

**SERVUS CREDIT UNION LTD.**  
**Interim Condensed Consolidated Financial Statements**

For the three months ended January 31, 2023  
(unaudited)

**SERVUS CREDIT UNION LTD.**  
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**SERVUS CREDIT UNION LTD.**  
**Interim Condensed Consolidated Statement of Financial Position**  
(Canadian \$ thousands)  
(unaudited)

	Notes	January 31 2023	October 31 2022
<b>Assets</b>			
Cash and cash equivalents		\$ 82,999	\$ 80,810
Investments	3	1,523,488	1,398,015
Members' loans	4	16,609,111	16,344,134
Income taxes receivable		12,098	8,840
Assets held for sale		3,298	2,201
Other assets		34,890	36,112
Property and equipment		134,796	135,087
Leased assets		65,609	65,638
Investment property		5,686	5,697
Derivative financial assets	7	10,797	8,792
Investment in associate		202,847	199,623
Intangible assets		52,399	53,511
<b>Total assets</b>		<b>18,738,018</b>	<b>18,338,460</b>
<b>Liabilities</b>			
Borrowings		103,138	200,000
Securitization liabilities		997,152	690,874
Members' deposits		15,556,190	15,265,464
Trade payables and other liabilities		155,477	228,865
Lease liabilities		74,367	74,013
Allowance for off balance sheet credit instruments	4,5	5,236	4,602
Derivative financial liabilities	7	43,784	48,596
Investment shares		456	443
Defined benefit plans		4,318	4,313
Deferred income tax liabilities		7,919	7,107
<b>Total liabilities</b>		<b>16,948,037</b>	<b>16,524,277</b>
<b>Equity</b>			
Share capital		666,170	701,275
Retained earnings		1,119,616	1,106,390
Accumulated other comprehensive income		4,195	6,518
<b>Total equity</b>		<b>1,789,981</b>	<b>1,814,183</b>
<b>Total liabilities and equity</b>		<b>\$ 18,738,018</b>	<b>\$ 18,338,460</b>

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

**SERVUS CREDIT UNION LTD.**  
**Interim Condensed Consolidated Statement of Income**  
(Canadian \$ thousands)  
(unaudited)

	Notes	Three months ended January 31 2023	Three months ended January 31 2022
<b>Interest income</b>			
Members' loans		\$ 182,599	\$ 128,675
Investments, including derivatives	8	8,765	987
<b>Total interest income</b>		<b>191,364</b>	<b>129,662</b>
<b>Interest expense</b>			
Members' deposits		68,890	16,278
Other interest expense		7,172	4,822
<b>Total interest expense</b>		<b>76,062</b>	<b>21,100</b>
<b>Net interest income</b>		<b>115,302</b>	<b>108,562</b>
Other income		37,586	34,812
Share of profits (losses) from associate		(308)	1,003
<b>Net interest income and other income</b>		<b>152,580</b>	<b>144,377</b>
Provision for (recovery of) credit losses	5	25,863	(1,157)
<b>Net interest income and other income after provision for (recovery of) credit losses</b>		<b>126,717</b>	<b>145,534</b>
<b>Operating expenses</b>			
Personnel		60,895	59,726
General		30,221	24,318
Occupancy		4,223	4,243
Member security		2,810	2,519
Depreciation		4,774	4,548
Organization		1,401	1,288
Impairment of assets		222	69
Amortization		2,752	2,834
<b>Total operating expenses</b>		<b>107,298</b>	<b>99,545</b>
<b>Income before patronage allocation to members and income taxes</b>		<b>19,419</b>	<b>45,989</b>
Patronage allocation to members		8,780	8,872
<b>Income before income taxes</b>		<b>10,639</b>	<b>37,117</b>
Income taxes		2,457	8,537
<b>Net income</b>		<b>\$ 8,182</b>	<b>\$ 28,580</b>

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

**SERVUS CREDIT UNION LTD.**  
**Interim Condensed Consolidated Statement of Comprehensive Income**  
(Canadian \$ thousands)  
(unaudited)

