greater together

Your Guide to the Proposed Merger of connectFirst Credit Union and Servus Credit Union.

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Save the Date

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The connectFirst Credit Union Special General Meeting has been rescheduled to Thursday, November 9, 2023, at 7pm (MT).

LETTER TO MEMBERS

Dear Members,

We find ourselves at a pivotal moment as connectFirst Credit Union and Servus Credit Union consider a Proposed Merger. If approved, this merger has the potential to become an iconic chapter in the history of Canadian credit unions. Because you're a member-owner, your voice carries tremendous weight. You hold the future of our credit unions in your hands. That's why, on behalf of our boards and executive teams, we ask you to take action and vote YES.

Servus and connectFirst have been financial pillars for Albertans for many years. Throughout our histories, we've prioritized the needs of our members, going beyond traditional financial services to create exceptional member experiences and foster financial well-being in our communities.

Since you own a piece of our credit unions, you can be proud of the role you have played in shaping the lives of fellow Albertans, too. Whether it's the small business owner you've enabled to expand their venture, the first-time homebuyer you've helped move into their dream home, or the new Canadian you've empowered with the skills they need to thrive in their adopted homeland, these inspiring stories are a small snapshot of our larger impact, and they paint a vivid picture of what cooperative banking can do. But they're also just a glimpse of the immense possibilities within reach if our two credit unions merge.

We believe that through our Proposed Merger, we can build upon these shared values and strengths. By coming together, we can create an even stronger credit union that will remain firmly rooted in our cooperative values, while expanding our capabilities to better serve you. This Proposed Merger will enable us to preserve the credit union principles that you value, making sure they continue to empower Albertans like you. It will mean countless more individuals and families whose lives we can touch, dreams we can help realize, and opportunities we can create.

We understand that change can be exciting and also create some uncertainty. Throughout this process, you can count on us to stay true to the same principles that can always be our guide. Since our inception, our member-first approach, personalized advice, and community focus have been the bedrock of our credit unions. These will continue to lead us as we embrace the future.

Your voice holds power. A YES vote for the Proposed Merger is a testament to your belief in our shared vision and limitless potential. Your support will propel us forward and help us provide even greater value and service to you and your community.

Now is the time to act. Vote YES at our upcoming Special General Meeting. Together, let's seize this chance to shape the future of our credit unions and the lives of our members.

Let's build the credit union of tomorrow, and become greater, together.

Ian Burns
President and
Chief Executive Officer,
Servus Credit Union

Don Coulter
Chief Executive Officer,
connectFirst Credit Union

Andrew Eberl
Board Chair,
connectFirst Credit Union

Perry Dooley
Board Chair,
Servus Credit Union

GREATER TOGETHER

For more than 80 years, Albertans like you have trusted Servus Credit Union and connectFirst Credit Union with everything from your first savings accounts to your business loans to your daily chequing accounts. Individually, both Credit Unions have put our hearts into caring for your money, the careers of our employees, and the communities where we live and work, all while delivering smart advice, products and services.

Today's financial landscape is changing more quickly than we could ever have imagined when our Credit Unions first began. You need **more smart and more heart** than ever before to navigate the complex world of banking and money management. Credit unions, like connectFirst and Servus, need to rethink how we serve our members so we can embrace the future and thrive—for you and future generations of credit union member-owners.

On March 3, 2023, the Boards of Directors of connectFirst and Servus Credit Union announced an intent to merge the two organizations.

The boards of both Credit Unions agree the Proposed Merger is in the best interests of our members. They firmly believe that together, we can take the very best of our two Credit Unions and create something even better.

With more smart, we will be able to provide more sophisticated money management services quicker than either of our individual credit unions would be able to alone. We will be able to modernize the digital and mobile platforms you depend on for your banking, and we'll be able to be more innovative in the products and tools we can offer you.

With more heart, we'll be able to give you more personalized service and more tailored support for your family, your business or your farm. And as a truly province-wide credit union, the Merged Credit Union will be able to support communities all across Alberta and offer better access to your money with our combined network of branches and ATMs.

Powered by a team of more than 3,000 dedicated hearts and minds, serving 80 communities from more than 140 branches, and by dreaming bigger than ever before, we can build the credit union of tomorrow, today. This is why our Boards of Directors have unanimously endorsed the Proposed Merger.

With more smart and more heart, we'll be Greater Together.

HOW TO USE THIS MEMBER'S GUIDE

As a member-owner, you have a say in how we operate, including helping to decide whether Servus and connectFirst should join together to become a new Merged Credit Union. After reading this guide, you will:

- Learn more about the challenges and opportunities that led our Boards of Directors and management teams to explore and ultimately unanimously recommend the merger
- Discover the many ways this merger will be great for members, employees, communities, and the credit union system
- Find out how you can be part of this historic moment in your credit union's history
- Feel confident in voting YES to our Proposed Merger

Before you dive in, here are some key terms and concepts that will help you navigate this Member's Guide:

- The term "Proposed Merger" is used to refer to the transaction by which we're proposing to merge connectFirst and Servus. The "Proposed Merger" will proceed as an amalgamation under Section 182 of the Credit Union Act (Alberta), whereby connectFirst and Servus will voluntarily amalgamate and continue as one credit union
- The credit union that would result from this Proposed Merger may also be referred to as the "Merged Credit Union"
- connectFirst Credit Union may also be referred to as "connectFirst"
- Servus Credit Union may also be referred to as "Servus"
- connectFirst and Servus together may also be referred to as the "Credit Unions"

LEARN MORE AT GREATERTOGETHER.INFO

Greatertogether.info is a website dedicated to providing information for members about the Proposed Merger. Here you'll find everything you need to know about the Servus and connectFirst, Proposed Merger, the member vote and much more. You'll also find the link to register for our Special General Meeting where you can vote YES to the merger.

