SERVUS CREDIT UNION LTD.
Consolidated Financial Statements

For the year ended October 31, 2023

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Management's Responsibility for Financial Reporting

These Consolidated Financial Statements and all other information contained in the Annual Report have been prepared by the management of 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 International Financial Reporting Standards. Financial information presented elsewhere in this Annual Report is consistent with that in the Consolidated Financial Statements.

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, examined 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:

Ian Burns, President and Chief Executive Officer

Ryan Gobolos, Chief Financial Officer

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INDEPENDENT AUDITOR'S REPORT

To the Members of Servus Credit Union Ltd.

Opinion

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

- the consolidated statement of financial position as at October 31, 2023
- 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 significant accounting policies

(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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting 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.

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 International Financial Reporting 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

Edmonton, Canada

January 17, 2024

SERVUS CREDIT UNION LTD.
Consolidated Statement of Financial Position
(Canadian $ thousands)

	Notes		**October 31 2023**		October 31 2022
Assets					
Cash and cash equivalents [(1)]	5	**$**	**86,134**	$	80,810
Investments	6		**1,493,841**		1,398,015
Members' loans and leases	7,9		**18,206,087**		16,344,134
Income taxes receivable			**736**		8,840
Assets held for sale	10		**6,127**		2,201
Other assets	11		**51,215**		36,112
Property and equipment	12		**133,512**		135,087
Leased assets	13		**62,734**		65,638
Investment property	14		**5,680**		5,697
Derivative financial assets	15		**4,538**		8,792
Investment in associate	16		**210,536**		199,623
Intangible assets	17		**52,794**		53,511
Goodwill	17		**19,173**		-
Total assets			**20,333,107**		18,338,460
Liabilities					
Borrowings	19		**8,334**		200,000
Securitization liabilities	20		**1,454,324**		690,874
Members' deposits	21		**16,662,604**		15,262,118
Trade payables and other liabilities	22		**235,968**		232,211
Lease liabilities	13		**72,319**		74,013
Allowance for off balance sheet credit instruments	7,8		**3,608**		4,602
Derivative financial liabilities	15		**31,559**		48,596
Investment shares	24		**451**		443
Defined benefit plans	23		**4,251**		4,313
Deferred income tax liabilities	18		**4,056**		7,107
Total liabilities			**18,477,474**		16,524,277
Equity					
Share capital	24		**690,461**		701,275
Retained earnings			**1,161,082**		1,106,390
Accumulated other comprehensive income			**4,090**		6,518
Total equity			**1,855,633**		1,814,183
Total liabilities and equity		**$**	**20,333,107**	$	18,338,460

[(1)] *Cash and cash equivalents includes restricted cash for the year ended October 31, 2023 of $6,278 (2022 - $0)*

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

Amber Haworth, Chair, Audit and Finance Committee

SERVUS CREDIT UNION LTD.
Consolidated Statement of Income
(Canadian $ thousands)

	Notes		Year ended October 31 2023		Year ended October 31 2022
Interest income					
Members' loans and leases		**$**	**803,160**	$	566,083
Investments, including derivatives	25		**49,756**		(8,112)
Total interest income			**852,916**		557,971
Interest expense					
Members' deposits			**356,512**		118,193
Other interest expense	26		**37,031**		20,433
Total interest expense			**393,543**		138,626
Net interest income			**459,373**		419,345
Other income	27		**157,989**		144,849
Share of profits from associate	16		**173**		1,036
Net interest income and other income			**617,535**		565,230
Provision for credit losses	8		**36,327**		8,165
Net interest income and other income after provision for credit losses			**581,208**		557,065
Operating expenses					
Personnel			**251,871**		248,203
General			**129,539**		110,020
Occupancy			**18,298**		17,395
Member security			**11,599**		10,546
Depreciation	12,13,14		**19,395**		18,373
Organization			**5,069**		4,957
Impairment of assets	10,12,17		**2,439**		631
Amortization	17		**11,116**		11,198
Total operating expenses			**449,326**		421,323
Income before patronage allocation to members and income taxes			**131,882**		135,742
Patronage allocation to members	24		**31,513**		36,050
Income before income taxes			**100,369**		99,692
Income taxes	18		**22,527**		22,578
Net income		**$**	**77,842**	$	77,114

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

SERVUS CREDIT UNION LTD.
Consolidated Statement of Comprehensive Income
(Canadian $ thousands)

	Notes		Year ended October 31 2023		Year ended October 31 2022
Net income		**$**	**77,842**	$	77,114
Other comprehensive income (loss) for the year, net of tax:					
Items that will not be reclassified to profit or loss:					
Actuarial gain on defined benefit pension plans [1]	23		**80**		882
Share of other comprehensive income (loss) from associate					
Actuarial gain on defined benefit pension plans [2]			**310**		18
Change in unrealized gain on equity securities at fair value through other comprehensive income securities [3]			**1,237**		3,418
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive income (loss) from associate					
Change in unrealized gain (loss) on debt securities at fair value through other comprehensive income securities [4]			**2,274**		(8,742)
Reclassification adjustments for realized (loss) gain on debt securities [5]			**(1,286)**		489
Total other comprehensive income (loss)		$	2,615	$	(3,935)
Total comprehensive income		**$**	**80,457**	$	73,179

[1] *Net of income tax expense for the year ended October 31, 2023 of $24 (2022 - $264)*

[2] *Net of income tax expense for the year ended October 31, 2023 of $93 (2022 - $6)*

[3] *Net of income tax expense for the year ended October 31, 2023 of $369 (2022 - $1,021)*

[4] *Net of income tax expense (recovery) for the year ended October 31, 2023 of $679 (2022 - $(2,612))*

[5] *Net of income tax (recovery) expense for the year ended October 31, 2023 of $(383) (2022 - $146)*

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

SERVUS CREDIT UNION LTD.
Consolidated Statement of Changes in Equity
(Canadian $ thousands)

	Notes	Share Capital: Common Shares	Share Capital: Investment Shares	Total Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
Balance at October 31, 2021		$ 582,375	$ 120,315	$ 702,690	$ 1,050,939	$ 10,453	$ 1,764,082
Changes in equity							
Issues of share capital	24	13,219	-	13,219	-	-	13,219
Redemption of share capital	24	(37,814)	(4,954)	(42,768)	-	-	(42,768)
Dividends on share capital	24	22,113	6,021	28,134	-	-	28,134
Net income		-	-	-	77,114	-	77,114
Dividend [1]	24	-	-	-	(21,663)	-	(21,663)
Actuarial gain on defined benefit plans	23	-	-	-	-	882	882
Share of other comprehensive loss from associate		-	-	-	-	(4,817)	(4,817)
Balance at October 31, 2022		$ 579,893	$ 121,382	$ 701,275	$ 1,106,390	$ 6,518	$ 1,814,183

	Notes	**Share Capital: Common Shares**	**Share Capital: Investment Shares**	**Total Share Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**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	24	**7,611**	**-**	**7,611**	**-**	**-**	**7,611**
Redemption of share capital	24	**(48,225)**	**(6,814)**	**(55,039)**	**-**	**-**	**(55,039)**
Dividends on share capital	24	**29,484**	**7,130**	**36,614**	**-**	**-**	**36,614**
Net income		**-**	**-**	**-**	**77,842**	**-**	**77,842**
Dividend [1]	24	**-**	**-**	**-**	**(28,193)**	**-**	**(28,193)**
Actuarial gain on defined benefit plans	23	**-**	**-**	**-**	**-**	**80**	**80**
Share of other comprehensive loss from associate		**-**	**-**	**-**	**-**	**2,535**	**2,535**
Share of reclassification of accumulated other comprehensive income to retained earnings from associate [2]		**-**	**-**	**-**	**5,043**	**(5,043)**	**-**
Balance at October 31, 2023		**$ 568,763**	**$ 121,698**	**$ 690,461**	**$ 1,161,082**	**$ 4,090**	**$ 1,855,633**

[1] Net of income tax recovery for the year ended October 31, 2023 of $8,421 (2022 - $6,471)
[2] 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 $1,506

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

SERVUS CREDIT UNION LTD.
Consolidated Statement of Cash Flows
(Canadian $ thousands)

