodwill			**19,173**		19,173
Deferred income tax assets			**56,301**		-
Total assets			**28,996,977**		20,333,107
Liabilities					
Borrowings			**198,842**		8,334
Securitization liabilities			**1,776,107**		1,454,324
Members' deposits			**24,091,469**		16,662,604
Trade payables and other liabilities			**296,860**		235,968
Lease liabilities			**107,645**		72,319
Income taxes payable			**14,446**		-
Allowance for off balance sheet credit instruments	5,6		**7,338**		3,608
Derivative financial liabilities	8		**25,478**		31,559
Investment shares			**457**		451
Defined benefit plans			**2,109**		4,251
Deferred income tax liabilities			**-**		4,056
Total liabilities			**26,520,751**		18,477,474
Equity					
Share capital			**1,109,570**		690,461
Retained earnings			**1,222,479**		1,161,082
Contributed surplus	2		**47,160**		-
Accumulated other comprehensive income			**13,617**		4,090
Total equity attributable to members of the Credit Union			**2,392,826**		1,855,633
Non-controlling interest			**83,400**		-
Total equity			**2,476,226**		1,855,633
Total liabilities and equity		$	**28,996,977**	$	20,333,107

[1] *Cash and cash equivalents includes restricted cash as at July 31, 2024 of $5,087 (2023 - $6,278)*

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

CONNECT FIRST AND SERVUS CREDIT UNION LTD.
Interim Condensed Consolidated Statement of Income
(Canadian $ thousands)
(unaudited)

	Notes	**Three months ended July 31 2024**	Three months ended July 31 2023	**Nine months ended July 31 2024**	Nine months ended July 31 2023
Interest income					
Members' loans and leases		**$ 351,495**	$ 208,193	**$ 822,300**	$ 577,274
Investments, including derivatives	9	**44,495**	10,566	**82,382**	32,718
Total interest income		**395,990**	218,759	**904,682**	609,992
Interest expense					
Members' deposits		**177,873**	96,483	**412,931**	246,980
Other interest expense		**34,229**	8,970	**67,493**	22,978
Total interest expense		**212,102**	105,453	**480,424**	269,958
Net interest income		**183,888**	113,306	**424,258**	340,034
Other income		**66,017**	38,135	**152,316**	115,551
Share of profits from associate		**(1,771)**	(469)	**519**	(410)
Net interest income and other income		**248,134**	150,972	**577,093**	455,175
Provision for credit losses	6	**35,611**	4,738	**61,820**	33,244
Net interest income and other income after provision for credit losses		**212,523**	146,234	**515,273**	421,931
Operating expenses					
Personnel		**93,862**	64,427	**229,536**	189,882
General		**44,314**	31,870	**107,969**	96,264
Occupancy		**6,457**	4,848	**15,366**	13,768
Member security		**4,317**	2,896	**10,255**	8,516
Depreciation		**7,813**	4,932	**17,551**	14,522
Organization		**797**	1,383	**3,231**	3,729
Impairment of assets		**587**	207	**1,233**	1,003
Amortization		**5,075**	2,845	**12,547**	8,287
Total operating expenses		**163,222**	113,408	**397,688**	335,971
Income before patronage allocation to members and income taxes		**49,301**	32,826	**117,585**	85,960
Patronage allocation to members		**5,918**	8,888	**23,496**	26,543
Income before income taxes		**43,383**	23,938	**94,089**	59,417
Income taxes		**18,255**	5,863	**29,774**	13,642
Net income		**$ 25,128**	$ 18,075	**$ 64,315**	$ 45,775
Net income					
Net income attributable to members		**22,210**	18,075	**61,397**	45,775
Net income attributable to non-controlling interest		**2,918**	-	**2,918**	-
Net income		**$ 25,128**	$ 18,075	**$ 64,315**	$ 45,775

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

CONNECT FIRST AND SERVUS CREDIT UNION LTD.
Interim Condensed Consolidated Statement of Comprehensive Income
(Canadian $ thousands)
(unaudited)

	Three months ended July 31 2024	Three months ended July 31 2023	**Nine months ended July 31 2024**	Nine months ended July 31 2023
Net income	**$ 25,128**	$ 18,075	**$ 64,315**	$ 45,775
Other comprehensive income for the year, net of tax:				
Items that will not be reclassified to profit or loss:				
Change in unrealized gain on equity securities at fair value through other comprehensive income securities [(2)]	**87**	-	**87**	-
Share of other comprehensive income from associate				
Actuarial gain on defined benefit pension plans [(1)]	**-**	-	**87**	310
Change in unrealized gain on equity securities at fair value through other comprehensive income securities [(2)]	**-**	26	**483**	1,227
Items that may be reclassified subsequently to profit or loss:				
Change in unrealized gain on debt securities at fair value through other comprehensive income securities [(3)]	**6,767**	-	**6,767**	-
Share of other comprehensive (loss) income from associate				
Change in unrealized (loss) gain on debt securities at fair value through other comprehensive income securities [(3)]	**-**	(1,940)	**3,407**	1,568
Reclassification adjustments for realized loss on debt securities [(4)]	**-**	(460)	**-**	(826)
Total other comprehensive income (loss)	**$ 6,854**	$ (2,374)	**$ 10,831**	$ 2,279
Total comprehensive income	**$ 31,982**	$ 15,701	**$ 75,146**	$ 48,054
Total comprehensive income				
Comprehensive income attributable to members	**27,760**	15,701	**70,924**	48,054
Comprehensive income attributable to non-controlling interest	**4,222**	-	**4,222**	-
Total comprehensive income	**$ 31,982**	$ 15,701	**$ 75,146**	$ 48,054