This site is your go-to for staying informed and engaged in this exciting milestone in our Credit Unions' history. Bookmark it and visit often!

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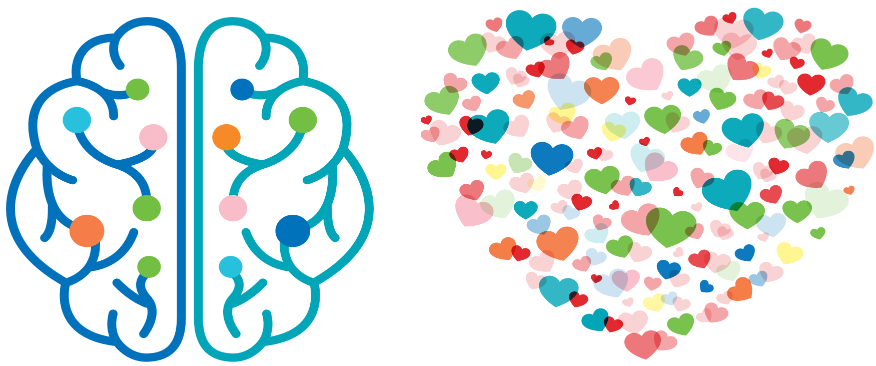
VISION FOR THE FUTURE: MORE SMART, MORE HEART

Servus and connectFirst share a vision for a Merged Credit Union that offers better, more personalized experiences for our members. A credit union that invests in modern banking solutions and empowers members to bank the way you want. And a truly province-wide credit union that is rooted in cooperative values and supports communities all across Alberta.

The Merged Credit Union will build on the best of the individual Credit Unions to create a credit union that is sustainable and future-thinking. It will harness the power of our collective experience and expertise to imagine new solutions, and then use our combined resources to bring them to life. Together, we can and will build the credit union of tomorrow, today.



More smart More heart

OUR CREDIT UNIONS AT A GLANCE*

	connectFirst	SERVUS
Founded in	1939	1938
Headquarters	Calgary	Edmonton
Number of Members	133,155	396,168
Number of Employees	796	2,226
Number of Branches	42	105
Assets under Administration	$8,477,052,000	$25,129,475,000
Lines of Business	Personal, Business, Wealth, Agriculture	Personal, Business, Wealth, Agriculture and Leasing

*As of June 30, 2023

WHY MERGE?

Together, we are greater than the sum of our parts. Our shared passion for personalized member service, community, and cooperative principles, plus an increased ability to invest in the systems and tools necessary to ensure a strong future for a Merged Credit Union, means great things are ahead for members, employees, communities, and the credit union system.

Better for Members

Whether you're a Servus or a connectFirst member, you deserve personal service, tailored financial advice, products that meet your needs, and tools you can access when and where you need them.

Here's how a Merged Credit Union will be better for you:

"I want to bank where, when and how it's convenient for me."

- ✓ A truly province-wide network of branches, with more than 140 branches in 80 communities
- ✓ Commitment to remaining in every community served by Servus and connectFirst today
- ✓ More than 220 ATMs from Lethbridge to Fort McMurray, Jasper to Lloydminster.
- ✓ Continued access to more than 5000 ding-free® ATMs across Canada

"I want to be part of something that has deep roots in Alberta, that I can count on to know me and my neighbours."

- ✓ Built on close to 80 years of dedicated service for and to Albertans
- ✓ Combined expertise and commitment to all Albertans – rural, urban, newcomers and multi-generational residents alike

"I want advice and services that I can rely on to be there and to evolve with me as a modern consumer."

- ✓ More innovative products and services tailored for your goals and dreams
- ✓ Increased ability to invest in new, innovative products and tools
- ✓ A stronger credit union that is a member-focused, values-driven alternative to big banks

"I want better offline and online banking experiences."

- ✓ Increased ability to invest in modern tools for improved online and mobile banking experiences
- ✓ More than 3000 employees dedicated to deeply understanding your needs and finding solutions to match

"I want to be proud of my credit union's support for my community."

- ✓ Increased ability to support Alberta's communities, including broader reaching programs and initiatives

Better for Employees

Every day, connectFirst and Servus employees bring their hearts and minds to giving you the advice and service you need to make your financial dreams a reality. They are the faces you see when you visit a branch, and the voices you hear when you call us. We are the strong organizations we are today because of them. That's why every employee will be offered a role and an opportunity to be part of the Merged Credit Union. So, the people you've come to count on will continue to be there to serve you in the new Merged Credit Union.

As we build the Merged Credit Union, employees will have more opportunities to gain specialized skills to better serve members and grow their careers. As we are able to invest in more modern tools and systems, employees will be able to concentrate on helping you achieve your goals like buying a home, paying for post-secondary education, saving for retirement or helping care for your loved ones. In short, they'll be freed up to spend more time doing what they do best: connecting with and working for you!

Here's how the Merged Credit Union will be better for the people you count on:

- ✓ New or different career paths made possible by a larger organization
- ✓ Access to more tools and resources to serve members and excel in their careers
- ✓ A culture that builds on the strengths of each individual organization to empower our people and propel our organization to new heights
- ✓ New opportunities to share best practices and learn from peers who have similar experience
- ✓ More personal and professional development opportunities through collaboration and by sharing new perspectives on common challenges
- ✓ Opportunities to achieve great things with more like-minded professionals who share a similar passion for credit unions, cooperative banking and exceptional member service

Better for Communities

At the heart of our credit unions is a deep commitment to serving and empowering communities. Servus and connectFirst are proud to be part of 80 communities across Alberta and the Merged Credit Union will continue to serve every town, village, and city we are in today. In 2022 alone, the two Credit Unions contributed a combined total of nearly $2.8M in community investment and partnerships that benefited Albertans all across our province. The Merged Credit Union will be able to use our combined financial strength to show up in more impactful ways in those communities in the future.