	Year ended October 31 2023	Year ended October 31 2022
Cash flows from (used in) operating activities		
Net income	**$ 77,842**	$ 77,114
Adjustments for non-cash items and others		
Net interest income [(1)]	**(459,373)**	(419,345)
Provision for credit losses	**36,327**	8,165
Share of profits from investment in associate	**(173)**	(1,036)
Depreciation	**19,395**	18,373
Amortization	**11,116**	11,198
Impairment of assets	**2,439**	631
Gain on leased assets	**(7)**	(22)
Gain on assets held for sale	**(418)**	(112)
(Gain) loss on disposal of property and equipment	**(51)**	429
Loss on disposal of intangible assets	**27**	41
(Gain) on investments	**-**	(1,219)
Income taxes	**22,527**	22,578
Adjustments for net changes in operating assets and liabilities		
Change in members' loans and leases	**(1,750,204)**	(1,025,361)
Change in members' deposits	**1,298,051**	857,691
Change in assets held for sale	**(7,771)**	(2,882)
Change in derivatives, net	**(12,783)**	23,744
Change in other assets, provisions, and trade payables and other liabilities, net	**(14,591)**	12,475
Income taxes paid, net	**(9,834)**	(32,203)
Interest received	**820,580**	540,073
Interest paid	**(279,100)**	(112,011)
Net cash used in operating activities	**(246,001)**	(21,679)
Cash flows from (used in) investing activities		
Additions to intangible assets	**(8,109)**	(7,106)
Additions to property and equipment, and investment property	**(13,689)**	(12,918)
Proceeds on disposal of property and equipment, and investment property	**679**	116
Proceeds on disposal of assets held for sale	**6,996**	3,261
Purchase of Alberta Central shares	**(9,796)**	(7,196)
Distributions from Alberta Central	**2,349**	2,239
Purchase of investments, net	**(91,972)**	(355,933)
Acquisition of business	**(16,143)**	-
Cash and restricted cash acquired	**9,410**	-
Changes in working capital related to acquisition of business	**4,295**	-
Net cash used in investing activities	**(115,980)**	(377,537)
Cash flows from (used in) financing activities		
Repayments of term loans and lines of credit, net	**(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	**923,593**	255,958
Repayments of securitization liabilities	**(292,156)**	(344,374)
Repayments of principal portion of lease liabilities	**(5,460)**	(5,217)
Shares issued	**7,611**	13,219
Shares redeemed	**(55,039)**	(42,768)
Net cash from (used in) financing activities	**367,305**	(123,182)
Increase (decrease) in cash and cash equivalents	**5,324**	(522,398)
Cash and cash equivalents, beginning of year	**80,810**	603,208
Cash and cash equivalents, end of year	**$ 86,134**	$ 80,810

[(1)] Net interest income includes a fair value (gain) loss on derivatives for the year ended October 31, 2023 of $18,411 (2022 - $14,962)

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

1. REPORTING ENTITY

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 151 Karl Clark Road, Edmonton, 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 International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The significant accounting policies applied in the preparation of the financial statements are described in Note 3.

The financial statements for the year ended October 31, 2023, were authorized for issue by the Board of Directors on January 17, 2024.

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 are best estimates undertaken in accordance with the applicable standards and are reviewed on a continuous basis.

Estimates and assumptions have been used in the following areas: income taxes; deferred tax assets and liabilities; fair values of financial instruments; expected credit losses; measurement of provisions; the useful lives of property, equipment, and intangible assets; valuation of leased assets and lease liabilities; credit card points liability; defined benefit plans; fair value less costs to sell for assets held for sale; 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, expected credit loss allowance (ECL), classification of financial instruments, classification of leases as a lessor, valuation of leased assets and lease liabilities and accounting for investment in associate. Less critical judgments have been applied to modification and derecognition of assets.

Provincially, financial markets remain volatile with 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 Consolidated Financial Statements. One area of significant judgment affected strongly by the economic environment is the estimate for ECL; refer to Note 3 and 8 for more information on significant judgments made to estimate the ECL.

3. SIGNIFICANT 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., which provides equipment leasing services (refer to note 35 for the details of the acquisition of Stride Capital Corp in 2023)

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.

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.

<u>Intangible Assets Acquired Through Business Combinations</u>
Intangible assets acquired through business combinations have limited lives and include customer 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.

Investment in Associate
Investment in associate include any entities over which the Credit Union 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. Credit Union Central of Alberta (Alberta Central) is the only entity classified as investment in associate for the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Credit Union holds over 50% of the common shares in Alberta Central; however, the Credit Union is limited, by the bylaws, to only 5 positions out of a possible 12 appointed board members. The remaining shares are owned by various credit unions within Alberta. Based on Alberta Central's governance structure, which requires 66.6% majority vote to change, management has concluded that the Credit Union does not control Alberta Central. Refer to Note 16 for the Credit Union's percentage of ownership in 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 Credit Union's 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 - term deposits with Alberta Central	▼		
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			▼

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.

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 designated by the Credit Union as FVTPL upon initial recognition.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, as discussed above. Interest rate swaps that are not included in a hedging relationship are recorded at FVTPL as stated above.

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.

<u>Financial Liabilities Measured at Amortized Cost</u>
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 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.

<u>Measurement of Expected Credit Loss Allowances</u>
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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Forward Looking Indicators
Forward looking indicators (FLI) are incorporated into the measurement of ECL (refer to Note 8 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 and leases 30 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 other 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Management has determined that the lowest group of assets with identifiable cash flows is the consolidated entity.

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, the current account with Alberta Central, cash in other financial institutions 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.

<u>Restricted Cash</u>
The Credit Union acquired restricted cash as part of the acquisition of a leasing company (note 35). The restricted cash 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 other 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.

Investment Property
The Credit Union's investment property consists of land and buildings held to earn rental income. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Property held for use in the supply of service to members or for administrative use, that has a portion that earns rental income, is allocated between investment property and property and equipment based on the floor space usage when the rental space is 10% or more.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is recorded commencing in the month the asset becomes available for use. No depreciation is recorded in the month of disposal. An investment property is derecognized upon disposal or the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized within general operating expenses in the year of the disposal.

Depreciation is recognized within operating expenses on a straight-line basis over the estimated useful life of the investment property. Land is not depreciated.

The estimated useful lives used for investment property are consistent with property and equipment.

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 other 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions
A provision is recognized if, as a result of a past event, the Credit Union has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the present value of the expected amount required to settle the obligation, taking into account the risks and uncertainties surrounding the obligation.

Employee Benefits
The Credit Union provides certain pension and other benefits to employees as follows:

Short-Term Employee Benefits
Short-term employee benefits, such as salaries, incentive pay programs, vacation, medical benefits, allowances, paid absences, and other benefits including any related payroll taxes, are accounted for on an accrual basis over the period in which employees provide the related services. The benefits are expensed as part of personnel expenses in the consolidated statement of income.

Termination Benefits
Termination benefits are recognized when the Credit Union is committed to terminating the employment of a current employee according to a formal plan without possibility of withdrawal. Termination benefits are expensed as part of personnel expenses in the consolidated statement of income.

Post-Employment Benefits
Defined Contribution Registered Retirement Savings Plan
The Credit Union offers employees a defined contribution registered retirement savings plan where contributions are made by both the Credit Union and the employee. Contributions are based on a percentage of salary, and no further contributions are required once the employee retires or leaves the Credit Union. Obligations for contributions to defined contribution plans are recognized in personnel expense in the consolidated statement of income when they are due.

Defined Benefit Plans
The Credit Union provides a defined benefit supplemental pension plan and a post-retirement benefits plan to qualifying employees. Post-retirement benefits include extended health care, dental care and life insurance. The Credit Union's net obligation in respect of both defined benefit plans is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of turnover rates, salary escalation, retirement ages, expected health care costs and other actuarial factors. The present value of the obligation is determined by discounting the estimated future cash outflows. The discount rate is the yield at the reporting date on high-quality fixed income investments that have maturity dates approximating the terms of the Credit Union's obligations.

Past service costs are recognized immediately within personnel expense, unless the changes to the plan are conditional on employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period. The Credit Union recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income.

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.

3. SIGNIFICANT 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.

Other Revenue

Other revenue is 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.

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 Income

Other income such as account service charges, 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 other 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:

Annual Improvements to IFRS Standards 2018–2020
In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020, amending a number of standards as part of their annual improvements project. The amendment made to IFRS 9 Financial Instruments clarifies which fees are included when applying the “10% test” to assess whether a financial liability is derecognized. To enhance clarity of the treatment of lease incentives under IFRS 16 Leases, Illustrative Example 13 has been amended to remove the illustration of the reimbursements made by the lessor for leasehold improvements.

4. CURRENT AND FUTURE ACCOUNTING CHANGES (CONTINUED)

IAS 16 Property, Plant and Equipment
In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16). The amendment prohibits entities from deducting from the cost of property, plant, and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, the proceeds from selling such items, and the cost of producing those items, must be recognized in profit or loss.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets
In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37). The amendment clarifies that the cost of fulfilling a contract is included for the purposes of determining whether a contract is onerous or not. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate of fulfilling the contract.