[(1)] Net of income tax expense for the nine months ended July 31, 2024 of $26 (2023 - $93)
[(2)] Net of income tax (recorvery) expense for the three months ended July 31, 2024 of $(16) (2023 - $8), for the nine months ended July 31, 2024 of $128 (2023 - $366)
[(3)] Net of income tax expense (recovery) for the three months ended July 31, 2024 of $2,070 (2023 - $(580)), for the nine months ended July 31, 2024 of $3,088 (2023 - $468)
[(4)] Net of income tax (recovery) for the three months ended July 31, 2024 of $0 (2023 - $(137)), for the nine months ended July 31, 2024 of $0 (2023 - $(246))

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

CONNECT FIRST AND SERVUS CREDIT UNION LTD.
Interim Condensed Consolidated Statement of Changes in Equity
(Canadian $ thousands)
(unaudited)

	Notes	Share Capital: Common Shares	Share Capital: Investment Shares	Total Share Capital	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income	Non-controlling Interest	Total Equity
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		3,975	-	3,975	-	-	-	-	3,975
Redemption of share capital		(41,733)	(6,386)	(48,119)	-	-	-	-	(48,119)
Net income		-	-	-	45,775	-	-	-	45,775
Share of other comprehensive income from associate		-	-	-	-	-	2,279	-	2,279
Share of reclassification of accumulated other comprehensive income to retained earnings from associate (1)		-	-	-	5,044	-	(5,044)	-	-
Balance at July 31, 2023		$ 542,135	$ 114,996	$ 657,131	$ 1,157,209	$ -	$ 3,753	$ -	$ 1,818,093

	Notes	Share Capital: Common Shares	Share Capital: Investment Shares	Total Share Capital	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income	Non-controlling Interest	Total Equity
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	2	**329,725**	**149,060**	**478,785**	**-**	**-**	**-**	**-**	**478,785**
Redemption of share capital		**(50,207)**	**(9,469)**	**(59,676)**	**-**	**-**	**-**	**-**	**(59,676)**
Net income		**-**	**-**	**-**	**61,397**	**-**	**-**	**2,918**	**64,315**
Non-controlling interest acquired through business combination	2	**-**	**-**	**-**	**-**	**-**	**-**	**79,178**	**79,178**
Contributed surplus arising from business combination	2	**-**	**-**	**-**	**-**	**47,160**	**-**	**-**	**47,160**
Share of other comprehensive income from associate		**-**	**-**	**-**	**-**	**-**	**3,977**	**-**	**3,977**
Unrealized fair value gain on debt and equity securities		**-**	**-**	**-**	**-**	**-**	**5,550**	**1,304**	**6,854**
Balance at July 31, 2024		**$ 848,281**	**$ 261,289**	**$ 1,109,570**	**$ 1,222,479**	**$ 47,160**	**$ 13,617**	**$ 83,400**	**$ 2,476,226**

(1) *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 nine months ended July 31, 2023 of $1,507*

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

CONNECT FIRST AND SERVUS CREDIT UNION LTD.
Interim Condensed Consolidated Statement of Cash Flows
(Canadian $ thousands)
(unaudited)

	Nine months ended July 31 2024	Nine months ended July 31 2023
Cash flows from (used in) operating activities		
Net income	**$ 64,315**	$ 45,775
Adjustments for non-cash items and others		
Net interest income [(1)]	**(424,258)**	(340,034)
Provision for credit losses	**61,820**	33,244
Share of (profits) losses from investment in associate	**(519)**	410
Depreciation	**17,551**	14,522
Amortization	**12,547**	8,287
Impairment of assets	**1,233**	1,003
Gain on leased assets	**(243)**	(1)
Gain on assets held for sale	**(2,229)**	(439)
Loss (gain) on disposal of property and equipment	**425**	(317)
Gain from acquisition of business	**(15,207)**	-
Income taxes	**29,774**	13,642
Adjustments for net changes in operating assets and liabilities		
Change in members' loans and leases	**(419,070)**	(1,335,104)
Change in members' deposits	**198,681**	1,122,499
Change in assets held for sale	**(12,098)**	(5,573)
Change in other assets, provisions, and trade payables and other liabilities, net	**(32,286)**	(27,650)
Income taxes paid, net	**(10,616)**	(5,605)
Interest received	**880,145**	591,206
Interest paid	**(422,832)**	(199,009)
Net cash used in operating activities	**(72,867)**	(83,144)
Cash flows from (used in) investing activities		
Additions to intangible assets	**(8,271)**	(6,711)
Additions to property and equipment, and investment property	**(7,766)**	(8,608)
Proceeds on disposal of property and equipment, and investment property	**294**	681
Proceeds on disposal of assets held for sale	**12,853**	6,059
Purchase of Alberta Central shares (pre acquisition)	**(11,776)**	(9,796)
Distributions from Alberta Central	**-**	2,349
Purchase of investments, net	**(202,670)**	(2,388)
Acquisition of business	**-**	(13,783)
Cash and restricted cash acquired	**254,817**	9,410
Changes in working capital related to acquisition of business	**-**	2,722
Net cash from (used in) investing activities	**37,481**	(20,065)
Cash flows from (used in) financing activities		
Repayments of term loans and lines of credit, net	**(8,299)**	(184,073)
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**	557,974
Repayments of securitization liabilities	**(248,231)**	(195,267)
Repayments of principal portion of lease liabilities	**(5,372)**	(3,975)
Shares issued	**15,200**	3,975
Shares redeemed	**(59,676)**	(48,119)
Net cash from financing activities	**146,371**	110,937
Increase in cash and cash equivalents	**110,985**	7,728
Cash and cash equivalents, beginning of period	**86,134**	80,810
Cash and cash equivalents, end of period	**$ 197,119**	$ 88,538