Cooperative values will anchor us as a credit union; communities will continue to be central to what we do. Here's how the new Merged Credit Union will be better for our communities:

- ✓ Combined resources and expertise mean a greater capacity to support local community organizations
- ✓ Opportunities for longer-term, sustained support for partner organizations who serve the diverse needs of Albertans
- ✓ Through our combined dedication to improving member financial well-being, members will be able to contribute time and money to the communities and causes that matter to them
- ✓ More resources mean a greater capacity to foster meaningful connections and a sense of belonging within the communities we serve

Better for the Credit Union System

Credit unions are part of a larger community of cooperatives who share common values and a belief in the power of joining together to improve lives across every sector and industry.

As two of Alberta's largest credit unions, Servus and connectFirst have each played key roles in supporting and advocating for the credit union way of banking. The scale of the new Merged Credit Union will allow us to invest in and advocate more effectively for the future of the credit union system in Alberta.

Here's how a Merged Credit Union will be better for the credit union system:

- ✓ Offer leadership to Alberta's credit union system by championing new systems and tools that would make banking even better for current and future credit union members
- ✓ Use its size and strength to make sure cooperative, member-centric banking remains relevant and thriving in Alberta
- ✓ Actively advocate for credit unions and our members with governments, regulators and other stakeholders
- ✓ Champion Alberta Central, the central banking facility, service bureau and trade association for Alberta's credit unions, as the single, collective voice to serve member best interests within the financial industry

WHY MERGE NOW?

The financial services landscape is changing quickly, getting more complex by the day. Sophisticated new players and upstart fintech companies are entering the market and applying digital-focused technology to re-shape banking in ways traditional financial institutions never thought possible. These newcomers aren't constrained by boundaries like geography or by industry rules that apply to traditional financial institutions. Because of this, credit unions are challenged to keep pace while also staying true to our roots.

In late 2022, connectFirst and Servus began exploring how, together, we could ensure our organizations would not only survive but thrive in the face of these challenges. We soon realized that we have an opportunity to truly dream big.

By building on strengths of our individual credit unions and reimagining together what we do and how we do it, we can create the credit union of tomorrow. We can be Greater Together.

A Proud History

Mergers are not new to Servus or connectFirst. They are an important part of the stories of our Credit Unions, and chances are you were a member of another credit union before you joined Servus or connectFirst. Through each merger, we've constantly evolved and improved everything from our systems and tools to how we serve our members. We've also become increasingly resilient and adaptable.

We know that mergers bring change and can be disruptive, for members and the credit unions alike. At the same time, we strongly believe the benefits of this Proposed Merger will far outweigh the potential challenges we may encounter along the way.

Save the Date

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A Strong Future

Financial services are changing faster than many of us have ever seen before in our lifetimes. This is largely because of new players bringing big budgets and bigger appetites for risk. As they invest to build and quickly introduce new technologies, they're pushing forward rapid developments in online banking and mobile apps, new transaction technologies and an increasingly diverse array of financial services.

Financial industry analysts recently suggested that banks and credit unions will need at least $30 billion in assets to stay relevant and sustainable in this new environment. Right now, no single Alberta credit union has that financial strength.

By bringing connectFirst and Servus together, the Merged Credit Union will be one of the largest credit unions in Canada with over $30 billion in assets under administration, more than 3,000 employees, approximately 500,000 members and more than 140 branches in 80 Alberta communities. Together, we will be able to operate at the scale necessary to survive and thrive for the long-term.

As two of the most successful credit unions in Alberta individually, connectFirst and Servus are positioned to do more than survive these challenges. But together as a Merged Credit Union, we will be capable of investing in new tools and technologies that will free us to spend more time on the things that really matter—connecting with you and helping you achieve your goals.

With more smart and more heart, we will embrace our shared history of visionary thinking in the credit union system and build on it to offer innovative products and services tailored to your unique needs. And we will position ourselves at the forefront of financial services in Alberta, even as our industry deals with disruption and change.

The Merged Credit Union will be strong enough to lead and strengthen Alberta's credit union system as it evolves in response to the shifting financial services landscape, including accelerating the switch to shared modern technologies and platforms that will better serve and meet the demands of current and potential credit union members throughout the province.

Together, we will build a credit union that is the pride of Alberta. Together, we will build the credit union of tomorrow.

HOW WE GOT HERE

Timeline

Late 2022
Boards of Directors of both Credit Unions initiate merger discussions.

March 2023
Intent to merge is announced.

March 2023
Joint Steering Committee of Board members is created to guide and oversee merger discussions.

April 2023
Due diligence begins.

May 2023
Alberta credit union partners engaged to explore how the merger may affect the system. This engagement is ongoing.

July 2023
Due diligence completed. No material risks are found. Member benefits confirmed.

August 2023
Both Boards approve the business case, due diligence, and amalgamation agreement.

August 2023
Special General Meeting announced to members.

September 2023
Servus members voted with 84% in favour.

November 2023
connectFirst members vote.

Date TBD
Merger close date.

HOW THE MERGED CREDIT UNION WILL OPERATE

START DATE AND REGISTERED OFFICE

The Merged Credit Union is expected to commence operations as quickly as prudent following membership and regulatory approvals. It will have a registered office at 2850 Sunridge Blvd NE #200, Calgary, AB T1Y 6G2. Although the registered office for Servus will change, this affects legal service only and will not affect the locations where Servus employees currently work.