Future Accounting Changes

Effective for the Credit Union — November 1, 2023

The impact to the Credit Union of the standards effective November 1, 2023 is not yet assessed:

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). IAS 1 amendments require an entity to disclose its material accounting policies instead of its significant accounting policies and provide guidance on how an entity can identify material accounting policy information. In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ to accounting policy information in order to support the amendments to IAS 1.

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.

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.

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.

(Canadian $ thousands, except per share amounts)

4. CURRENT AND FUTURE ACCOUNTING CHANGES (CONTINUED)

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.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
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.

5. CASH AND CASH EQUIVALENTS

		As at October 31 2023		As at October 31 2022
Cash on hand	**$**	**29,120**	$	28,850
Cash held in foreign currencies		**1,053**		790
Cash with Alberta Central		**49,012**		48,136
Cash with other financial institutions		**394**		-
Cheques and items in transit		**277**		3,034
Restricted cash		**6,278**		-
Total	**$**	**86,134**	$	80,810

6. INVESTMENTS

		As at October 31 2023		As at October 31 2022
Term deposits with Alberta Central	**$**	**1,484,866**	$	1,391,461
Other		**108**		1,541
		1,484,974		1,393,002
Accrued interest		**8,869**		5,015
		1,493,843		1,398,017
ECL allowance on investments		**(2)**		(2)
Total	**$**	**1,493,841**	$	1,398,015

(Canadian $ thousands, except per share amounts)

7. 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:

As at October 31, 2023	Performing Stage 1	Stage 2	Impaired 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*

As at October 31, 2022	Performing Stage 1	Stage 2	Impaired Stage 3	Total	Allowance for Credit Losses	Total Net of Allowance
Members' Loans and Leases						
Residential mortgages	$ 8,208,068	$ 589,217	$ 16,571	$ 8,813,856	$ 4,471	$ 8,809,385
Commercial [1]	6,258,068	138,847	45,520	6,442,435	25,849	6,416,586
Consumer [2]	1,027,259	96,712	2,968	1,126,939	8,776	1,118,163
Total members' loans and leases	$ 15,493,395	$ 824,776	$ 65,059	$ 16,383,230	$ 39,096	$ 16,344,134
Off Balance Sheet Credit Instruments						
Residential mortgages	$ 2,149,756	$ 21,000	$ 1,013	$ 2,171,769	$ 273	$ 2,171,496
Commercial [1]	1,643,722	10,978	260	1,654,960	1,677	1,653,283
Consumer [2]	1,017,474	19,929	435	1,037,838	2,652	1,035,186
Total off balance sheet credit instruments	$ 4,810,952	$ 51,907	$ 1,708	$ 4,864,567	$ 4,602	$ 4,859,965

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

8. 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 FLI.

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

(Canadian $ thousands, except per share amounts)

8. ALLOWANCE FOR EXPECTED CREDIT LOSSES (CONTINUED)

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, 2023, management concluded that weighting to be used is a 60% base, 20% best and 20% worst-case (2022 - 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, 2023, management has not applied an overlay (2022 - $0) to the calculated ECL.

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

	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 and lease 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 and leases 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 [(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

	Residential Mortgages	Commercial [(1)]	Consumer [(2)]	Total
As at October 31, 2021	$ 5,375	$ 26,201	$ 13,662	$ 45,238
Recoveries of previous loan write-offs	4	154	5,253	5,411
Provision (recovery) charged to net income	545	6,219	1,400	8,164
	5,924	32,574	20,315	58,813
Loans written off	(1,180)	(5,048)	(8,887)	(15,115)
As at October 31, 2022	$ 4,744	$ 27,526	$ 11,428	$ 43,698
Presented on Consolidated Statement of Financial Position as:				
Netted with members' loans and leases	4,471	25,849	8,776	39,096
Off balance sheet credit instruments [(3)]	273	1,677	2,652	4,602
Total	$ 4,744	$ 27,526	$ 11,428	$ 43,698

(1) Includes commercial loans, credit card, and agriculture loans
(2) Includes consumer loans and credit card
(3) Off balance sheet credit instruments consist of undrawn commitments and financial guarantees

(Canadian $ thousands, except per share amounts)

8. ALLOWANCE FOR EXPECTED CREDIT LOSSES (CONTINUED)

The provision (recovery) charged to net income is:

		Year ended October 31 2023		Year ended October 31 2022
Loans and leases	**$**	**36,327**	$	8,164
Investments		**-**		1
Provision for (recovery of) credit losses	**$**	**36,327**	$	8,165

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**		**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 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**

		Performing				Impaired		
		Stage 1		Stage 2		Stage 3		Total
As at October 31, 2021	$	2,281	$	2,495	$	599	$	5,375
Transfers								
Stage 1 [1]		76		(76)		-		-
Stage 2 [1]		(886)		899		(13)		-
Stage 3 [1]		(605)		(303)		908		-
New originations [2]		305		399		18		722
Repayments [3]		(278)		(332)		(202)		(812)
Remeasurements [4]		583		(904)		956		635
Loans written off		-		-		(1,180)		(1,180)
Recoveries		-		-		4		4
As at October 31, 2022	$	1,476	$	2,178	$	1,090	$	4,744
Presented on Consolidated Statement of Financial Position as:								
Netted with members' loans and leases		1,262		2,119		1,090		4,471
Off balance sheet credit instruments		214		59		-		273
Total	$	1,476	$	2,178	$	1,090	$	4,744

[1] Stage transfers represent movement between stages
[2] New originations relate to new loans recognized during the period and reflect movements 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 changes in economic factors, risk, model parameters and management overlay

(Canadian $ thousands, except per share amounts)

8. 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**	**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 and leases written off	**-**	**-**	**(5,510)**	**(5,510)**
Recoveries	**-**	**-**	**171**	**171**
As at October 31, 2023	**$ 5,188**	**$ 2,166**	**$ 46,260**	**$ 53,614**
Presented on 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**

	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
As at October 31, 2021	$ 6,422	$ 3,524	$ 16,255	$ 26,201
Transfers				
Stage 1 (1)	25	(25)	-	-
Stage 2 (1)	(816)	816	-	-
Stage 3 (1)	(726)	(6,997)	7,723	-
New originations (2)	1,534	34	274	1,842
Repayments (3)	(666)	(1,106)	(1,045)	(2,817)
Remeasurements (4)	456	5,438	1,299	7,193
Loans written off	-	-	(5,047)	(5,047)
Recoveries	-	-	154	154
As at October 31, 2022	$ 6,229	$ 1,684	$ 19,613	$ 27,526
Presented on Consolidated Statement of Financial Position as:				
Netted with members' loans and leases	4,639	1,648	19,562	25,849
Off balance sheet credit instruments	1,590	36	51	1,677
Total	$ 6,229	$ 1,684	$ 19,613	$ 27,526

(1) *Stage transfers represent movement between stages*

(2) *New originations relate to new loans and leases recognized during the period and reflect movements into different stages within the period*

(3) *Repayments relate to loans and leases fully repaid or derecognized and exclude loans and leases written off where a credit loss was incurred*

(4) *Represents the change in the allowance due to changes in economic factors, risk, model parameters and management overlay*

(Canadian $ thousands, except per share amounts)

8. ALLOWANCE FOR EXPECTED CREDIT LOSSES (CONTINUED)

Allowance for credit losses – Consumer Loans and Credit Card

	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 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**

	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
As at October 31, 2021	$ 4,697	$ 7,919	$ 1,046	$ 13,662
Transfers				
Stage 1 (1)	207	(205)	(2)	-
Stage 2 (1)	(2,818)	2,835	(17)	-
Stage 3 (1)	(668)	(518)	1,186	-
New originations (2)	766	947	72	1,785
Repayments (3)	(404)	(409)	(104)	(917)
Remeasurements (4)	2,062	(4,318)	2,789	533
Loans written off	-	-	(8,888)	(8,888)
Recoveries	-	-	5,253	5,253
As at October 31, 2022	$ 3,842	$ 6,251	$ 1,335	$ 11,428
Presented on Consolidated Statement of Financial Position as:				
Netted with members' loans and leases	2,355	5,110	1,311	8,776
Off balance sheet credit instruments	1,487	1,141	24	2,652
Total	$ 3,842	$ 6,251	$ 1,335	$ 11,428

(1) *Stage transfers represent movement between stages*
(2) *New originations relate to new loans recognized during the period and reflect movements 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 changes in economic factors, risk, model parameters and management overlay*