[(1)] Net interest income includes a fair value gain on derivatives for the nine months ended Jul 31, 2024 of $6,685 (2023 - $11,202))

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

1. BASIS OF PRESENTATION

These Interim Condensed Consolidated Financial Statements are prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). The Interim Condensed Consolidated Financial Statements do not include all of the information required for full annual financial statements and should be read in conjunction with Servus Credit Union Ltd.'s (Servus) 2023 audited annual Consolidated Financial Statements.

These Interim Condensed Consolidated Financial Statements were approved by the Audit and Finance Committee on September 23, 2024.

Use of Estimates, Assumptions and Critical Judgments
The preparation of the Interim Condensed Consolidated 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.

The most significant estimates and assumptions have been used in the following areas: 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, financial markets remain volatile with persistently high inflation and interest rates driving borrowing costs higher. Although this will deter spending, population growth and rising employment are key contributors to Alberta's overall positive economic outlook. These competing factors have a significant impact on management's estimates and assumptions in preparing the Interim Condensed Consolidated Financial Statements. One area of significant judgment affected strongly by the economic environment is the estimate for ECL; refer to Note 7 for more details.

2. MERGERS & 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.

(Canadian $ thousands)

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

		As at May 1, 2024
Assets		
Cash and cash equivalents	$	50,673
Investments		644,727
Loans to members[(1)]		6,015,864
Purchase of credit impaired assets		69,474
Derivative assets		6,694
Assets held for sale		3,895
Other assets		13,191
Property and equipment		54,963
Right of use assets		23,509
Deferred tax assets		51,843
Investment in associates		91,528
Income tax asset		3,671
Intangible assets		11,899
Total assets	**$**	**7,041,931**
Liabilities		
Accounts payable	$	68,655
Members' deposits		6,082,654
Lease liabilities		23,570
Secured borrowings		348,467
Defined benefit plan		1,146
Derivative liabilities		6,694
Total liabilities	**$**	**6,531,186**
Total identifiable net assets at fair value	**$**	**510,745**

[(1)] The gross contractual principal amounts of acquired loans is $6,281,311

(Canadian $ thousands)

2. MERGERS & ACQUISITIONS (CONTINUED)

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.

Net identifiable assets	**$**	**510,745**
Common share capital		(314,724)
Investment share capital		(148,861)
Contributed Surplus	**$**	**47,160**

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. Specifically with respect to intangible assets, it is probable that new assets will be identified and measured. 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 $28,880 and $13,173 respectively.

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. 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 $245,605 and the acquisition of control over Alberta Central results in an immediate gain of $15,839 for the merged credit union. The gain is included in Other income on the consolidated statement of 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. In addition, consideration transferred includes the settlement of any pre-existing relationships.

(Canadian $ thousands)

2. MERGERS & ACQUISITIONS (CONTINUED)

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 Other income on the consolidated statement of income. The amounts effectively settled include:

Assets		
Cash and cash equivalents	$	73,364
Investments		2,382,108
Other assets		3,065
Derivative financial assets		4,073
Total assets settled	**$**	**2,462,610**
Liabilities		
Borrowings and securitization liabilities	$	272,612
Trade payables and other liabilities		2,052
Derivative financial liabilities		13,562
Total liabilities settled	**$**	**288,226**
Net settlements	**$**	**2,174,384**

Prior to effective settlement the sum of net assets at fair value is measured at $416,311. Consideration transferred is measured at the sum of the net assets and the net settlements, or $2,590,695.

<u>Fair value of assets acquired and liabilities assumed</u>
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.

(Canadian $ thousands)

2. 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
Assets		
Cash and cash equivalents	$	277,508
Investments in securities [(2)]		3,461,312
Loans[(1)]		134,298
Derivative assets		10,970
Other assets		7,762
Sublease receivables		4,234
Fixed assets		3,710
Leased assets		5,110
Deferred tax assets		4,555
Investment in associates		657
Intangible assets		30,816
Total assets	**$**	**3,940,932**
Liabilities		
Accounts payable	$	4,001
Members' deposits		1,119,603
Lease liabilities		9,362
Commercial paper		198,771
Income taxes payable		1,268
Derivative liabilities		17,232
Total liabilities	**$**	**1,350,237**
Total identifiable net assets at fair value	**$**	**2,590,695**
Total consideration	**$**	**2,590,695**

[(1)] *The gross contractual principal amounts of acquired loans is $146,273*

[(2)] *Investments in securities includes investments in associate of $23,440*

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.