	Three months ended January 31 2023	Three months ended January 31 2022
<b>Net income</b>	<b>\$ 8,182</b>	<b>\$ 28,580</b>
<b>Other comprehensive income for the year, net of tax:</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
<i>Share of other comprehensive income from associate</i>		
Actuarial gain on defined benefit pension plans <sup>(1)</sup>	310	106
Change in unrealized gain on equity securities at fair value through other comprehensive income securities <sup>(2)</sup>	1,206	4,077
<b>Items that may be reclassified subsequently to profit or loss:</b>		
<i>Share of other comprehensive income (loss) from associate</i>		
Change in unrealized gain (loss) on debt securities at fair value through other comprehensive income securities <sup>(3)</sup>	1,253	(1,119)
Reclassification adjustments for realized (loss) gain on debt securities <sup>(4)</sup>	(48)	280
<b>Total other comprehensive income</b>	<b>\$ 2,721</b>	<b>\$ 3,344</b>
<b>Total comprehensive income</b>	<b>\$ 10,903</b>	<b>\$ 31,924</b>

<sup>(1)</sup> Net of income tax expense for the three months ended January 31, 2023 of \$93 (2022 - \$32)

<sup>(2)</sup> Net of income tax expense for the three months ended January 31, 2023 of \$360 (2022 - \$1,217)

<sup>(3)</sup> Net of income tax expense (recovery) for the three months ended January 31, 2023 of \$374 (2022 - \$(334))

<sup>(4)</sup> Net of income tax (recovery) expense for the three months ended January 31, 2023 of \$(14) (2022 - \$84)

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**SERVUS CREDIT UNION LTD.**  
**Interim Condensed Consolidated Statement of Changes in Equity**  
(Canadian \$ thousands)  
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	Share Capital			Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
	Common Shares	Investment Shares	Total Share Capital			
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	6,257	-	6,257	-	-	6,257
Redemption of share capital	(23,732)	(2,809)	(26,541)	-	-	(26,541)
Net income	-	-	-	28,580	-	28,580
Share of other comprehensive income from associate	-	-	-	-	3,344	3,344
Balance at January 31, 2022	\$ 564,900	\$ 117,506	\$ 682,406	\$ 1,079,519	\$ 13,797	\$ 1,775,722

	Share Capital			Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
	Common Shares	Investment Shares	Total Share Capital			
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	1,662	-	1,662	-	-	1,662
Redemption of share capital	(32,995)	(3,772)	(36,767)	-	-	(36,767)
Net income	-	-	-	8,182	-	8,182
Share of other comprehensive loss from associate	-	-	-	-	2,721	2,721
Share of reclassification of accumulated other comprehensive income to retained earnings from associate <sup>(1)</sup>	-	-	-	5,044	(5,044)	-
Balance at January 31, 2023	\$ 548,560	\$ 117,610	\$ 666,170	\$ 1,119,616	\$ 4,195	\$ 1,789,981

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

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

**SERVUS CREDIT UNION LTD.**  
**Interim Condensed Consolidated Statement of Cash Flows**  
(Canadian \$ thousands)  
(unaudited)

	Three months ended January 31 2023	Three months ended January 31 2022
<b>Cash flows from (used in) operating activities</b>		
<b>Net income</b>	\$ 8,182	\$ 28,580
<b>Adjustments for non-cash items and others</b>		
Net interest income <sup>(1)</sup>	(115,302)	(108,562)
Provision for (recovery of) credit losses	25,863	(1,157)
Share of losses (profits) from investment in associate	308	(1,003)
Depreciation	4,774	4,548
Amortization	2,752	2,834
Impairment of assets	222	69
Gain on leased assets	-	(3)
Gain on assets held for sale	(18)	(125)
Gain on disposal of property and equipment	(24)	(42)
Income taxes	2,457	8,537
<b>Adjustments for net changes in operating assets and liabilities</b>		
Change in members' loans	(285,736)	(161,447)
Change in members' deposits	264,315	42,232
Change in assets held for sale	(2,253)	(326)
Change in derivatives, net	(6,817)	805
Change in other assets, provisions, and trade payables and other liabilities, net	(62,840)	(62,831)
Income taxes paid, net	(4,903)	(12,211)
Interest received	185,108	131,373
Interest paid	(48,234)	(20,924)
<b>Net cash used in operating activities</b>	<b>(32,146)</b>	<b>(149,653)</b>
<b>Cash flows from (used in) investing activities</b>		
Additions to intangible assets	(1,640)	(1,407)
Additions to property and equipment, and investment property	(2,928)	(1,460)
Proceeds on disposal of property and equipment, and investment property	114	67
Proceeds on disposal of assets held for sale	952	891
Purchase of investments, net	(123,687)	(64,433)
<b>Net cash used in investing activities</b>	<b>(127,189)</b>	<b>(66,342)</b>
<b>Cash flows from (used in) financing activities</b>		
Repayment of term loans and lines of credit, net	(96,862)	-
Advances of securitization liabilities	355,912	69,976
Repayments of securitization liabilities	(61,171)	(97,545)
Repayments of principal portion of lease liabilities	(1,250)	(1,330)
Shares issued	1,662	6,257
Shares redeemed	(36,767)	(26,541)
<b>Net cash from (used in) financing activities</b>	<b>161,524</b>	<b>(49,183)</b>
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>2,189</b>	<b>(265,178)</b>
Cash and cash equivalents, beginning of period	80,810	603,208
<b>Cash and cash equivalents, end of period</b>	<b>\$ 82,999</b>	<b>\$ 338,030</b>