(Canadian $ thousands, except per share amounts)

9. 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 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*

As at October 31, 2022	Residential Mortgages	Commercial [(1)]	Consumer [(2)]	Total
Risk Categories				
Very low risk	$ 3,511,111	$ 24,560	$ 354,280	$ 3,889,951
Low risk	3,224,167	2,691,100	463,918	6,379,185
Medium risk	1,479,844	3,589,771	192,019	5,261,634
High risk	582,163	91,484	113,754	787,401
Impaired	16,571	45,520	2,968	65,059
Total members' loans and leases	$ 8,813,856	$ 6,442,435	$ 1,126,939	$ 16,383,230

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

[(2)] *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, 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*

As at October 31, 2022	Residential Mortgages	Commercial [(1)]	Consumer [(2)]	Total
Risk Categories				
Very low risk	$ 1,059,561	$ 181,820	$ 632,910	$ 1,874,291
Low risk	1,030,669	1,161,340	310,953	2,502,962
Medium risk	50,968	298,106	64,767	413,841
High risk	29,558	13,434	28,773	71,765
Impaired	1,013	260	435	1,708
Total off balance sheet credit instruments	$ 2,171,769	$ 1,654,960	$ 1,037,838	$ 4,864,567

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

[(2)] *Includes consumer loans and credit card*

(Canadian $ thousands, except per share amounts)

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

Loans Past Due, as at October 31, 2023	**Up to 30 Days**	**31 to 59 Days**	**60 to 89 Days**	**Over 90 Days**	**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*

Loans Past Due, as at October 31, 2022	Up to 30 Days	31 to 59 Days	60 to 89 Days	Over 90 Days	Total
Stage 1					
Residential mortgages	$ 59,195	$ -	$ -	$ -	$ 59,195
Commercial [(1)]	19,866	-	-	-	19,866
Consumer [(2)]	13,050	-	-	-	13,050
Stage 2					
Residential mortgages	25,943	33,284	10,745	6,521	76,493
Commercial [(1)]	27,867	16,812	8,259	6,203	59,141
Consumer [(2)]	6,976	5,449	2,006	59	14,490
Stage3					
Residential mortgages	-	-	-	15,986	15,986
Commercial [(1)]	23	528	39	31,028	31,618
Consumer [(2)]	-	-	-	2,933	2,933
Total	$ 152,920	$ 56,073	$ 21,049	$ 62,730	$ 292,772

[(1)] *Includes commercial loans, credit card, and agriculture loans*
[(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 October 31 2023**	As at October 31 2022
Insured loans and mortgages	**$ 3,633,504**	$ 3,068,313
Secured by mortgage	**12,795,438**	11,820,006
Secured by equipment and other	**1,215,543**	917,007
Unsecured loans	**368,708**	341,161
Unsecured credit card	**256,163**	236,743
Total	**$ 18,269,356**	$ 16,383,230

(Canadian $ thousands, except per share amounts)

10. ASSETS HELD FOR SALE

		As at October 31 2023		As at October 31 2022
Foreclosed property	$	**2,074**	$	2,201
Other land and buildings		**1,966**		-
Repossessed equipment		**2,087**		-
Total	$	**6,127**	$	2,201

Management has concluded that an impairment on assets held for sale was required to be recorded by the Credit Union. An impairment loss of $1,356 (2022 – $631) has been recorded in the consolidated statement of income.

11. OTHER ASSETS

		As at October 31 2023		As at October 31 2022
Accounts receivable and other receivables	$	**25,461**	$	13,926
Prepaid expenses		**25,754**		22,186
Total	$	**51,215**	$	36,112

12. PROPERTY AND EQUIPMENT

		Land		Buildings		Leasehold Improvement		Furniture, Office Equipment and Vehicles		Computer Equipment		Total
Cost												
Balance as at October 31, 2021	$	26,354	$	159,014	$	40,865	$	31,214	$	27,269	$	284,716
Additions		-		2,719		2,775		3,811		3,613		12,918
Disposals		-		(856)		(24)		(4,038)		(5,045)		(9,963)
Transfer to investment property		-		(59)		-		-		-		(59)
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)		(1,491)		(2,726)		(6,807)
Transfer to assets held for sale		(625)		(7,049)		-		(12)		-		(7,686)
Transfer to investment property		-		(178)		-		-		-		(178)
Balance as at October 31, 2023	**$**	**25,729**	**$**	**157,005**	**$**	**45,739**	**$**	**32,851**	**$**	**25,403**	**$**	**286,727**
Accumulated Depreciation												
Balance as at October 31, 2021	$	-	$	79,164	$	30,988	$	21,170	$	18,769	$	150,091
Depreciation		-		4,420		1,365		2,538		3,523		11,846
Disposals		-		(599)		(24)		(3,853)		(4,942)		(9,418)
Transfer from investment property		-		6		-		-		-		6
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 to investment property		-		36		-		-		-		36
Balance as at October 31, 2023	**$**	**-**	**$**	**80,540**	**$**	**33,064**	**$**	**21,146**	**$**	**18,465**	**$**	**153,215**
Net Book Value												
At October 31, 2022		26,354		77,827		11,287		11,132		8,487		135,087
At October 31, 2023		**25,729**		**76,465**		**12,675**		**11,705**		**6,938**		**133,512**

(Canadian $ thousands, except per share amounts)

13. LEASES

Leases as Lessee

	Land	Buildings	Other Equipment	Computer Equipment	Total
Cost					
Balance as at October 31, 2021	$ 2,959	$ 63,717	$ 634	$ 1,063	$ 68,373
Additions	221	15,446	111	45	15,823
Disposals	(119)	(514)	-	-	(633)
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**
Accumulated Depreciation					
Balance as at October 31, 2021	$ 279	$ 10,785	$ 106	$ 697	$ 11,867
Depreciation	151	5,802	60	238	6,251
Disposals	(16)	(177)	-	-	(193)
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**
Net Book Value					
At October 31, 2022	2,647	62,239	579	173	65,638
At October 31, 2023	**4,069**	**58,014**	**531**	**120**	**62,734**

For the year ended October 31, 2023, the Credit Union had non-cash additions to leased assets of $3,856 (2022 - $15,823), lease liabilities of $3,857 (2022 - $17,320) and interest expense related to leases of $3,347 (2022 - $2,736). Lease interest expense is recorded in occupancy expense and leased assets depreciation is recorded in depreciation expense in the consolidated statement of income.

The Credit Union does not currently have income from subleasing leased assets.

Present value of future lease payments are as follows:

	As at October 31 2023	As at October 31 2022
Within 1 year	**$ 8,654**	$ 8,107
Between 1 and 5 years	**30,972**	29,876
After 5 years	**59,174**	64,709
Total future lease payments	**$ 98,800**	$ 102,692
Less present value discount	**26,481**	28,679
Total lease liabilities	**$ 72,319**	$ 74,013

Leases as Lessor

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 (see note 35 for further details). With this acquisition, 2416924 Alberta Ltd. serves as lessor of equipment in the energy, construction, agriculture, and transportation industries.

(Canadian $ thousands, except per share amounts)

13. LEASES (CONTINUED)

Interest income on lease receivables for the year ending October 31, 2023 is $6,336 (2022 - $0) 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 period between the acquisition date and October 31, 2023, 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, 2023
Minimum lease payments	$ 192,503
Unearned finance income	(28,937)
Unguaranteed residual values	1,372
Net investment in leases	**164,938**
Allowance for credit losses	(762)
Fair value adjustment	(1,884)
Adjusted net investment in leases	**162,292**

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after October 31, 2023:

	2023
Within 1 year	65,230
Between 1 and 2 years	53,863
Between 2 and 3 years	38,186
Between 3 and 4 years	22,513
Between 4 and 5 years	10,118
After 5 years	2,592
Total undiscounted lease receivables	**192,502**

(Canadian $ thousands, except per share amounts)

14. INVESTMENT PROPERTY

	Land	Buildings	Total
Cost			
Balance as at October 31, 2021	$ 1,523	$ 10,383	$ 11,906
Transfer from property and equipment	-	59	59
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**
Accumulated Depreciation			
Balance as at October 31, 2021	$ -	$ 5,998	$ 5,998
Depreciation	-	276	276
Transfer from property and equipment	-	(6)	(6)
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**
Net Book Value			
At October 31, 2022	1,523	4,174	5,697
At October 31, 2023	**1,523**	**4,157**	**5,680**

The fair value of investment property held is $11,509 (2022 – $11,664).