<u>Non-controlling interest</u>
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 $416,311, as described above. The non-controlling interest share was then applied to this amount to determine the initial non-controlling interest.

<u>Separate income</u>
From the date of acquisition, the business operations of Alberta Central contributed a loss of $6,532 to the net interest income and a loss of $15,136 to the net income of the consolidated entity.

2. MERGERS & ACQUISITIONS (CONTINUED)

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 nine months ending July 31, 2024 are estimated to have been $510,866 and $64,678 respectively.

3. ACCOUNTING POLICIES

These Interim Condensed Consolidated Financial Statements have been prepared following the same accounting policies and methods as those used in preparing the Servus' 2023 annual Consolidated Financial Statements, with the exception of the new and amended standards applicable to the current year and material policies impacted by the business combinations.

The following new and amended standards are applicable to the current year:

- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Amendments to IFRS 17 – Insurance Contracts

The adoption of these new and amended standards effective November 1, 2023 have no impact on the financial statements.

The following amendment will be adopted in the Credit Union's 2024 annual Consolidated Financial Statements, and may result in the inclusion of only material accounting policies:

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

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., which provides equipment leasing services
- The Credit Union has 81% ownership interest of Alberta Central Ltd., because of the merger between Servus and cFCU on May 1, 2024, the Credit Union acquired control over Alberta Central. Alberta Central is the central banking facility and trade association for Alberta's credit unions.

  Alberta Central has investments in the following companies:

  Joint Arrangement
  - 33.3% ownership Prairie Payments Joint Venture, an unincorporated company

  Equity Method Investments
  - 33.3% ownership giving Alberta Central significant interest in Celero Solutions
  - 8.71% ownership giving Alberta Central significant interest in CU CUMIS Wealth Holdings LP

3. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments – Classification and Measurement
Due to the business combinations the following table shows updated classification for financial instruments:

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			▼

Impairment of Financial Assets
Measurement of Expected Credit Loss Allowances
The following policy update has been applied to loans acquired in a business combination that are not impaired:

Acquired performing loans are initially measured at fair value, which considers incurred and expected future credit losses estimated at the acquisition date and also reflects adjustments based on the acquired loan's interest rate in comparison to current market rates. Immediately following acquisition, twelve-month ECLs are recognized on the acquired performing loans, resulting in the carrying amount being lower than fair value. Acquired performing loans are subsequently accounted for at amortized cost based on their contractual cash flows and any acquisition related discount or premium, including credit related discounts, is considered to be an adjustment to the loan yield and is recognized in interest income using Effective Interest Rate Method (EIRM) over the term of the loan, or the expected life of the loan for acquired performing loans with revolving terms.

Loans acquired in a business combination that are impaired are described in Note 6.

(Canadian $ thousands)

4. INVESTMENTS

	As at July 31 2024	As at October 31 2023
Term deposits with Alberta Central	**$ -**	$ 1,484,866
Debt securities	**2,753,490**	21
Terms in other financial institutions	**602,132**	-
Equity Securities [1]	**34,452**	-
Asset backed securities	**19,757**	-
Other	**2,044**	87
	3,411,875	1,484,974
Accrued interest	**6,507**	8,869
	3,418,382	1,493,843
ECL allowance on investments	**(396)**	(2)
Total	**$ 3,417,986**	$ 1,493,841

5. 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 credit losses:

	Performing		**Impaired**				
As at July 31, 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3 - POCI [3]**	**Total**	**Allowance for Credit Losses**	**Total Net of Allowance**
Members' Loans and Leases							
Residential mortgages	**$ 11,774,273**	**$ 643,816**	**$ 15,310**	**$ 3,259**	**$ 12,436,658**	**$ 5,081**	**$ 12,431,577**
Commercial [1]	**10,204,683**	**294,078**	**112,385**	**55,816**	**10,666,962**	**74,780**	**10,592,182**
Consumer [2]	**1,691,477**	**115,169**	**4,918**	**1,720**	**1,813,284**	**15,468**	**1,797,816**
Total members' loans and leases	**$ 23,670,433**	**$ 1,053,063**	**$ 132,613**	**$ 60,795**	**$ 24,916,904**	**$ 95,329**	**$ 24,821,575**
Off Balance Sheet Credit Instruments							
Residential mortgages	**$ 2,833,380**	**$ 16,460**	**$ 767**	**$ -**	**$ 2,850,607**	**$ 284**	**$ 2,850,323**
Commercial [1]	**2,527,560**	**20,626**	**709**	**-**	**2,548,895**	**4,078**	**2,544,817**
Consumer [2]	**1,279,456**	**22,411**	**205**	**-**	**1,302,072**	**2,976**	**1,299,096**
Total off balance sheet credit instruments	**$ 6,640,396**	**$ 59,497**	**$ 1,681**	**$ -**	**$ 6,701,574**	**$ 7,338**	**$ 6,694,236**

[1] *Includes commercial loans, credit card, agriculture loans, and lease receivables*
[2] *Includes consumer loans and credit card*
[3] *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*

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

[1] *Includes commercial loans, credit card, agriculture loans, and lease receivables*
[2] *Includes consumer loans and credit card*

6. 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 created by Central 1 (the model) 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 forward-looking indicators (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.