<sup>(1)</sup> Net interest income includes a fair value (gain) loss on derivatives for the three months ended January 31, 2023 of \$(4,256) (2022 - \$627)

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**Notes to Interim Condensed Consolidated Financial Statements**  
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## **1. BASIS OF PRESENTATION**

These Interim Condensed Consolidated Financial Statements are prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). The Interim Condensed Consolidated Financial Statements do not include all of the information required for full annual financial statements and should be read in conjunction with Servus Credit Union Ltd.'s (Servus or the Credit Union) 2022 audited annual Consolidated Financial Statements.

These Interim Condensed Consolidated Financial Statements were approved by the Audit and Finance Committee on March 20, 2023.

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

The preparation of the Interim Condensed Consolidated Financial Statements requires management to make estimates, assumptions and critical judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and related disclosures. Estimates and underlying assumptions required under International Financial Reporting Standards (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; and the fair value less costs to sell for assets held for sale. 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, 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, despite the release from COVID-19 related uncertainties, 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 Interim Condensed Consolidated Financial Statements. Refer to Note 5 for more information on significant judgments made to estimate the ECL.

## **2. ACCOUNTING POLICIES**

These Interim Condensed Consolidated Financial Statements have been prepared following the same accounting policies and methods as those used in preparing the Credit Union's 2022 annual consolidated financial statements, with the exception of amendments to standards applicable to the current year, these are:

- Annual Improvements to IFRS Standards 2018–2020 – Amendments to IFRS 9 and IFRS 16
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).

The adoption of these amendments effective November 1, 2022 have no impact on the financial statements.



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**Notes to Interim Condensed Consolidated Financial Statements**  
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### 3. INVESTMENTS

	As at January 31 2023	As at October 31 2022
Term deposits with Alberta Central	\$ 1,516,595	\$ 1,391,461
Other	94	1,541
	<b>1,516,689</b>	<b>1,393,002</b>
Accrued interest	6,801	5,015
	<b>1,523,490</b>	<b>1,398,017</b>
ECL allowance on investments	(2)	(2)
<b>Total</b>	<b>\$ 1,523,488</b>	<b>\$ 1,398,015</b>

### 4. MEMBERS' LOANS

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

	Performing			Impaired		Total	Allowance for Credit Losses	Total Net of Allowance
	Stage 1	Stage 2	Stage 3					
<b>As at January 31, 2023</b>								
Residential mortgages	\$ 8,186,090	\$ 604,801	\$ 14,160	\$ 8,805,051	\$ 4,850	\$ 8,800,201		
Commercial and agriculture	6,436,744	173,755	82,291	6,692,790	47,184	6,645,606		
Consumer and credit card	1,072,883	96,689	3,627	1,173,199	9,895	1,163,304		
<b>Total members' loans</b>	<b>\$ 15,695,717</b>	<b>\$ 875,245</b>	<b>\$ 100,078</b>	<b>\$ 16,671,040</b>	<b>\$ 61,929</b>	<b>\$ 16,609,111</b>		
<b>As at January 31, 2023</b>								
Residential mortgages	\$ 2,193,889	\$ 26,781	\$ 2,016	\$ 2,222,686	\$ 299	\$ 2,222,387		
Commercial and agriculture	1,616,054	10,323	222	1,626,599	1,167	1,625,432		
Consumer and credit card	1,129,016	24,476	932	1,154,424	3,770	1,150,654		
<b>Total off balance sheet credit instruments</b>	<b>\$ 4,938,959</b>	<b>\$ 61,580</b>	<b>\$ 3,170</b>	<b>\$ 5,003,709</b>	<b>\$ 5,236</b>	<b>\$ 4,998,473</b>		
	Performing			Impaired		Total	Allowance for Credit Losses	Total Net of Allowance
	Stage 1	Stage 2	Stage 3					
<b>As at October 31, 2022</b>								
Residential mortgages	\$ 8,208,068	\$ 589,217	\$ 16,571	\$ 8,813,856	\$ 4,471	\$ 8,809,385		
Commercial and agriculture	6,222,066	138,319	45,134	6,405,519	25,335	6,380,184		
Consumer and credit card	1,063,261	97,240	3,354	1,163,855	9,290	1,154,565		
<b>Total members' loans</b>	<b>\$ 15,493,395</b>	<b>\$ 824,776</b>	<b>\$ 65,059</b>	<b>\$ 16,383,230</b>	<b>\$ 39,096</b>	<b>\$ 16,344,134</b>		
<b>As at October 31, 2022</b>								
Residential mortgages	\$ 2,149,756	\$ 21,000	\$ 1,013	\$ 2,171,769	\$ 273	\$ 2,171,496		
Commercial and agriculture	1,550,152	10,494	130	1,560,776	1,050	1,559,726		
Consumer and credit card	1,111,044	20,413	565	1,132,022	3,279	1,128,743		
<b>Total off balance sheet credit instruments</b>	<b>\$ 4,810,952</b>	<b>\$ 51,907</b>	<b>\$ 1,708</b>	<b>\$ 4,864,567</b>	<b>\$ 4,602</b>	<b>\$ 4,859,965</b>		