Income Related To Investment Property	**As at October 31 2023**	As at October 31 2022
Rental income	**$ 884**	$ 890
Direct operating expense from property generating rental income	**757**	811
Total	**$ 127**	$ 79

Future rental payments receivable are as follows:

	As at October 31 2023	As at October 31 2022
Less than 1 year	**$ 517**	$ 552
Between 1 and 5 years	**1,724**	1,546
More than 5 years	**2,446**	2,848
Total	**$ 4,687**	$ 4,946

(Canadian $ thousands, except per share amounts)

15. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at October 31, 2023			As at October 31, 2022		
	Gross Financial Assets	**Gross Financial Liabilities**	**Net**	Gross Financial Assets	Gross Financial Liabilities	Net
Equity-linked options	**$ 4,538**	**$ (4,450)**	**$ 88**	$ 8,792	$ (8,674)	$ 118
Interest rate swaps	**-**	**(27,109)**	**(27,109)**	-	(39,922)	(39,922)
Total	**$ 4,538**	**$ (31,559)**	**$ (27,021)**	$ 8,792	$ (48,596)	$ (39,804)

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 2023**	As at October 31 2022
Interest rate swaps					
receive fixed, pay floating	**$ 300,000**	**$ -**	**$ 300,000**	**$ 600,000**	$ 850,000
Equity-linked options	**4,950**	**42,875**	**67,700**	**115,525**	116,400
Total	**$ 304,950**	**$ 42,875**	**$ 367,700**	**$ 715,525**	$ 966,400

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.

16. INVESTMENT IN ASSOCIATE

Alberta Central, the central banking facility, service bureau and trade association for Alberta credit unions, is the only entity classified as investment in associate for the reporting period. The proportion of ownership interest held by the Credit Union as at October 31, 2023, is 58.3% (2022 – 57.8%).

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

Financial Information from Alberta Central	**As at October 31 2023**	As at October 31 2022
Assets	**$ 3,864,160**	$ 3,970,597
Liabilities	**3,494,650**	3,617,518
Revenues	**154,581**	44,457
(Loss) income before distributions	**(683)**	809
Income tax recovery from distributions	**978**	936
Other comprehensive income (loss)	**5,790**	(10,832)

(Canadian $ thousands, except per share amounts)

16. INVESTMENT IN ASSOCIATE (CONTINUED)

Investment in Associate - Alberta Central	As at October 31 2023	As at October 31 2022
Opening balance	**$ 199,623**	$ 199,886
Purchase of additional shares	**9,796**	7,196
Share of profits	**173**	1,036
Share of other comprehensive income (loss)	**3,293**	(6,256)
Distributions	**(2,349)**	(2,239)
Total	**$ 210,536**	$ 199,623

The summary of outstanding balances in the consolidated statement of financial position and transactions in the consolidated statement of income with associate is as follows:

Alberta Central	As at October 31 2023	As at October 31 2022
Cash	**$ 49,012**	$ 48,136
Term deposits	**1,484,866**	1,391,461
Accrued interest on term deposits	**8,867**	4,827
Other assets	**1,426**	2,035
Alberta Central line of credit	**8,334**	-
Trade payables and other liabilities	**14,241**	8,991

	2023	2022
Interest income	**$ 30,753**	$ 5,304
Interest expense	**4,044**	1,051
Other income	**889**	604
Membership fees expense	**3,559**	3,662
Other expense	**2,384**	2,466

17. 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
Cost							
Balance as at October 31, 2021	$ 5,042	$ 85,259	$ 9,644	$ 28,707	$ -	$ 128,652	$ -
Additions	69	-	7,037	-	-	7,106	-
Disposals	(938)	(1,222)	-	-	-	(2,160)	-
Transfers	-	578	(578)	-	-	-	-
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**
Accumulated Amortization							
Balance as at October 31, 2021	$ 3,091	$ 57,152	$ -	$ 10,765	$ -	$ 71,008	$ -
Amortization	494	7,833	-	2,871	-	11,198	-
Disposals	(897)	(1,222)	-	-	-	(2,119)	-
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**	**$ -**
Net Book Value							
As at October 31, 2022	1,485	20,852	16,103	15,071	-	53,511	-
As at October 31, 2023	**1,055**	**16,116**	**20,259**	**12,200**	**3,164**	**52,794**	**19,173**

(Canadian $ thousands, except per share amounts)

18. INCOME TAXES

Income tax expense:

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

Income Tax Expense	2023	2022
Current tax expense		
Based on current year taxable income	**$ 26,347**	$ 24,778
Adjustments for under provision in prior periods	**13**	98
Sub total	**26,360**	24,876
Deferred tax (recovery) expense		
Origination and reversal of temporary differences	**(3,753)**	(2,349)
Adjustments for (over) under provision in prior periods	**(80)**	51
Sub total	**(3,833)**	(2,298)
Total	**$ 22,527**	$ 22,578

Reconciliation of effective tax rate:

	2023		2022	
Income before income taxes	**$ 100,369**		$ 99,692	
Income tax expense based on statutory rate	**23,110**	**23.00%**	22,929	23.00%
Effect on non-deductible expenses	**(516)**	**(0.51%)**	(541)	(0.54%)
Adjustments for (over) under provision in prior periods	**(67)**	**(0.07%)**	149	0.15%
Other	**-**	**-**	41	0.04%
Total income tax expense	**$ 22,527**	**22.42%**	$ 22,578	22.65%

Deferred tax assets and liabilities:

The movement in deferred tax assets and liabilities is:

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**
Net consolidated deferred tax assets (liabilities)	**$ (7,107)**	**$ -**	**$ 3,832**	**$ (2,287)**	**$ 1,506**	**$ (4,056)**

	As at October 31 2021	Recognized on Business Combination	Recognized in Net Income	Recognized in OCI	Recognized in Equity	As at October 31 2022
Deferred tax assets (liabilities):						
Allowance for expected credit losses	$ 6,768	$ -	$ (1,190)	$ -	$ -	$ 5,578
Property, equipment and intangibles	(12,419)	-	2,518	-	-	(9,901)
Derivative instruments	84	-	-	-	-	84
Investment in associate	(9,657)	-	(26)	1,439	-	(8,244)
Reserves and other liabilities	3,295	-	419	(264)	-	3,450
Leased assets	(12,996)	-	(2,100)		-	(15,096)
Lease liabilities	14,345	-	2,677	-	-	17,022
Net consolidated deferred tax assets (liabilities)	$ (10,580)	$ -	$ 2,298	$ 1,175	$ -	$ (7,107)

(Canadian $ thousands, except per share amounts)

19. BORROWINGS

	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
Total	**$ 200,000**	**$ 1,726,358**	**$ (1,918,024)**	**$ 8,334**	**$ 1,914**

	As at October 31 2021	Advances	Repayments	As at October 31 2022	Interest and Fee Payments
Line of credit	$ -	$ 878,801	$ (878,801)	$ -	$ 129
Revolving	-	-	-	-	516
Non-Revolving	200,000	-	-	200,000	5,302
Total	$ 200,000	$ 878,801	$ (878,801)	$ 200,000	$ 5,947

Alberta Central
The Credit Union has a credit facility agreement with Alberta Central in the aggregate amount of $1,450,000 comprising a revolving demand operating line of credit and revolving term loans. Included in the $1,450,000 available loan is a US dollar line of credit up to a Canadian-dollar equivalent of $7,250. Interest on the line of credit is payable monthly at Alberta Central's prime rate for Canadian-dollar advances and Alberta Central's US base rate on US-dollar advances, in both cases plus or minus the applicable discount or margin of Alberta Central in effect from time to time. The facility is renewable annually.

Revolving term loans are due on demand or repayable in terms of 1 to 24 months for each advance with interest calculated at Alberta Central's prime rate plus or minus the applicable discount or margin of Alberta Central in effect from time to time or, at the option of the Credit Union, for terms of more than 30 days at a fixed rate equal to Alberta Central's money market deposit rate or the equivalent paid fixed swap rate for the term plus the applicable discount or margin. A general assignment of book debts and hypothecation of investments with Alberta Central are pledged as collateral.

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 CCD prime rate 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.

(Canadian $ thousands, except per share amounts)

19. BORROWINGS (CONTINUED)

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 banker's acceptances 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.

20. SECURITIZATION LIABILITIES

Securitization Liabilities	Maturity Date	Interest Rate		As at October 31 2023		As at October 31 2022
Loans	Dec 1, 2023 to Dec 1, 2028	0.332% to 4.39%	$	**1,371,051**	$	690,874
Leasing	Nov 1, 2023 to Aug 1, 2029	2.72% to 7.52%		**83,273**		-
Total			**$**	**1,454,324**	**$**	**690,874**

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 $16,189 (2022 - $13,759). Interest received for unsold mortgage pools during the year are $2,683 (2022 - $2,571).