NAME AND BRANDING

The legal name of the Merged Credit Union will be "Connect First and Servus Credit Union Ltd." However, our intent is that both Credit Unions will continue to operate under their current brand names for a period of time. Following completion of the Proposed Merger, we will explore branding that recognizes the distinctness of both Credit Unions while creating a joint brand.

SHARES

To be a member of a credit union, you must hold at least one Common Share. As a Member of Servus or connectFirst, you will have the same shareholdings in the Merged Credit Union as you do in your current Credit Union, except that your shares will, following the Proposed Merger, be shares issued by the Merged Credit Union.

Common Shares

Each Common Share you hold in either Credit Union will be exchanged for one (1) Common Share in the Merged Credit Union. This means that, for every one (1) Common Share you have in either Servus or connectFirst, you will have the same number of Common Shares in the Merged Credit Union.

Investment Shares

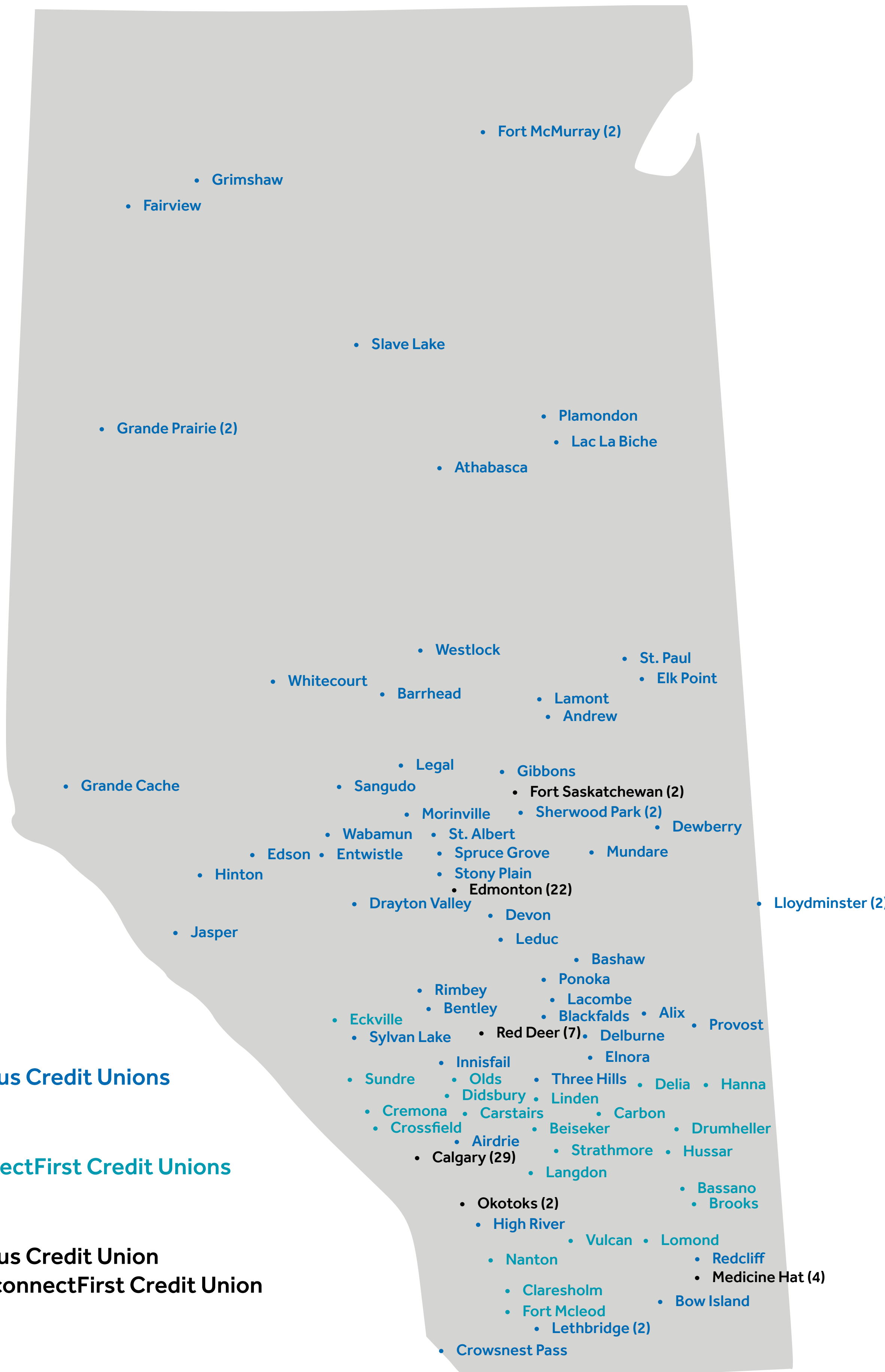
Some members also hold Investment Shares in their credit union. Investment Shares of any Series in either Credit Union will be converted into an equal number of a Series of Investment Shares of the Merged Credit Union with the same rights and restrictions as are in place today on the Series of Investment Shares you currently hold. Your shareholdings in the Merged Credit Union will be the same as your current shareholding in either Credit Union, except that they will, following the Proposed Merger, be Investment Shares of the Merged Credit Union.

PRODUCTS AND SERVICES

The Merged Credit Union will continue to offer a full suite of deposit, loan and wealth management products and services for retail and commercial members. Over time, the Merged Credit Union will have the opportunity to offer more to members with enhanced products and services.

BRANCH LOCATIONS

The Merged Credit Union will continue to serve all communities served by the Credit Unions today.