**SERVUS CREDIT UNION LTD.**  
**Notes to Interim Condensed Consolidated Financial Statements**  
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## **5. ALLOWANCE FOR 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 as at January 31, 2023.

These inputs and assumptions are assessed each reporting period considering both positive and negative aspects of the current economic environment. ECL models use some 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 ECL model is in the assessment of whether there is a significant increase in credit risk on loans, the probability that a member will default on a loan, forecasted future looking indicators and the weightings to be used on the base, best and worst-case scenarios for the forward looking indicators (FLI).

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

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

Each factor is forecast in three scenarios, a base case, a best case and a worst-case scenario. These scenarios are weighted, and the weighted average is used to calculate the ECL estimate. At January 31, 2023, management concluded that weighting to be used is a 60% base, 20% best and 20% worst-case (October 31, 2022 - 60% base, 20% best and 20% worst-case).

When a sensitivity analysis shows that the loan book has a risk that is not adequately covered by the model calculation, 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 January 31, 2023, management has not applied an overlay (October 31, 2022 - \$0) to the calculated ECL.

**SERVUS CREDIT UNION LTD.**  
**Notes to Interim Condensed Consolidated Financial Statements**  
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**5. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)**

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

	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
<b>As at October 31, 2022</b>	\$ 4,744	\$ 26,385	\$ 12,569	\$ 43,698
Recoveries of previous loan write-offs	30	40	1,021	1,091
Provision charged to net income	1,270	22,188	2,405	25,863
	6,044	48,613	15,995	70,652
Loans written off	(895)	(262)	(2,330)	(3,487)
<b>As at January 31, 2023</b>	\$ 5,149	\$ 48,351	\$ 13,665	\$ 67,165

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

Netted with members' loans	4,850	47,184	9,895	61,929
Off balance sheet credit instruments <sup>(1)</sup>	299	1,167	3,770	5,236
<b>Total</b>	\$ 5,149	\$ 48,351	\$ 13,665	\$ 67,165

	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
As at October 31, 2021	\$ 5,375	\$ 24,032	\$ 15,831	\$ 45,238
Recoveries of previous loan write-offs	4	128	5,279	5,411
Provision (recovery) charged to net income	545	6,700	919	8,164
	5,924	30,860	22,029	58,813
Loans written off	(1,180)	(4,475)	(9,460)	(15,115)
As at October 31, 2022	\$ 4,744	\$ 26,385	\$ 12,569	\$ 43,698

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

Netted with members' loans	4,471	25,335	9,290	39,096
Off balance sheet credit instruments <sup>(1)</sup>	273	1,050	3,279	4,602
<b>Total</b>	\$ 4,744	\$ 26,385	\$ 12,569	\$ 43,698

<sup>(1)</sup> Off balance sheet credit instruments consist of undrawn commitments and financial guarantees

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**5. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)**