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 July 31, 2024, management concluded that the weighting to be used is a 60% base, 10% best and 30% worst-case (October 31, 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 July 31, 2024, management has not applied an overlay (October 31, 2023 - $0) to the calculated ECL.

(Canadian $ thousands)

6. ALLOWANCE FOR EXPECTED CREDIT LOSSES (CONTINUED)

When loans are acquired with evidence of incurred credit loss where it is probable at the purchase date that the Credit Union will be unable to collect all contractually required principal and interest payments, they are generally considered to be purchased or originated credit-impaired (POCI) loans, with no ECLs recognized on 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. POCI loans are accounted for based on the present value of expected cash flows as opposed to their contractual cash flows. The Credit Union determines the fair value of these loans at the acquisition date taking into account management assumptions relating to default rates, loss severities, the amount and timing of prepayments, and other factors that are reflective of current market conditions. With respect to POCI loans, accounting is applied individually at the loan level. Subsequent to acquisition, the Credit Union regularly reassesses and updates its cash flow estimates for changes to assumptions relating to default rates, loss severities, the amount and timing of prepayments, and other factors that are reflective of current market conditions. Probable decreases in expected cash flows trigger the recognition of additional impairment, which is measured based on the present value of the revised expected cash flows discounted at the loan's effective interest rate (EIR) as compared to the carrying value of the loan. The ECL in excess of the initial credit-related discount is recorded through the provision for credit losses. Interest income on POCI loans is calculated by applying the credit-adjusted EIR to the amortized cost of ACI loans.

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

		Residential Mortgages		Commercial (1)		Consumer (2)		Total
As at October 31, 2023	**$**	**3,759**	**$**	**53,614**	**$**	**9,504**	**$**	**66,877**
Recoveries of previous loan and lease write-offs		**1**		**470**		**3,373**		**3,844**
Provision charged to net income (4)		**2,674**		**42,902**		**15,850**		**61,426**
		6,434		**96,986**		**28,727**		**132,147**
Loans and leases written off		**(1,069)**		**(18,128)**		**(10,283)**		**(29,480)**
As at July 31, 2024	**$**	**5,365**	**$**	**78,858**	**$**	**18,444**	**$**	**102,667**
Presented on Interim Condensed Consolidated Statement of Financial Position as:								
Netted with members' loans and leases		**5,081**		**74,780**		**15,468**		**95,329**
Off balance sheet credit instruments (3)		**284**		**4,078**		**2,976**		**7,338**
Total	**$**	**5,365**	**$**	**78,858**	**$**	**18,444**	**$**	**102,667**

		Residential Mortgages		Commercial (1)		Consumer (2)		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 Interim Condensed 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 (3)		201		1,479		1,928		3,608
Total	$	3,759	$	53,614	$	9,504	$	66,877

(1) Includes commercial loans, credit card, agriculture loans, and lease receivables
(2) Includes consumer loans and credit card
(3) Off balance sheet credit instruments consist of undrawn commitments and financial guarantees
(4) Includes provision on newly purchased loans amounting to $12,927 during the period

(Canadian $ thousands)

6. ALLOWANCE FOR EXPECTED CREDIT LOSSES (CONTINUED)

The provision charged to net income is:

		Nine months ended July 31 2024		ended July 31 2023
Loans and leases [(1)]	**$**	**61,426**	$	33,244
Investments		**394**		-
Provision for (recovery of) credit losses	**$**	**61,820**	$	33,244

[(1)] Includes provision on newly purchased loans amounting to $12,927 during the period

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 [(5)]**	**Total**
As at October 31, 2023	**$ 1,198**	**$ 1,849**	**$ 712**	**$ -**	**$ 3,759**
Transfers					
Stage 1 [(1)]	**531**	**(499)**	**(32)**	**-**	**-**
Stage 2 [(1)]	**(101)**	**191**	**(90)**	**-**	**-**
Stage 3 [(1)]	**(2)**	**(82)**	**84**	**-**	**-**
New originations [(2)]	**1,467**	**387**	**-**	**-**	**1,854**
Repayments [(3)]	**(127)**	**(174)**	**(186)**	**-**	**(487)**
Remeasurements [(4)]	**(664)**	**393**	**1,578**	**-**	**1,307**
Loans written off	**-**	**-**	**(1,069)**	**-**	**(1,069)**
Recoveries	**-**	**-**	**1**	**-**	**1**
As at July 31, 2024	**$ 2,302**	**$ 2,065**	**$ 998**	**$ -**	**$ 5,365**
Presented on Interim Condensed Consolidated Statement of Financial Position as:					
Netted with members' loans and leases	**2,075**	**2,025**	**981**	**-**	**5,081**
Off balance sheet credit instruments	**227**	**40**	**17**	**-**	**284**
Total	**$ 2,302**	**$ 2,065**	**$ 998**	**$ -**	**$ 5,365**