Servus Credit Unions

connectFirst Credit Unions

Servus Credit Union
and connectFirst Credit Union

*Map not drawn to scale

GOVERNANCE STRUCTURE

Governance is the heart of every credit union. It represents and defines each credit union's Board of Directors, the group of leaders who, in case of Servus and connectFirst, are elected by its membership. A Board of Directors:

- ✓ Envisions the future of the credit union
- ✓ Articulates the value the credit union creates for members
- ✓ Creates the platform for the voice of the member-owners to be heard in the operations and performance of the organization

The Boards of connectFirst and Servus acknowledge that each of their current directors were democratically elected by their respective memberships. They, together with the support of external advisors, agreed on an allocation of directors for the Merged Credit Union that will respect the best interests of both Servus and connectFirst. This allocation was laid out in their Memorandum of Understanding relating to the potential merger.

The Boards then worked together to carefully and thoughtfully create a fair and objective process to select a new board for the Merged Credit Union. The recommended new board brings together the best from the highly qualified current Directors to lead the Merged Credit Union through the Proposed Merger and integration.

The Board of Directors for the Merged Credit Union has been meticulously chosen from among directors selected by Servus and connectFirst members in past board elections and as a reflection of our commitment to strong governance and leadership. Selection was based on their impressive experience, proven expertise, and a shared commitment to fostering robust, values-led credit unions. These are individuals who know how to lead and innovate, while staying deeply rooted in the community. As we venture into the journey of the Merger and beyond, they're the steadfast guiding force who will help ensure a vibrant future for the Merged Credit Union.

greatertogether.info is a website dedicated to providing information for members about the Proposed Merger.

BOARD OF DIRECTORS

Here is the initial Board of Directors for the Merged Credit Union, and their terms of office.

Kelso Brennan - 1 year, to 2025 AGM

Kelso Brennan brings knowledge of the credit union system, business administration, and strategic planning to the table. Kelso is the General Manager of a group of architectural signage and wayfinding companies in Alberta. He holds a master's degree in business administration and a Project Management Professional designation.

Doug Bristow - 2 years, to 2026 AGM

Doug Bristow brings 15 years of experience working with financial institutions, where he has served in senior roles, including chief of internal audit, assistant vice president of finance, vice president and controller to the board. Doug is a partner at the David Aplin Group and a Chartered Professional Accountant.

Amy Corrigan - 2 years, to 2026 AGM

Amy Corrigan is the working owner and director of The Coverall Shop Ltd. She is an experienced credit union director and has served on the Community Credit Union and Red Deer Chamber of Commerce boards. She graduated from the Institute of Corporate Directors/Rotman School of Business Director Education Program.

Perry Dooley - 3 years, to 2027 AGM

Perry Dooley is a successful entrepreneur and governance professional with over 30 years' experience in business, financial services and board governance. He believes in organizational purpose, culture and diversity with passion for corporate strategy, leadership and organizational sustainability. He is a Fellow of the Institute of Canadian Bankers and holder of the Institute of Corporate Directors (ICD.D) Designation.

Andrew Eberl - 3 years, to 2027 AGM

Andrew and his family were raised on a mixed farm near Claresholm. They take pride in managing Canada's largest Braunvieh cattle herd. He has been a dedicated credit union member for 39 years, serving as Board Chair for Chinook Financial in 2013 and currently sits as connectFirst Board Chair.

Shawn Eltom - 1 year, to 2025 AGM

Shawn Eltom is a long-time credit union member with board and retail leadership experience. He served on the Safeway Employees Credit Union board for five years, where he chaired the Nominating Committee and was vice chair of the Audit and Finance Committee.

Danielle Ghai - 3 years, to 2027 AGM

Danielle Ghai is a legal and policy expert with passion for community and social justice. She holds degrees in law, honours English and a certification in immigration laws and policies. She brings to the board table a strong foundation in reading, writing, critical analysis, understanding of law and policy.

Darlene Harris - 3 years, to 2027 AGM

A credit union member of 30+ years and Shell Canada retiree with extensive merger and acquisition experience, Darlene is a director on three boards: connectFirst Credit Union, Alberta Central Credit Union, and Topaz Energy. She has a Chartered Professional Accounting designation and has completed Level B of the Credit Union Director accreditation program.

BOARD OF DIRECTORS

Adil Lalani - 1 year, to 2025 AGM

Adil is passionate about growing and nurturing local businesses and communities. He founded his own business consulting and investment firm and has built organizations with increased diversity, strong governance and ESG principles. He has a Bachelor of Commerce, a Master's of Business Administration, and a Chartered Financial Analyst designation.

Greg Nakonechny - 2 years, to 2026 AGM

Greg Nakonechny is a lawyer with expertise in financial institutions, regulatory compliance and corporate governance. Greg has expertise in corporate law, consumer financing, regulatory compliance of financial institutions and corporate governance of private and public enterprises. He was also a legal advisor to many businesses in Edmonton and Calgary.

Shannon Rennie - 2 years, to 2026 AGM

Shannon has over 15 years of experience in credit unions, serving as General Counsel for Alberta Central, and is now VP of Legal at H&R Block Canada. She has extensive knowledge of credit union governance and legislation gained from 12+ years of experience.

Carey Taubert - 1 year, to 2025 AGM

Carey is a Chartered Accountant specializing in agricultural tax issues and runs an accounting practice from home. She has a Bachelor of Commerce degree from the University of Calgary and has worked with Cremers & Elliott, serving retail auto and agricultural sectors. Carey and her family also run a grain farm in Hussar.

EXECUTIVE LEADERSHIP

The executive leadership structure of the Merged Credit Union is a crucial part of its operations that will be carefully developed after the member vote. We've confidently anchored our executive team by naming a President and CEO who brings invaluable experience in leading transformation within valued-based organizations. The process to identify the right individuals for the remaining leadership roles will begin after the vote. We'll work with industry experts to design an executive structure that best serves the Merged Credit Union's members and vision for the future.