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

**Allowance for credit losses – Residential Mortgages**

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
<b>As at October 31, 2022</b>	\$ 1,476	\$ 2,178	\$ 1,090	\$	4,744
Transfers					
Stage 1 <sup>(1)</sup>	32	(10)	(22)		-
Stage 2 <sup>(1)</sup>	(8)	164	(156)		-
Stage 3 <sup>(1)</sup>	-	(62)	62		-
New originations <sup>(2)</sup>	76	198	-		274
Repayments <sup>(3)</sup>	(27)	(45)	(55)		(127)
Remeasurements <sup>(4)</sup>	40	(27)	1,110		1,123
Loans written off	-	-	(895)		(895)
Recoveries	-	-	30		30
<b>As at January 31, 2023</b>	\$ 1,589	\$ 2,396	\$ 1,164	\$	5,149

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

Netted with members' loans	1,353	2,334	1,163		4,850
Off balance sheet credit instruments	236	62	1		299
<b>Total</b>	\$ 1,589	\$ 2,396	\$ 1,164	\$	5,149

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
<b>As at October 31, 2021</b>	\$ 2,281	\$ 2,495	\$ 599	\$	5,375
Transfers					
Stage 1 <sup>(1)</sup>	76	(76)	-		-
Stage 2 <sup>(1)</sup>	(886)	899	(13)		-
Stage 3 <sup>(1)</sup>	(605)	(303)	908		-
New originations <sup>(2)</sup>	305	399	18		722
Repayments <sup>(3)</sup>	(278)	(332)	(202)		(812)
Remeasurements <sup>(4)</sup>	583	(904)	956		635
Loans written off	-	-	(1,180)		(1,180)
Recoveries	-	-	4		4
<b>As at October 31, 2022</b>	\$ 1,476	\$ 2,178	\$ 1,090	\$	4,744

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

Netted with members' loans	1,262	2,119	1,090		4,471
Off balance sheet credit instruments	214	59	-		273
<b>Total</b>	\$ 1,476	\$ 2,178	\$ 1,090	\$	4,744

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

<sup>(2)</sup> New originations relate to new loans recognized during the period and reflect movements into different stages within the period

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

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

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**5. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)**

**Allowance for credit losses – Commercial and Agriculture**

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
<b>As at October 31, 2022</b>	\$ 5,437	\$ 1,639	\$ 19,309	\$	26,385
Transfers					
Stage 1 <sup>(1)</sup>	107	(51)	(56)		-
Stage 2 <sup>(1)</sup>	(82)	92	(10)		-
Stage 3 <sup>(1)</sup>	(5)	(518)	523		-
New originations <sup>(2)</sup>	555	9	1		565
Repayments <sup>(3)</sup>	(118)	(20)	(19)		(157)
Remeasurements <sup>(4)</sup>	133	1,446	20,201		21,780
Loans written off	-	-	(262)		(262)
Recoveries	-	-	40		40
<b>As at January 31, 2023</b>	\$ 6,027	\$ 2,597	\$ 39,727	\$	48,351

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

Netted with members' loans	4,903	2,581	39,700		47,184
Off balance sheet credit instruments	1,124	16	27		1,167
<b>Total</b>	\$ 6,027	\$ 2,597	\$ 39,727	\$	48,351

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
<b>As at October 31, 2021</b>	\$ 4,342	\$ 3,493	\$ 16,197	\$	24,032
Transfers					
Stage 1 <sup>(1)</sup>	23	(23)	-		-
Stage 2 <sup>(1)</sup>	(797)	797	-		-
Stage 3 <sup>(1)</sup>	(482)	(6,996)	7,478		-
New originations <sup>(2)</sup>	1,354	28	215		1,597
Repayments <sup>(3)</sup>	(479)	(1,103)	(1,045)		(2,627)
Remeasurements <sup>(4)</sup>	1,476	5,443	811		7,730
Loans written off	-	-	(4,475)		(4,475)
Recoveries	-	-	128		128
<b>As at October 31, 2022</b>	\$ 5,437	\$ 1,639	\$ 19,309	\$	26,385

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

Netted with members' loans	4,430	1,626	19,279		25,335
Off balance sheet credit instruments	1,007	13	30		1,050
<b>Total</b>	\$ 5,437	\$ 1,639	\$ 19,309	\$	26,385

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

<sup>(2)</sup> New originations relate to new loans recognized during the period and reflect movements into different stages within the period

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

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

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**5. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)**

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

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
<b>As at October 31, 2022</b>	\$ 4,634	\$ 6,296	\$ 1,639	\$	12,569
Transfers					
Stage 1 <sup>(1)</sup>	164	(73)	(91)		-
Stage 2 <sup>(1)</sup>	(43)	276	(233)		-
Stage 3 <sup>(1)</sup>	(6)	(118)	124		-
New originations <sup>(2)</sup>	299	194	-		493
Repayments <sup>(3)</sup>	(83)	(98)	(67)		(248)
Remeasurements <sup>(4)</sup>	341	160	1,659		2,160
Loans written off	-	-	(2,330)		(2,330)
Recoveries	-	-	1,021		1,021
<b>As at January 31, 2023</b>	\$ 5,306	\$ 6,637	\$ 1,722	\$	13,665