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

[(1)] Stage transfers represent movement between stages
[(2)] Represents the increase in allowance resulting from loans that were newly originated or purchased and reflect movement into different stages within the period
[(3)] Repayments relate to loans fully repaid or derecognized and exclude loans written off where a credit loss was incurred
[(4)] Represents the change in the allowance due to changed in economic factors, risk and model parameters
[(5)] Includes provision for (recovery of) credit losses related to POCI loans

(Canadian $ thousands)

6. 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 [5]	Total
As at October 31, 2023	$ 5,188	$ 2,166	$ 46,260	$ -	$ 53,614
Transfers					
Stage 1 [1]	273	(79)	(194)	-	-
Stage 2 [1]	(70)	196	(126)	-	-
Stage 3 [1]	(71)	(98)	169	-	-
New originations [2]	8,274	169	1,564	-	10,007
Repayments [3]	(970)	(540)	(382)	-	(1,892)
Remeasurements [4]	10,515	4,389	18,950	933	34,787
Loans and leases written off	-	-	(17,908)	(220)	(18,128)
Recoveries	-	-	470	-	470
As at July 31, 2024	$ 23,139	$ 6,203	$ 48,803	$ 713	$ 78,858
Presented on Interim Condensed Consolidated Statement of Financial Position as:					
Netted with members' loans and leases	19,406	5,968	48,666	740	74,780
Off balance sheet credit instruments	3,733	235	137	(27)	4,078
Total	$ 23,139	$ 6,203	$ 48,803	$ 713	$ 78,858

	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
As at October 31, 2022	$ 6,229	$ 1,684	$ 19,613	$ 27,526
Acquisition, June 1, 2023	205	9	195	409
Transfers				
Stage 1 [1]	529	(375)	(154)	-
Stage 2 [1]	(193)	215	(22)	-
Stage 3 [1]	(35)	(569)	604	-
New originations [2]	1,522	385	511	2,418
Repayments [3]	(546)	(102)	(162)	(810)
Remeasurements [4]	(2,523)	919	31,014	29,410
Loans written off	-	-	(5,510)	(5,510)
Recoveries	-	-	171	171
As at October 31, 2023	$ 5,188	$ 2,166	$ 46,260	$ 53,614
Presented on Interim Condensed Consolidated Statement of Financial Position as:				
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
Total	$ 5,188	$ 2,166	$ 46,260	$ 53,614

[1] Stage transfers represent movement between stages

[2] Represents the increase in allowance resulting from loans that were newly originated or purchased and reflect movement into different stages within the period

[3] Repayments relate to loans fully repaid or derecognized and exclude loans written off where a credit loss was incurred

[4] Represents the change in the allowance due to changed in economic factors, risk and model parameters

[5] Includes provision for (recovery of) credit losses related to POCI loans

(Canadian $ thousands)

6. 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** [5]	**Total**
As at October 31, 2023	**$ 2,866**	**$ 4,890**	**$ 1,748**	**$ -**	**$ 9,504**
Transfers					
Stage 1 [1]	**1,552**	**(1,414)**	**(138)**	**-**	**-**
Stage 2 [1]	**(366)**	**677**	**(311)**	**-**	**-**
Stage 3 [1]	**(42)**	**(133)**	**175**	**-**	**-**
New originations [2]	**7,422**	**848**	**40**	**-**	**8,310**
Repayments [3]	**(449)**	**(336)**	**(184)**	**-**	**(969)**
Remeasurements [4]	**(1,312)**	**1,623**	**7,767**	**431**	**8,509**
Loans written off	**-**	**-**	**(9,882)**	**(401)**	**(10,283)**
Recoveries	**-**	**1**	**3,372**	**-**	**3,373**
As at July 31, 2024	**$ 9,671**	**$ 6,156**	**$ 2,587**	**$ 30**	**$ 18,444**
Presented on Interim Condensed Consolidated Statement of Financial Position as:					
Netted with members' loans and leases	**7,680**	**5,183**	**2,558**	**47**	**15,468**
Off balance sheet credit instruments	**1,991**	**973**	**29**	**(17)**	**2,976**
Total	**$ 9,671**	**$ 6,156**	**$ 2,587**	**$ 30**	**$ 18,444**

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

[1] Stage transfers represent movement between stages

[2] Represents the increase in allowance resulting from loans that were newly originated or purchased and reflect movement into different stages within the period

[3] Repayments relate to loans fully repaid or derecognized and exclude loans written off where a credit loss was incurred

[4] Represents the change in the allowance due to changed in economic factors, risk and model parameters

[5] Includes provision for (recovery of) credit losses related to POCI loans

(Canadian $ thousands)

7. CREDIT QUALITY OF MEMBERS' LOANS AND LEASES

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

	FICO Score Range			Risk Rating Range
Risk Assessment	**Insured Residential Mortgages**	**Conventional Residential Mortgages**	**Consumer** [(1)]	**Commercial** [(2)]
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