Ian Burns, President and Chief Executive Officer, Merged Credit Union

Ian has served as Servus's President & CEO since April 2021. Prior to joining Servus, Ian was Chief Executive Officer of Alberta Central, where he gained a deep understanding of credit unions and their role in the financial sector. Ian has represented the Canadian credit union and financial industry as a board member of Interac, Everlink, Celero, Credit Union Payments Services (CUPS), as well as the Canadian Credit Union Association (CCUA).

He is currently the Board Chair of Prairie Payments Joint Venture (PPJV) and a member of the Alberta Business Council.

BYLAWS

The Merged Credit Union will operate according to a new set of bylaws. Please refer to Appendix A for a copy of the proposed bylaws of the Merged Credit Union.

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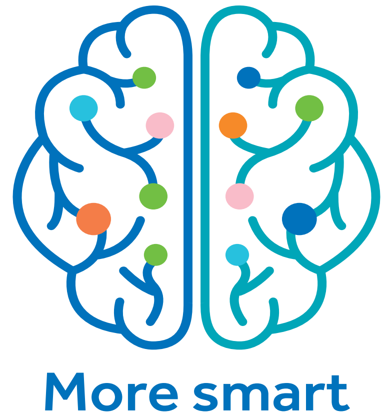
EXPECTED FINANCIALS - HIGHLIGHTS



As part of the merger consideration process, the Credit Unions completed comprehensive and independent financial analyses to ensure the Proposed Merger is:

- ✓ In the best interest of our respective members.
- ✓ Supports the long-term viability and strength of the credit unions.
- ✓ Supports the sustainability and strength of the overall Alberta credit union system.

The process included a detailed financial modeling exercise, which offers six-year projections for the balance sheet and income statement of the Merged Credit Union. Despite the modeling being done conservatively, it offers a truly compelling case for the merger.

Below are the detailed conclusions and outcomes from this work:

Synergies & Economies of Scale

- By having access to one of the largest cooperative banking talent pools in Alberta, the Merged Credit Union will undoubtedly realize synergies and productivity enhancements above and beyond what each Credit Union could potentially generate if they remained independent.

- The financial model demonstrates that the merger will strengthen our resilience and sustainability, lead to significant economies of scale, a larger capital base and increased profitability and cost efficiencies. This in turn will allow the Merged Credit Union to execute faster on overall member experience improvements and to offer more attractive products to meet member needs.

- By combining resources and more effectively deploying available assets, the Merged Credit Union is expected to start seeing efficiencies shortly post-merger, and these are expected to increase over the next five to six years. The Merged Credit Union is anticipated to realize cost savings of about $20 million annually by fiscal 2029.

- The Merged Credit Union is also expected to benefit from improved asset composition and funding allocation opportunities that will be created post merger. These opportunities along with the operating efficiencies discussed above are expected to generate incremental operating income of over 6.5% annually by fiscal 2029.

Despite the modeling being done conservatively, it offers a truly compelling case for the merger.

Strength through size

- At the merger date, the Merged Credit Union will be one of the largest credit unions in Canada (based on the size of the assets under administration) and the largest credit union in Alberta. By 2029 we expect total managed assets of the Merged Credit Union to reach $42 billion, truly a stronger credit union to last for generations.

- The Merged Credit Union is expected to contribute significant new earnings to its capital base, as described above. Over the six-year forecast period, the Merged Credit Union will generate around $85 million of additional capital, above what would be generated by the two Credit Unions if they were to continue operating separately.

- A stronger capital base will help build a stronger foundation for future growth and create larger investment opportunities around technology, product development, communities and our people, along with a greater ability to share more profits with our members.

- With a larger scale and size, the Merged Credit Union will be able to grow a stronger voice for the cooperative banking industry and its members within Alberta and for the national credit union system as a whole.

By 2029 we expect total managed assets of the Merged Credit Union to reach $42 billion, truly a stronger credit union to last for generations.

SIX-YEAR FORECAST

The following table shows more details of the forecasted results of the new Merged Credit Union:

Balance Sheet (in CAD thousands)	Opening	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	CAGR
Total Assets	26,943,345	28,449,653	31,096,455	33,800,847	36,610,004	39,293,915	42,071,866	7.7%
Total Capital	2,258,183	2,460,006	2,716,504	2,952,721	3,232,800	3,530,423	3,855,766	9.3%

Income Statement (in CAD thousands)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	CAGR
Total Revenue	888,707	978,957	1,019,926	1,119,744	1,191,478	1,263,946	7.3%
Total Expenses	701,888	739,135	774,272	828,506	868,316	912,088	5.4%
Net Income	186,819	239,822	245,654	291,238	323,162	351,857	13.5%

Key Performance Ratios	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Capital	14.41%	14.35%	14.17%	14.16%	14.31%	14.51%
Return on Assets	0.99%	1.16%	1.10%	1.19%	1.22%	1.24%
Return on Equity	11.17%	12.89%	12.22%	13.20%	13.39%	13.35%
Operating Efficiency	66.16%	61.87%	61.88%	59.37%	57.72%	56.57%

For modelling purposes, the projections are based on a six-year forecast horizon presented as Year 1 to Year 6 and are based on a full fiscal year in Year 1 (F2024).

The above financial summary from the consolidated business plan focuses solely on tangible financial impacts the merger transaction will have on the future performance of the Merged Credit Union and is not intended to represent a full strategic business plan, operating plan or tactical plan, or the possibility of potential associated revenue uplift according to the new Merged Credit Union's strategy. As part of integration planning, the management and board of directors of the Merged Credit Union will develop a more detailed strategic plan, supported by a comprehensive operating plan, that reflects the needs of the business and its members.