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

Netted with members' loans	2,864	5,315	1,716		9,895
Off balance sheet credit instruments	2,442	1,322	6		3,770
<b>Total</b>	\$ 5,306	\$ 6,637	\$ 1,722	\$	13,665

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
<b>As at October 31, 2021</b>	\$ 6,777	\$ 7,950	\$ 1,104	\$	15,831
Transfers					
Stage 1 <sup>(1)</sup>	209	(207)	(2)		-
Stage 2 <sup>(1)</sup>	(2,837)	2,854	(17)		-
Stage 3 <sup>(1)</sup>	(912)	(519)	1,431		-
New originations <sup>(2)</sup>	946	953	131		2,030
Repayments <sup>(3)</sup>	(591)	(412)	(104)		(1,107)
Remeasurements <sup>(4)</sup>	1,042	(4,323)	3,277		(4)
Loans written off	-	-	(9,460)		(9,460)
Recoveries	-	-	5,279		5,279
<b>As at October 31, 2022</b>	\$ 4,634	\$ 6,296	\$ 1,639	\$	12,569

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

Netted with members' loans	2,564	5,132	1,594		9,290
Off balance sheet credit instruments	2,070	1,164	45		3,279
<b>Total</b>	\$ 4,634	\$ 6,296	\$ 1,639	\$	12,569

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

<sup>(2)</sup> New originations relate to new loans recognized during the period and reflect movements into different stages within the period

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

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

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**6. CREDIT QUALITY OF MEMBERS' LOANS**

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

Risk Assessment	FICO Score Range			Risk Rating Range
	Insured Residential Mortgages	Conventional Residential Mortgages	Consumer and Credit Card	Commercial and Agriculture
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

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

As at January 31, 2023	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
<b>Risk Categories</b>				
Very low risk	\$ 3,478,410	\$ 16,751	\$ 364,261	\$ 3,859,422
Low risk	3,228,939	2,757,651	480,440	6,467,030
Medium risk	1,499,540	3,725,147	213,834	5,438,521
High risk	584,002	110,950	111,037	805,989
Impaired	14,160	82,291	3,627	100,078
<b>Total members' loans</b>	<b>\$ 8,805,051</b>	<b>\$ 6,692,790</b>	<b>\$ 1,173,199</b>	<b>\$ 16,671,040</b>

As at October 31, 2022	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
<b>Risk Categories</b>				
Very low risk	\$ 3,511,111	\$ 20,351	\$ 358,489	\$ 3,889,951
Low risk	3,224,167	2,677,056	477,962	6,379,185
Medium risk	1,479,844	3,573,588	208,202	5,261,634
High risk	582,163	89,390	115,848	787,401
Impaired	16,571	45,134	3,354	65,059
<b>Total members' loans</b>	<b>\$ 8,813,856</b>	<b>\$ 6,405,519</b>	<b>\$ 1,163,855</b>	<b>\$ 16,383,230</b>

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

As at January 31, 2023	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
<b>Risk Categories</b>				
Very low risk	\$ 1,076,692	\$ 196,014	\$ 648,759	\$ 1,921,465
Low risk	1,055,692	1,148,325	354,202	2,558,219
Medium risk	59,964	281,091	109,814	450,869
High risk	28,322	947	40,717	69,986
Impaired	2,016	222	932	3,170
<b>Total off balance sheet credit instruments</b>	<b>\$ 2,222,686</b>	<b>\$ 1,626,599</b>	<b>\$ 1,154,424</b>	<b>\$ 5,003,709</b>

As at October 31, 2022	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
<b>Risk Categories</b>				
Very low risk	\$ 1,059,561	\$ 166,667	\$ 648,063	\$ 1,874,291
Low risk	1,030,669	1,124,821	347,472	2,502,962
Medium risk	50,968	267,773	95,100	413,841
High risk	29,558	1,385	40,822	71,765
Impaired	1,013	130	565	1,708
<b>Total off balance sheet credit instruments</b>	<b>\$ 2,171,769</b>	<b>\$ 1,560,776</b>	<b>\$ 1,132,022</b>	<b>\$ 4,864,567</b>