[(1)] Includes consumer loans and credit card

[(2)] 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 July 31, 2024	**Residential Mortgages**	**Commercial** [(1)]	**Consumer** [(2)]	**Total**
Risk Categories				
Very low risk	$ **5,195,089**	$ **24,497**	$ **529,335**	$ **5,748,921**
Low risk	**4,331,536**	**4,276,917**	**650,774**	**9,259,227**
Medium risk	**2,155,067**	**5,962,314**	**454,429**	**8,571,810**
High risk	**736,397**	**235,032**	**172,109**	**1,143,538**
Impaired [(3)]	**18,569**	**168,202**	**6,637**	**193,408**
Total members' loans and leases	$ **12,436,658**	$ **10,666,962**	$ **1,813,284**	$ **24,916,904**

As at October 31, 2023	Residential Mortgages	Commercial [(1)]	Consumer [(2)]	Total
Risk Categories				
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
Total members' loans and leases	$ 9,355,837	$ 7,685,978	$ 1,227,541	$ 18,269,356

[(1)] Includes commercial loans, credit card, agriculture loans, and lease receivables

[(2)] Includes consumer loans and credit card

[(3)] 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

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

As at July 31, 2024	**Residential Mortgages**	**Commercial** [(1)]	**Consumer** [(2)]	**Total**
Risk Categories				
Very low risk	$ **1,644,294**	$ **202,351**	$ **827,895**	$ **2,674,540**
Low risk	**1,103,692**	**1,827,206**	**356,647**	**3,287,545**
Medium risk	**80,650**	**503,650**	**86,953**	**671,253**
High risk	**21,204**	**14,979**	**30,372**	**66,555**
Impaired	**767**	**709**	**205**	**1,681**
Total off balance sheet credit instruments	$ **2,850,607**	$ **2,548,895**	$ **1,302,072**	$ **6,701,574**

As at October 31, 2023	Residential Mortgages	Commercial [(1)]	Consumer [(2)]	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

[(1)] Includes commercial loans, credit card, agriculture loans, and lease receivables

[(2)] Includes consumer loans and credit card

(Canadian $ thousands)

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

Loans Past Due, as at July 31, 2024		Up to 30 Days		31 to 59 Days		60 to 89 Days		90 Days and Above		Total
Stage 1										
Residential mortgages	**$**	**80,574**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**80,574**
Commercial (1)		**61,872**		**240**		**294**		**1,309**		**63,715**
Consumer (2)		**27,360**		**-**		**-**		**-**		**27,360**
Stage 2										
Residential mortgages		**25,206**		**42,749**		**17,027**		**7,420**		**92,402**
Commercial (1)		**17,921**		**67,564**		**21,854**		**50,387**		**157,726**
Consumer (2)		**8,072**		**9,898**		**5,293**		**-**		**23,263**
Stage3										
Residential mortgages		**-**		**-**		**-**		**18,321**		**18,321**
Commercial (1)		**-**		**1,059**		**2,687**		**155,246**		**158,992**
Consumer (2)		**-**		**-**		**-**		**16,327**		**16,327**
Total	**$**	**221,005**	**$**	**121,510**	**$**	**47,155**	**$**	**249,010**	**$**	**638,680**

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
Stage 1										
Residential mortgages	$	63,341	$	-	$	-	$	-	$	63,341
Commercial (1)		17,362		-		-		-		17,362
Consumer (2)		19,291		-		-		-		19,291
Stage 2										
Residential mortgages		24,600		34,280		13,783		7,023		79,686
Commercial (1)		12,161		73,562		55,433		27,593		168,749
Consumer (2)		6,210		6,807		3,593		65		16,675
Stage3										
Residential mortgages		-		-		-		13,951		13,951
Commercial (1)		11,856		64		1,152		83,874		96,946
Consumer (2)		-		-		-		5,783		5,783
Total	$	154,821	$	114,713	$	73,961	$	138,289	$	481,784

(1) *Includes commercial loans, credit card, agriculture loans, and lease receivables*

(2) *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 July 31 2024**		As at October 31 2023
Insured loans and mortgages	**$**	**4,074,137**	$	3,633,504
Secured by mortgage		**17,889,590**		12,795,438
Secured by equipment and other		**2,087,029**		1,215,543
Unsecured loans		**598,966**		368,708
Unsecured credit card		**267,182**		256,163
Total	**$**	**24,916,904**	$	18,269,356

(Canadian $ thousands)

8. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at July 31, 2024			As at October 31, 2023		
	Gross Financial Assets	**Gross Financial Liabilities**	**Net**	Gross Financial Assets	Gross Financial Liabilities	Net
Equity-linked options	**$ 15,250**	**$ (15,130)**	**$ 120**	$ 4,538	$ (4,450)	$ 88
Interest rate swaps	**4,035**	**(10,334)**	**(6,299)**	-	(27,109)	(27,109)
Foreign exchange forwards	**14**	**(14)**	**-**	-	-	-
Total	**$ 19,299**	**$ (25,478)**	**$ (6,179)**	$ 4,538	$ (31,559)	$ (27,021)

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 July 31 2024**	As at October 31 2023
Interest rate swaps					
receive fixed, pay floating	**$ 9,200**	**$ 300,000**	**$ 195,000**	**$ 504,200**	$ 600,000
Equity-linked options	**23,037**	**41,137**	**103,816**	**167,990**	115,525
Foreign exchange forwards	**-**	**300**	**-**	**300**	-
Total	**$ 32,237**	**$ 341,437**	**$ 298,816**	**$ 672,490**	$ 715,525

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.