ONE-TIME COSTS

The anticipated one-time merger related costs are detailed below. All figures are in CDN$ (thousands).

Category	Budget
Communications & Member Vote	1,900
Due Diligence	1,700
Governance/Board	300
Transaction Advisory, Project Management, People & Resources	3,412
Other Legal Consultants	594
Competition Bureau Filings	126
Pre-Merger Subtotal	**8,032**
Initial Technology Integration	2,000
Change Management	3,300
Integration Advisory	1,200
Post-Merger Subtotal	**6,500**
Grand Total	**$14,532**

The management of the credit unions realize that careful planning, timely integration of people, processes and technology is fundamental to a successful integration process. There will also be emphasis on ensuring critical 'Day One' capabilities are ready on time, to minimize any disruption for our members. **The one-time costs disclosed above capture these essential requirements and are projected to pay themselves back almost six times over by fiscal 2029 through the excess capital generated from the synergetic financial opportunities created post-merger.** There will be additional costs to the Credit Unions that are connected to connectFirst having to recall a second SGM. While not conclusive, the Credit Unions estimate the additional costs to be approximately 5% of the total budget. Options related to longer term strategic integration costs including related to key technology infrastructure and branding, although not captured in the table above, are included in the consolidated forecast projections.

RISKS OF THE PROPOSED MERGER

At the outset, our Boards recognized that the Proposed Merger would be a transformative event for both Credit Unions. They understood that many key items in the merger process would need to be approached and addressed collaboratively and with a great deal of care and attention. That's why our Boards directed the creation of: (1) an executive steering committee made up of executive team members from both Credit Unions; and (2) a joint steering committee made up of directors from both Credit Unions. Both committees were tasked with overseeing and providing guidance on many important streams of work undertaken in connection with the merger process. These joint teams were supported by independent advisors hired jointly by both Credit Unions and were also tasked with identifying and assessing potential risks in connection with the Proposed Merger.

Although there are always potential risks associated with merger transactions, our Boards have concluded that the potential benefits of this Proposed Merger far outweigh the risks.

The list below outlines the potential risks identified in connection with the Proposed Merger and how we intend to manage and mitigate them.

Risk: Unrealized Synergies

Description: The financial model is based on the occurrence of future events, which are by nature uncertain and must meet regulatory requirements.

Mitigation Approach: The financial model of the Merged Credit Union is based on reasonable and conservative assumptions, and potential outcomes are well understood. Overall modelling in all scenarios that were modelled shows a positive impact for the Proposed Merger and exceed regulatory minimums.

Risk: Due Diligence

Description: Details such as undisclosed liabilities may exist that the other Credit Union is unaware of.

Mitigation Approach: The robust, detailed, and independent due diligence process conducted by each Credit Union involved priority resources from both Credit Unions, best practice assessment frameworks, and outside legal, financial, risk, and cyber expertise for assessment.

Risk: Impact on Current Operations

Description: Difficulty of both Credit Unions to operate as usual while preparing for the Proposed Merger & integration.

Mitigation Approach: Dedicated internal and external resources have been allocated to complete the Proposed Merger and integration activity. Prioritization processes have been put in place to balance both Credit Unions' continued emphasis on member service excellence and Proposed Merger efforts. Minimizing negative member impact is a top priority of both Credit Unions framing these efforts.

Risk: Technology Adoption and Integration

Description: There are potential risks associated with running multiple systems and platforms during integration.

Mitigation Approach: Leveraging the experience of both Credit Unions with past merger transactions, effective technology transition and integration plans will be developed to minimize disruption while ensuring data quality and governance.

Risk: Culture

Description: There are potential risks associated with integrating two corporate cultures.

Mitigation Approach: Due diligence affirmed strong evidence of a commonality of culture and values between the two Credit Unions. CEO branch visits are currently under way, and broader executive engagement is planned to lead this change. Each Credit Union has change Ambassadors identified within teams, and training was completed to empower them to act as change leaders.

Risk: Key Person + Capacity Risk

Description: There are potential risks that the Credit Unions are unable to complete the Proposed Merger or integration activity due to resource constraints.

Mitigation Approach: Both Credit Unions have engaged in a robust employee engagement and retention plan to ensure the availability and productivity of internal resources. External resources have further been engaged to mitigate any internal capacity constraints.

Risk: Credit Union System Impact

Description: There are potential risks that the Proposed Merger will have unexpected impacts related to Credit Union Central of Alberta or other system partners.

Mitigation Approach: Both Credit Unions have directly engaged all regulatory and system partners to ensure system impacts are identified and fully mitigated prior to the Proposed Merger.

Risk: Member Approval

Description: There is a potential risk that either Credit Union will not receive member approval to amalgamate.

Mitigation Approach: The Credit Unions engaged in a thorough process to affirm that the Proposed Merger brings significant benefits to all members and is in line with member demands and expectations.

With this Member's Guide and the broader member engagement initiative undertaken by both Credit Unions, the Credit Unions aim to ensure that members are informed of the benefits of the Proposed Merger and are afforded the opportunity to engage and ask questions before casting their votes.

As noted above, the Boards of Directors of both Credit Unions have assessed the potential risks of the Proposed Merger and concluded that the benefits far outweigh the risks.

greatertogether.info is a website dedicated to providing information for members about the Proposed Merger.

WHAT'S NEXT

MEMBER INFORMATION SESSIONS

Throughout August and September, we held 29 Member Information Sessions hosted by Servus and connectFirst at community spaces across the province. As we approach the rescheduled connectFirst Special General Meeting, we are planning a few more Member Information Sessions, which we invite you to attend.