The carrying amount as at October 31, 2023, of the associated residential and commercial mortgages held as security is $1,714,986 (2022 – $888,820). 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, 2416924 Alberta Ltd. securitized lease receivables to third party creditors 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, 2023 is $84,695. The interest payments on the securitization liabilities made during the year are $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 2416924 Alberta Ltd. when the balance in the account exceeds a certain percentage of the carrying value of the leases transferred. The funds in the cash reserve total $6,278 at October 31, 2023.

2416924 Alberta Ltd. is required to meet specific covenants with the securitization partners; at October 31, 2023 all covenants are in compliance.

(Canadian $ thousands, except per share amounts)

21. MEMBERS' DEPOSITS

		As at October 31 2023		As at October 31 2022
Demand accounts	$	**7,929,922**	$	8,037,171
Term deposits		**5,660,892**		4,588,742
Registered plans		**2,908,342**		2,575,438
Other deposits		**12,891**		12,645
		16,512,047		15,213,996
Accrued interest		**150,557**		48,122
Total	$	**16,662,604**	$	15,262,118

22. TRADE PAYABLES AND OTHER LIABILITIES

		As at October 31 2023		As at October 31 2022
Cheques and other items in transit	$	**27,867**	$	26,723
Accounts payable		**151,057**		151,670
Credit card points liability		**8,774**		9,527
Dividend and patronage to members		**30,595**		35,025
Deferred income		**12,980**		8,982
Legal provisions		**143**		284
Contingent consideration		**4,182**		-
Accrued interest on borrowings		**370**		-
Total	$	**235,968**	$	232,211

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, 2021	$	197
Additional provisions recognized		266
Amounts incurred and charged against existing provisions		(179)
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**

23. EMPLOYEE BENEFITS

		2023		2022
Short-term employee benefits	$	**238,064**	$	217,274
Post-employment benefits		**10,618**		9,932
Other long-term benefits		**529**		303
Termination benefits		**701**		16,901
Total	$	**249,912**	$	244,410

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

(Canadian $ thousands, except per share amounts)

23. EMPLOYEE BENEFITS (CONTINUED)

Plan Cost	Pension Plans	Other Benefit Plans	2023	2022
Net benefit plan cost in net income				
Current service cost	**$ 111**	**$ -**	**$ 111**	$ 105
Interest cost	**153**	**66**	**219**	142
Total	**264**	**66**	**330**	247
Defined contribution registered retirement savings plan - Credit Union contributions	**10,593**	**-**	**10,593**	9,936
Total	**10,857**	**66**	**10,923**	10,183
Actuarial loss (gain) recognized in other comprehensive income	**338**	**(1,267)**	**(929)**	(825)
Total	**$ 11,195**	**$ (1,201)**	**$ 9,994**	$ 9,358

Accrued Benefit Obligation and Liability	Pension Plans	Other Benefit Plans	As at October 31 2023	As at October 31 2022
Unfunded accrued benefit obligation				
Balance, beginning of year	**$ 3,054**	**$ 1,259**	**$ 4,313**	$ 5,516
Current service cost [1]	**111**	**-**	**111**	105
Interest cost [1]	**153**	**66**	**219**	142
Benefits paid	**(247)**	**(41)**	**(288)**	(304)
Actuarial gain	**(66)**	**(38)**	**(104)**	(1,146)
Balance, end of year	**$ 3,005**	**$ 1,246**	**$ 4,251**	$ 4,313

[1] *Current service cost and Interest cost are included in personnel operating expenses on the consolidated statement of income*

	Pension Plans		Other Benefit Plans	
	2023	2022	**2023**	2022
Discount rate	**5.70%**	5.30%	**5.70%**	5.30%

Changes in the assumed health care cost trend rates for the post-retirement benefit plans for the year ended October 31, 2023, are:

Effect on:	Inflation increased by 1%	Discount rate decreased by 1%
Accrued benefit obligation	$ 2	$ 98

Experience Adjustments	2023	2022
Accrued benefit obligation and liability	**$ 4,251**	$ 4,313
Experience gain	**(104)**	(1,146)
Tax expense	**24**	264
Net experience gain	**$ (80)**	$ (882)

Defined benefit contributions expected to be paid in 2024	**$ 288**

(Canadian $ thousands, except per share amounts)

24. SHARE CAPITAL

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 G Investment Shares

Series A to G 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.

	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**	
Investment shares						
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**
Share capital total	**$ 701,275**	**$ 7,611**	**$ (55,039)**	**$ 36,614**	**$ 690,461**	

	Issued and Outstanding as at October 31 2021	Issued	Redeemed and Transferred	Dividends Declared	Issued and Outstanding as at October 31 2022	Investment Share Liability Portion
Common shares total	$ 582,375	$ 13,219	$ (37,814)	$ 22,113	$ 579,893	
Investment shares						
Series A	53,811	-	(2,536)	2,812	54,087	-
Series B	8,100	-	(407)	383	8,076	-
Series C	21,063	-	(997)	1,000	21,066	-
Series D	32,003	-	(937)	1,541	32,607	-
Series E	4,385	-	(53)	238	4,570	443
Series F	596	-	(19)	29	606	-
Series G	357	-	(5)	18	370	-
Investment shares total	$ 120,315	$ -	$ (4,954)	$ 6,021	$ 121,382	$ 443
Share capital total	$ 702,690	$ 13,219	$ (42,768)	$ 28,134	$ 701,275	

(Canadian $ thousands, except per share amounts)

24. SHARE CAPITAL (CONTINUED)

Patronage and Dividends Payable in Cash or Shares		**2023**		2022
Patronage allocation to members in cash	**$**	**31,513**	$	36,050
Common share dividend		**29,484**		22,113
Investment share dividend		**7,130**		6,021
Total	**$**	**68,127**	$	64,184

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 and G investment share dividends are paid in additional Series A, B, C, D, E, F and G investment shares, respectively.

Dividend Rate (%)	**2023**	2022
Common share	**5.50%**	4.00%
Investment share	**6.00% - 6.50%**	5.00% - 5.50%

25. INVESTMENT INCOME

		2023		2022
Investment income on term deposits and other	**$**	**56,936**	$	14,882
Unrealized gain (loss) on derivative instruments		**18,420**		(14,937)
Realized loss on derivative instruments		**(25,600)**		(8,057)
Total	**$**	**49,756**	$	(8,112)

26. OTHER INTEREST EXPENSE

		2023		2022
Term loans	**$**	**2,962**	$	4,531
Line of credit		**449**		129
Securitization liabilities		**31,087**		15,700
Securities sold under repurchase agreements		**2,402**		-
Other		**131**		73
Total	**$**	**37,031**	$	20,433

27. OTHER INCOME

		2023		2022
Account service charges (1)	**$**	**38,467**	$	35,917
Loan and prepayment fees		**15,034**		15,155
Commissions		**17,170**		14,832
Wealth management revenue		**27,766**		27,575
Credit card revenue		**38,260**		32,627
Insurance revenue		**13,830**		10,123
Registries revenue		**383**		344
Foreign exchange income (1)		**4,867**		3,948
Other (1)		**2,212**		4,328
Total	**$**	**157,989**	$	144,849

(1) Account service charges, Foreign exchange income, and Other includes other income for the year ended October 31, 2023 of $650 (2022 - $0) for 2416924 AB Ltd.

28. 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 has complied with all requirements as set out in the Act.

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. 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, 2023, and 2022, the Credit Union's capital ratio was greater than the minimum requirement.

The chart below details the amounts that are included in the 2023 and 2022 capital calculations. Regulator and internal management capital requirements are noted after this chart.

(Canadian $ thousands, except per share amounts)

28. CAPITAL MANAGEMENT (CONTINUED)

	As at October 31 2023	As At October 31 2022
Primary Capital:		
Retained earnings	**$ 1,161,082**	$ 1,106,390
Common shares	**568,763**	579,893
Investment shares (qualifying as primary)	**109,934**	109,643
Accumulated other comprehensive income	**4,090**	6,518
Total primary capital	**1,843,869**	1,802,444
Secondary Capital:		
Credit loss allowance - performing	**18,159**	21,662
Deferred income tax liabilities	**4,056**	7,107
Investment shares (qualifying as secondary)	**12,215**	12,182
Total secondary capital	**34,430**	40,951
Deductions From Primary Capital:		
Intangible assets & Goodwill	**71,967**	53,511
Subsidiary and affiliate investments	**36,361**	35,244
Total deductions from capital	**108,328**	88,755
Total capital available	**$ 1,769,971**	$ 1,754,640
Capital as % of Risk Weighted Assets		
Total capital as % of risk weighted assets	**14.78%**	16.37%
Legislated minimum	**8.00%**	8.00%
Minimum supervisory requirement	**11.50%**	11.50%
Management internal minimum	**13.50%**	13.50%
Capital as % of Total Assets		
Total capital as % of assets	**8.70%**	9.57%
Legislated minimum	**4.00%**	4.00%

(Canadian $ thousands, except per share amounts)

29. 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 $58,645 (2022 - $48,322). 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.