9. INVESTMENT INCOME

	Three months ended July 31 2024	Three months ended July 31 2023	**Nine months ended July 31 2024**	Nine months ended July 31 2023
Securities	**$ 41,574**	$ -	**$ 41,574**	$ -
Term deposits	**-**	15,291	**35,837**	39,277
Other investments	**2,798**	103	**4,179**	615
Unrealized (loss) gain on derivative instruments	**(62)**	1,777	**6,783**	11,249
Realized gain (loss) on derivative instruments	**185**	(6,605)	**(5,991)**	(18,423)
Total	**$ 44,495**	**$ 10,566**	**$ 82,382**	**$ 32,718**

(Canadian $ thousands)

10. 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.

As at July 31, 2024	**Note**		**Carrying Value**		**Fair Value**		**Fair Value Difference**
Financial Instrument Assets							
Cash and cash equivalents	**a**	**$**	**197,119**	**$**	**197,119**	**$**	**-**
Interest bearing deposits with financial institutions	**c,e**		**6,222**		**6,222**		**-**
Assets at fair value through OCI	**c,d**		**3,367,773**		**3,367,773**		**-**
Assets at fair value through profit or loss	**d**		**63,291**		**63,291**		**-**
Members' loans and leases	**b,c,e**		**24,821,575**		**24,459,222**		**(362,353)**
Other	**a**		**37,125**		**37,125**		**-**
Total financial instrument assets			**28,493,105**		**28,130,752**		**(362,353)**
Financial Instrument Liabilities							
Members' deposits	**b,c**		**24,091,469**		**24,133,561**		**42,092**
Liabilities at fair value through profit or loss	**d,f**		**29,319**		**29,319**		**-**
Borrowings	**c**		**198,842**		**198,842**		**-**
Securitization liabilities	**c**		**1,776,107**		**1,774,332**		**(1,775)**
Payables and other financial liabilities	**a**		**274,185**		**274,185**		**-**
Total financial instrument liabilities		**$**	**26,369,922**		**26,410,239**	**$**	**40,317**

As at October 31, 2023	Note		Carrying Value		Fair Value		Fair Value Difference
Financial Instrument Assets							
Cash and cash equivalents	a	$	86,134	$	86,134	$	-
Interest bearing deposits with financial institutions	c,e		1,493,733		1,488,341		(5,392)
Assets at fair value through profit or loss	d		4,624		4,624		-
Members' loans and leases	b,c,e		18,206,087		17,488,086		(718,001)
Other	a		25,482		25,482		-
Total financial instrument assets			19,816,060		19,092,667		(723,393)
Financial Instrument Liabilities							
Members' deposits	b,c		16,662,604		16,615,162		(47,442)
Liabilities at fair value through profit or loss	d,f		36,192		36,192		-
Borrowings	b		8,334		8,334		-
Securitization liabilities	c		1,454,324		1,418,723		(35,601)
Payables and other financial liabilities	a		218,665		218,665		-
Total financial instrument liabilities		$	18,380,119	$	18,297,076	$	(83,043)

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, member deposits and borrowings are assumed to equal their book values since the interest rates reprice when market rates change.
(c) The fair values of the following instruments are estimated using level 2 inputs:

- Interest-bearing deposits with 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.

(Canadian $ thousands)

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

- Securitization liabilities are discounted using adjusted implied yields from prices of similar actively traded government agency securities.

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 held in cooperative entities and other securities 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.

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

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

(f) The fair value of contingent consideration in the purchase of Stride Capital Corp.'s (Stride) 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'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 $3,626 or $3,142, 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:

As at July 31, 2024	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative assets	$ -	$ 19,299	$ -	$ 19,299
Investment shares in entities [1]	-	-	281	281
Securities	-	3,375,047	36,437	3,411,484
Total	$ -	$ 3,394,346	$ 36,718	$ 3,431,064
Financial Liabilities				
Member shares - Series E	-	457	-	457
Derivative liabilities	-	25,478	-	25,478
Contingent consideration	-	-	3,384	3,384
Total	$ -	$ 25,935	$ 3,384	$ 29,319

Financial assets fair value measurements using Level 3 inputs	
Balance at October 31, 2023	$ 86
Addition from acquisition	36,632
Balance at July 31, 2024	**$ 36,718**

Financial liabilities fair value measurements using Level 3 inputs	
Balance at October 31, 2023	$ 4,182
Contingent consideration - fair value change	(798)
Balance at July 31, 2024	**$ 3,384**

[1] *Investment shares in entities are included in Investments on the Interim Condensed Consolidated Statement of Financial Position*

(Canadian $ thousands)

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at October 31, 2023	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative assets	$ -	$ 4,538	$ -	$ 4,538
Investment shares in entities [1]	-	-	86	86
Total	$ -	$ 4,538	$ 86	$ 4,624
Financial Liabilities				
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

[1] *Investment shares in entities are included in Investments on the Interim Condensed Consolidated Statement of Financial Position*

11. COMPARATIVE FIGURES

Certain comparative figures in the Interim Condensed Consolidated Income Statement and Interim Condensed Consolidated Statement of Cash Flows have been adjusted to conform to the current year’s presentation.

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