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**6. CREDIT QUALITY OF MEMBERS' LOANS (CONTINUED)**

Loans Past Due, as at January 31, 2023	Up to 30 Days	31 to 59 Days	60 to 89 Days	Over 90 Days	Total
<b>Stage 1</b>					
Residential mortgages	\$ 52,304	\$ -	\$ -	\$ -	52,304
Commercial and agriculture	31,163	-	-	-	31,163
Consumer and credit card	18,400	-	-	-	18,400
<b>Stage 2</b>					
Residential mortgages	22,000	48,634	8,964	7,862	87,460
Commercial and agriculture	121	29,115	10,948	8,595	48,779
Consumer and credit card	6,436	8,426	2,704	60	17,626
<b>Stage 3</b>					
Residential mortgages	337	-	-	13,611	13,948
Commercial and agriculture	18	28,053	209	51,545	79,825
Consumer and credit card	-	-	-	3,587	3,587
<b>Total</b>	<b>\$ 130,779</b>	<b>\$ 114,228</b>	<b>\$ 22,825</b>	<b>\$ 85,260</b>	<b>\$ 353,092</b>

Loans Past Due, as at October 31, 2022	Up to 30 Days	31 to 59 Days	60 to 89 Days	Over 90 Days	Total
<b>Stage 1</b>					
Residential mortgages	\$ 59,195	\$ -	\$ -	\$ -	59,195
Commercial and agriculture	14,806	-	-	-	14,806
Consumer and credit card	18,110	-	-	-	18,110
<b>Stage 2</b>					
Residential mortgages	25,943	33,284	10,745	6,521	76,493
Commercial and agriculture	27,801	16,812	8,005	6,203	58,821
Consumer and credit card	7,042	5,449	2,260	59	14,810
<b>Stage 3</b>					
Residential mortgages	-	-	-	15,986	15,986
Commercial and agriculture	23	528	39	30,642	31,232
Consumer and credit card	-	-	-	3,319	3,319
<b>Total</b>	<b>\$ 152,920</b>	<b>\$ 56,073</b>	<b>\$ 21,049</b>	<b>\$ 62,730</b>	<b>\$ 292,772</b>

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

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.

	<b>As at January 31 2023</b>	<b>As at October 31 2022</b>
<b>Loans by Security</b>		
Insured loans and mortgages	\$ 3,050,923	\$ 3,068,313
Secured by mortgage	12,062,544	11,820,006
Secured by other	989,234	917,007
Unsecured loans	333,957	341,161
Unsecured credit card	234,382	236,743
<b>Total</b>	<b>\$ 16,671,040</b>	<b>\$ 16,383,230</b>



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**7. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

	As at January 31, 2023			As at October 31, 2022		
	Gross Financial Assets	Gross Financial Liabilities	Net	Gross Financial Assets	Gross Financial Liabilities	Net
Equity-linked options	\$ 10,797	\$ (10,650)	\$ 147	\$ 8,792	\$ (8,674)	\$ 118
Interest rate swaps	-	(33,134)	(33,134)	-	(39,922)	(39,922)
<b>Total</b>	<b>\$ 10,797</b>	<b>\$ (43,784)</b>	<b>\$ (32,987)</b>	<b>\$ 8,792</b>	<b>\$ (48,596)</b>	<b>\$ (39,804)</b>

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

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

	1 to 3 Months	3 to 12 Months	1 to 5 Years	As at January 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	11,975	4,950	101,770	118,695	116,400
<b>Total</b>	<b>\$ 11,975</b>	<b>\$ 304,950</b>	<b>\$ 401,770</b>	<b>\$ 718,695</b>	<b>\$ 966,400</b>

**Equity-linked Options**

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

**Interest Rate Swaps**

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

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

**8. INVESTMENT INCOME**

	Three months ended January 31 2023	Three months ended January 31 2022
Investment income on term deposits and other	\$ 10,133	\$ 1,199
Unrealized gain (loss) on derivative instruments	4,285	(597)
Realized (loss) gain on derivative instruments	(5,653)	385
<b>Total</b>	<b>\$ 8,765</b>	<b>\$ 987</b>