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.

Commitments to Extend Credit	**As at October 31 2023**	As at October 31 2022
Original term to maturity of one year or less	**$ 4,919,824**	$ 4,622,983
Original term to maturity of more than one year	**179,272**	193,262
Total	**$ 5,099,096**	$ 4,816,245

(Canadian $ thousands, except per share amounts)

29. GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Property and Equipment and Intangible Assets Expenditure Commitments		As at October 31 2023		As at October 31 2022
Total contractual amount	$	2,227	$	268
Remaining commitment	$	2,227	$	268

The Credit Union also has a callable unfunded capital commitment of $64 (2022 - $77) 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:

		Property Operating Costs		Other Contractual Obligations		As at October 31 2023		As at October 31 2022
Within 1 year	$	4,086	$	14,906	$	18,992	$	19,510
Between 1 and 5 years		11,589		12,759		24,348		27,903
After 5 years		5,533		480		6,013		6,469
Total	$	21,208	$	28,145	$	49,353	$	53,882

As of October 31, 2023, the Credit Union is committed to four 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 $6,072.

Contingent Liabilities
There are various legal proceedings and actions that arise from the normal course of business and are pending at October 31, 2023. The aggregate contingent liability of these proceedings and actions are not considered material to these consolidated financial statements.

(Canadian $ thousands, except per share amounts)

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

As at October 31, 2022	Note		Carrying Value		Fair Value		Fair Value Difference
Financial Instrument Assets							
Cash and cash equivalents	a	$	80,810	$	80,810	$	-
Interest bearing deposits with financial institutions	c,e		1,396,474		1,389,575		(6,899)
Assets at fair value through profit or loss	d		10,314		10,314		-
Members' loans and leases	b,c,e		16,344,134		15,640,214		(703,920)
Other	a		13,944		13,944		-
Total financial instrument assets			17,845,676		17,134,857		(710,819)
Financial Instrument Liabilities							
Members' deposits	b,c		15,262,118		15,183,673		(78,445)
Liabilities at fair value through profit or loss	d		49,039		49,039		-
Borrowings	a		200,000		200,000		-
Securitization liabilities	c		690,874		671,833		(19,041)
Payables and other financial liabilities	a		222,945		222,945		-
Total financial instrument liabilities		$	16,424,976	$	16,327,490	$	(97,486)

(a) The fair values of cash, other financial assets, borrowings and other liabilities are assumed to approximate book values, due to their short-term nature. Refer also to note 35 with respect to payables and other financial liabilities.
(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 estimated fair values of interest-bearing deposits with financial institutions, fixed-rate member loans, fixed-rate member deposits and securitization liabilities are determined by discounting the expected future cash flows of these loans and deposits based on yield curves of financial assets and liabilities with similar terms.

(Canadian $ thousands, except per share amounts)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) 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. Refer to note 35 for information regarding valuation of the contingent consideration.
(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.

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 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 (note 35)	**-**	**-**	**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**

As at October 31, 2022	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative assets	$ -	$ 8,792	$ -	$ 8,792
Investment shares in entities [1]	-	-	76	76
Shares in Concentra Bank [1]	-	-	1,446	1,446
Total	$ -	$ 8,792	$ 1,522	$ 10,314
Financial Liabilities				
Member shares - Series E	-	443	-	443
Derivative liabilities	-	48,596	-	48,596
Total	$ -	$ 49,039	$ -	$ 49,039

Financial assets fair value measurements using Level 3 inputs	
Balance at October 31, 2021	$ 278
Fair value through profit and (loss)	1,219
Purchases	25
Balance at October 31, 2022	$ 1,522

[1] *Investment shares in entities and Shares in Concentra Bank (sold in 2023) are included in investments on the Consolidated Statement of Financial Position*

31. 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 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.

Credit Quality Performance
Refer to Note 9 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 and foreign-exchange rates 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 gap analysis, which shows the sensitivity between interest rate sensitive assets and liabilities.

(Canadian $ thousands, except per share amounts)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 matching 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. These measures are based on assumptions made by senior management and validated by experience. All interest rate risk measures are based upon exposures at a specific time and continuously change as a result of business activities and risk management initiatives.

Before Tax Impact of:		**2023**		2022
1% increase in rates	**$**	**(1,756)**	$	(8,038)
1% decrease in rates	**$**	**1,759**	$	8,160

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, 2023, the Credit Union's net difference between assets and liabilities in foreign currencies was $3,723 (2022 – $1,669).

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2023, the Credit Union's liquidity as at October 31, 2023, exceeds the minimum requirement.

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

(Canadian $ thousands, except per share amounts)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

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, 2023	**Non-Maturities**	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**Over 5 Years**	**Total**
Financial Assets						
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**
Total financial assets	**$ 1,849,744**	**$ 5,607,744**	**$ 7,477,073**	**$ 4,627,860**	**$ 245,806**	**$ 19,808,227**
Financial Liabilities						
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**
Total financial liabilities	**$ 8,604,270**	**$ 6,327,031**	**$ 2,603,191**	**$ 809,471**	**$ 4,596**	**$ 18,348,559**
Net maturities	**$ (6,754,526)**	**$ (719,287)**	**$ 4,873,882**	**$ 3,818,389**	**$ 241,210**	**$ 1,459,668**

As at October 31, 2022	Non-Maturities	Less than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Financial Assets						
Cash and cash equivalents	$ 80,810	$ -	$ -	$ -	$ -	$ 80,810
Investments	2,409	1,312,369	70,225	13,012	-	1,398,015
Members' loans and leases	1,881,029	3,751,481	5,328,339	5,208,256	175,029	16,344,134
Accounts receivable	-	13,962	-	-	-	13,962
Total financial assets	$ 1,964,248	$ 5,077,812	$ 5,398,564	$ 5,221,268	$ 175,029	$ 17,836,921
Financial Liabilities						
Members' deposits	8,833,631	5,222,517	993,951	212,019	-	15,262,118
Trade payables and other liabilities	443	222,947	-	-	-	223,390
Borrowings	-	200,000	-	-	-	200,000
Securitization liabilities	-	212,834	327,057	146,992	3,991	690,874
Total financial liabilities	$ 8,834,074	$ 5,858,298	$ 1,321,008	$ 359,011	$ 3,991	$ 16,376,382
Net maturities	$ (6,869,826)	$ (780,486)	$ 4,077,556	$ 4,862,257	$ 171,038	$ 1,460,539

(Canadian $ thousands, except per share amounts)

32. INTEREST RATE SENSITIVITY

The principal values of interest rate-sensitive 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 or mature. These are summed to show the interest rate sensitivity gap. Accrued interest amounts are included in the non-interest-sensitive section. The average rates presented are weighted average effective yield based on the maturity dates. Additional information on how the Credit Union uses derivative financial instruments to manage interest rate risk is included in Note 15. Information on how the Credit Union manages interest rate risk is included in Note 31.

As at October 31, 2023	Floating Rate	0 to 3 Months	3 to 6 Months	6 to 12 Months	More Than 1 Year	Non Interest Sensitive	Total
Assets							
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
Liabilities and Equity							
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%*	-	-	-	-	-	*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
Off Statement of Financial Position							
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)	$ -

As at October 31, 2022	Floating Rate	0 to 3 Months	3 to 6 Months	6 to 12 Months	More Than 1 Year	Non Interest Sensitive	Total
Assets							
Cash and cash equivalents	$ 48,136	$ -	$ -	$ -	$ -	$ 32,674	$ 80,810
Effective yield (%)	*0.25%*	-	-	-	-	-	*0.15%*
Investment in associate	-	-	-	-	-	199,623	199,623
Investments	-	964,142	260,030	83,370	83,237	7,236	1,398,015
Effective yield (%)	-	*2.80%*	*1.42%*	*3.57%*	*1.49%*	-	*2.50%*
Members' loans and leases	3,626,016	652,747	537,662	1,158,493	10,109,819	259,397	16,344,134
Effective yield (%)	*6.93%*	*3.73%*	*3.71%*	*3.76%*	*3.24%*	-	*4.08%*
Other assets	-	-	-	-	-	315,878	315,878
	3,674,152	1,616,889	797,692	1,241,863	10,193,056	814,808	18,338,460
Liabilities and Equity							
Members' deposits	6,443,573	956,890	999,044	3,185,739	2,325,333	1,351,539	15,262,118
Effective yield (%)	*1.32%*	*1.57%*	*1.54%*	*2.66%*	*1.57%*	-	*1.55%*
Other liabilities	-	-	-	-	-	371,285	371,285
Borrowings	-	200,000	-	-	-	-	200,000
Effective yield (%)	-	*4.57%*	-	-	-	-	*4.57%*
Securitization liabilities	-	55,425	43,484	114,140	485,955	(8,130)	690,874
Effective yield (%)	-	*3.78%*	*2.76%*	*2.60%*	*1.92%*	-	*2.26%*
Equity	-	-	-	-	-	1,814,183	1,814,183
	6,443,573	1,212,315	1,042,528	3,299,879	2,811,288	3,528,877	18,338,460
Off Statement of Financial Position							
Notional value of assets derivative financial instruments	-	250,000	-	-	600,000	-	850,000
Notional value of liabilities derivative financial instruments	(850,000)	-	-	-	-	-	(850,000)
Sub total	(850,000)	250,000	-	-	600,000	-	-
Net 2022 position	$ (3,619,421)	$ 654,574	$ (244,836)	$ (2,058,016)	$ 7,981,768	$ (2,714,069)	$ -

(Canadian $ thousands, except per share amounts)

33. RELATED PARTY DISCLOSURES

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

Associates and Subsidiaries
Refer to Note 16 (Investment in Associate) for a summary of related party transactions with Alberta Central. Refer to Note 3 (Significant Accounting Policies) for a list of the Credit Union's subsidiaries.

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 Bonus	Benefits	Post Employment Benefits	Other Long-Term Benefits	2023
Chief Executive Officer (CEO)	**$ 1,091**	**$ 63**	**$ 151**	**$ 337**	**$ 1,642**
Chief Financial Officer (CFO)	**774**	**38**	**31**	**-**	**843**
Chief Operating Officer (COO)	**795**	**38**	**31**	**-**	**864**
Chief Risk Officer (CRO)	**738**	**39**	**30**	**-**	**807**
Chief Information & Payments Officer (CIPO)	**773**	**38**	**30**	**-**	**841**
Chief Transformation Officer (CTO)	**791**	**39**	**26**	**-**	**856**
Total	**$ 4,962**	**$ 255**	**$ 299**	**$ 337**	**$ 5,853**

	Salary and Bonus	Benefits	Post Employment Benefits	Other Long-Term Benefits	2022
Chief Executive Officer (CEO)	$ 1,155	$ 57	$ 136	$ 303	$ 1,651
Chief Financial Officer (CFO)	713	36	29	-	778
Chief Operating Officer (COO)	743	36	29	-	808
Chief Risk Officer (CRO)(1)	643	27	27	-	697
Chief Information & Payments Officer (CIPO)	692	31	29	-	752
Chief Credit Officer (CCO)(2)	23	2	2	-	27
Chief Transformation Officer (CTO)(3)	730	33	26	-	789
Chief People & Corporate Services Officer (CPO)(4)	22	3	5	-	30
Total	$ 4,721	$ 225	$ 283	$ 303	$ 5,532

(1) *The CRO position was created in November 2021*
(2) *The CCO position was eliminated in November 2021 and had total termination benefits of $440*
(3) *The CMO position title changed to CTO in November 2021*
(4) *The CPO position was eliminated in November 2021 and had total termination benefits of $900*

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

Directors' Compensation and Expenses	**2023**	2022
Compensation to directors	**$ 805**	$ 714
Expenses incurred by directors	**98**	107
Total	**$ 903**	$ 821

Compensation to directors ranged from $32 (2023 – $14) to $122 (2022 – $84) with an average of $62 (2022 – $55).

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.

(Canadian $ thousands, except per share amounts)

33. RELATED PARTY DISCLOSURES (CONTINUED)

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.

The Credit Union makes 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 23). 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.

Members' Loans		**As at October 31 2023**		As at October 31 2022
Key management personnel	**$**	**1,744**	$	2,301
Board of directors		**5,835**		6,713
Other employees		**435,882**		357,132
Total	**$**	**443,461**	$	366,146

Members' Deposits		**As at October 31 2023**		As at October 31 2022
Key management personnel	**$**	**614**	$	337
Board of directors		**1,649**		2,428
Other employees		**177,617**		150,046
Total	**$**	**179,880**	$	152,811

34. COMPARATIVE FIGURES

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

35. ACQUISITIONS

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.

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.

(Canadian $ thousands, except per share amounts)

35. ACQUISITIONS (CONTINUED)

Assets acquired and liabilities assumed

	As at Jun 1, 2023	Adjustments (1)	As at Oct 31, 2023
Assets			
Cash	$ 193	$ 1	$ 194
Restricted cash	9,217	-	9,217
Accounts receivable	900	-	900
Deposits and prepaid expenses	43	(15)	28
Net lease receivable (2)	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
Total assets	**157,863**	**(2,207)**	**155,656**
Liabilities			
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
Total liabilities	**144,080**	**(4,567)**	**139,513**
Total identifable net assets at fair value (3)	**$ 13,783**	**$ 2,360**	**$ 16,143**

(1) *Revisions to fair values were due to additional information obtained between the acquisition date and October 31, 2023.*
(2) *Net lease receivable includes the estimated credit loss on lease receivable of $(409).*
(3) *Represents purchase consideration, which was revised for additional information concerning fair values and classification of consideration.*

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:

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

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

(Canadian $ thousands, except per share amounts)

35. ACQUISITIONS (CONTINUED)

Promissory Note for Newly Originated Leasing Revenue
2416924 Alberta Ltd. has agreed to pay Stride additional consideration contingent on 2416924 Alberta Ltd. meeting a revenue target after acquisition. The contingent consideration is 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 is $2,110. Bank of Canada bond yield rates were used in determining an appropriate discount rate. The contingent consideration has been 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 are level 3 inputs into the fair value and are reassessed at each reporting period.

Contingent consideration for Stride Key Management Employment
The Credit Union has agreed to pay Stride additional consideration contingent on the employment of 3 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 is $2,072, determined using weighted probabilities of employment for each of the 3 individuals. The contingent consideration has been estimated based on the assumption that the full amount will be paid. This estimate, and the probability of employee retention are level 3 inputs into the fair value and are reassessed at each reporting period.

The present value of the two promissory notes – for $2,110 and for $2,072 – form the total present value of contingent consideration of $4,182.

The following tables present the Credit Union's Level 3 inputs and sensitivity analysis for fair-value measurements classified as Level 3:

Probability Weighting		Fair Value
Base case probability	$	4,182
10% increase in probability	$	4,647
10% decrease in probability	$	3,717

The outstanding note payable of $113 ($500 paid) and contingent consideration of $4,182 are included in Trade payables and other liabilities in the condensed consolidated statement of financial position.

Acquisitions costs
The Credit Union incurred acquisition-related costs of $1,297. These have been included in General expenses on the Consolidated statement of income.

36. EVENTS AFTER THE REPORTING PERIOD

In March 2023, the boards of connectFirst Credit Union (connectFirst) and the Credit Union announced their intent to explore the possibility of merging. Upon completion of due diligence activities in early August 2023, both boards unanimously endorsed and recommended the proposed merger to members. Closing of the proposed merger is subject to approval from members and regulatory authorities.

On September 19, 2023, 84% of the Credit Union's members voted in favor to merge with connectFirst. On November 9, 2023, 85% of connectFirst's members voted in favor to merge with Servus Credit Union. CUDGC's approval was received in November 2023, and the required Competition Bureau approval is outstanding. Both entities have agreed to the proposed merger to ensure the long-term needs of members are met and continued growth to expand operations.

The merger is planned to close in the 2024 fiscal year.

Control of Alberta Central
Alberta Central is the central banking facility, service bureau and trade association for Alberta credit unions. All Alberta credit unions own shares in Alberta Central based on a percentage of system assets. At the time of the merger, Servus Credit Union and connectFirst are expected to hold ownership interest of 61% and 22%, respectively. If the credit unions merge, the merged entity would hold 83% of the system assets, ownership interest and occupy more than half of the board positions on Alberta Central's board. Subject to regulatory approval, for accounting purposes, the merged entity would acquire control over Alberta Central. Therefore, the financial results of Alberta Central would be consolidated with the financial results of the merged entity.

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