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**9. 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 January 31, 2023	Note	Carrying Value	Fair Value	Fair Value Difference
<b>Financial Instrument Assets</b>				
Cash and cash equivalents	a	\$ 82,999	\$ 82,999	-
Interest bearing deposits with financial institutions	c,e	1,523,394	1,518,424	(4,970)
Assets at fair value through profit or loss	d	10,873	10,873	-
Members' loans	b,c,e	16,609,111	15,968,663	(640,448)
Other	a	12,956	12,956	-
<b>Total financial instrument assets</b>		<b>18,239,333</b>	<b>17,593,915</b>	<b>(645,418)</b>
<b>Financial Instrument Liabilities</b>				
Members' deposits	b,c	15,556,190	15,502,279	(53,911)
Liabilities at fair value through profit or loss	d	43,784	43,784	-
Borrowings	a,b	103,138	103,138	-
Securitization liabilities	c	997,152	971,914	(25,238)
Payables and other financial liabilities	a	146,229	146,229	-
<b>Total financial instrument liabilities</b>		<b>\$ 16,846,493</b>	<b>\$ 16,767,344</b>	<b>\$ (79,149)</b>
As at October 31, 2022	Note	Carrying Value	Fair Value	Fair Value Difference
<i>Financial Instrument Assets</i>				
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	b,c,e	16,344,134	15,640,214	(703,920)
Other	a	13,944	13,944	-
<b>Total financial instrument assets</b>		<b>17,845,676</b>	<b>17,134,857</b>	<b>(710,819)</b>
<i>Financial Instrument Liabilities</i>				
Members' deposits	b,c	15,265,464	15,187,019	(78,445)
Liabilities at fair value through profit or loss	d	48,596	48,596	-
Borrowings	a	200,000	200,000	-
Securitization liabilities	c	690,874	671,833	(19,041)
Payables and other financial liabilities	a	220,042	220,042	-
<b>Total financial instrument liabilities</b>		<b>\$ 16,424,976</b>	<b>\$ 16,327,490</b>	<b>\$ (97,486)</b>

(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.

(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.

(d) The fair values of derivative financial instruments 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.

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

(e) Allowances, which are netted against the fair value determined as per footnote 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 January 31, 2023	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Derivative assets	\$ -	\$ 10,797	\$ -	\$ 10,797
Investment shares in entities <sup>(1)</sup>	-	-	76	76
<b>Total</b>	<b>\$ -</b>	<b>\$ 10,797</b>	<b>\$ 76</b>	<b>\$ 10,873</b>

<b>Financial Liabilities</b>				
Member shares - Series E	-	456	-	456
Derivative liabilities	-	43,784	-	43,784
<b>Total</b>	<b>\$ -</b>	<b>\$ 44,240</b>	<b>\$ -</b>	<b>\$ 44,240</b>

Fair value measurements using Level 3 inputs				
Balance at October 31, 2022			\$	1,522
Sales				(1,446)
<b>Balance at January 31, 2023</b>			<b>\$</b>	<b>76</b>

As at October 31, 2022	Level 1	Level 2	Level 3	Total
<i>Financial Assets</i>				
Derivative assets	\$ -	\$ 8,792	\$ -	\$ 8,792
Investment shares in entities <sup>(1)</sup>	-	-	76	76
Shares in Concentra Bank <sup>(1)</sup>	-	-	1,446	1,446
<b>Total</b>	<b>\$ -</b>	<b>\$ 8,792</b>	<b>\$ 1,522</b>	<b>\$ 10,314</b>

<i>Financial Liabilities</i>				
Member shares - Series E	-	443	-	443
Derivative liabilities	-	48,596	-	48,596
<b>Total</b>	<b>\$ -</b>	<b>\$ 49,039</b>	<b>\$ -</b>	<b>\$ 49,039</b>

Fair value measurements using Level 3 inputs				
Balance at October 31, 2021			\$	278
Fair value through profit and (loss)				1,219
Purchases				25
<b>Balance at October 31, 2022</b>			<b>\$</b>	<b>1,522</b>

<sup>(1)</sup> Investment shares in entities and Shares in Concentra Bank (sold in 2023) are included in investments on the Interim Condensed Consolidated Statement of Financial Position

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**10. EVENTS AFTER THE REPORTING PERIOD**

On March 3, 2023, the Credit Union announced an intent to merge with Connect First Credit Union (connectFirst). connectFirst is an Alberta-based financial institution with over \$7 billion in assets under administration, employing 750 Albertans across the province and serving over 125,000 members across over 40 communities in central and southern Alberta. A Memorandum of Understanding has been signed by the boards of both the Credit Union and connectFirst.

Both the Credit Union and connectFirst will undertake independent due diligence assessments. Subsequently, the merger is also subject to regulatory approvals and member votes, therefore, the timing of the close of the merger is currently unknown.



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