When you attend a Member Information Session, you'll have a chance to talk with members of our Board of Directors and executive leaders about the vision for the Merged Credit Union, to ask questions and to be part of our shared path forward.

To find a Member Information Session close to you, visit greatertogether.info/events or scan this QR code.

Register online

Register online and mark your calendar.
We're looking forward to seeing you!

SPECIAL GENERAL MEETINGS

All members have an equal say in how their credit union operates and can vote on important changes. This merger is no different. Each Credit Union will host a Special General Meeting for members to learn more about the Proposed Merger and to vote on the proposal.

During each Credit Union's Special General Meeting, members are able to ask questions about the Proposed Merger. Visit greatertogether.info for complete information on participating in your Special General Meeting.

We have an opportunity to truly dream big.

Servus Credit Union Special General Meeting

Servus members were invited to the Servus Special General Meeting, held virtually on Tuesday, September 19, 2023.

During this meeting, Servus members were presented with the following Special Resolution to approve the Proposed Merger and voted 84% in favour.

1. having been presented with the Amalgamation Agreement for the amalgamation of Servus and connectFirst and upon hearing the recommendation of the Board of Directors of Servus that it is in the best interest of Servus to enter into the Amalgamation Agreement, the members approve the Amalgamation Agreement; and

2. the officers and directors of Servus are hereby authorized to do all things and to execute all instruments and documents necessary or desirable to carry out and give effect to the amalgamation of Servus and connectFirst in accordance with the terms and subject to the conditions set forth in the Amalgamation Agreement.

connectFirst Credit Union Special General Meeting

A connectFirst Special General Meeting was held on September 20, 2023 and was adjourned due to platform technical issues. The rescheduled Special General Meeting will take place as listed below.

connectFirst members are invited to the connectFirst Special General Meeting, which will be held as follows:

Date: Thursday, November 9, 2023
Time: 7:00pm MT
Location: BMO Centre, 20 Roundup Way SE, Calgary, AB T2G 2W1

During this meeting, connectFirst members will be presented with the following Special Resolution to approve the Proposed Merger.

1. having been presented with the Amalgamation Agreement for the amalgamation of connectFirst and Servus and upon hearing the recommendation of the Board of Directors of connectFirst that it is in the best interest of connectFirst to enter into the Amalgamation Agreement, the members approve the Amalgamation Agreement; and

2. the officers and directors of connectFirst are hereby authorized to do all things and to execute all instruments and documents necessary or desirable to carry out and give effect to the amalgamation of connectFirst and Servus in accordance with the terms and subject to the conditions set forth in the Amalgamation Agreement.

Information about how to register to attend connectFirst credit union's Special General Meeting and vote on the above Special Resolution can be found below in this Member Guide, and online at [greatertogether.info.](greatertogether.info)

AMALGAMATION AGREEMENT SUMMARY

Below is a summary of the key sections of the Amalgamation Agreement referred to in the special resolution that Credit Union members will be asked to vote on at the Special General Meetings. A copy of the full Amalgamation Agreement is appended to this Member Guide as Appendix B and is available online at greatertogether.info.

Section	Summary
Article 2 - Property and Amalgamation Requirements	
2.1-2.2	The Merged Credit Union will own the assets and liabilities of, and possess the property, rights and privileges of both Credit Unions. Further, the issued shares of both Credit Unions will be converted, on a 1-to-1 basis, into shares of the Merged Credit Union. Every one (1) Common Share held by members in either Credit Union will be exchanged for one (1) Common Share in the Merged Credit Union. Investment Shares of any Series held by members in either Credit Union will be converted into an equal number of a Series of Investment Shares of the Merged Credit Union having the same rights and restrictions as currently existing on such Series of Investment Shares.
2.4-2.6	The Board of Directors of the Merged Credit Union will consist of twelve (12) directors comprised of five (5) former directors of connectFirst and seven (7) former directors of Servus. The initial Chair and initial Vice-Chair of the Board of Directors of the Merged Credit Union will be determined by the Board of Directors of the Merged Credit Union immediately after completion of the Proposed Merger. The proposed Board of Directors with their terms of office are attached to the Amalgamation Agreement and also set out in the section entitled “Board of Directors” in this Member Guide.
2.8	The proposed bylaws of the Merged Credit Union are attached to the Amalgamation Agreement and are also set out in Appendix A: Bylaws in this Member Guide.
2.9	The Merged Credit Union will operate with a new organizational structure, drawing from the management teams of both Credit Unions. The Chief Executive Officer of the Merged Credit Union will be Ian Burns, the current Chief Executive Officer of Servus, as further summarised in the section entitled “Executive Leadership” in this Member Guide.
2.10	The registered office of the Merged Credit Union will be at 2850 Sunridge Blvd NE #200, Calgary, AB T1Y 6G2.
2.11	The Merged Credit Union will continue to operate as an Open Bond Full Service Financial Institution.
Article 3 - Representations and Warranties	
3.1-3.6	Both Credit Unions have each made several representations and warranties to one another in respect of their respective businesses, assets, liabilities, and operations. The purpose of these representations and warranties is to establish a substantive understanding of the other party’s business prior to merging, and to identify any material facts or circumstances which may pose risk to the Merged Credit Union.
Article 4 - Conditions Precedent	
4.1	Before the Credit Unions are obliged to complete the Proposed Merger, the terms and conditions set forth in the Amalgamation Agreement must be approved by: (i) the membership of each credit union by way of special resolution, (ii) the Credit Union Deposit Guarantee Corporation, and (iii) any other governmental authority having purview over the transaction. If these conditions are not satisfied prior to October 31, 2023*, or such later date agreed to by the credit unions, the Amalgamation Agreement will be null and void. *This date has been extended. See below note under “Amending Agreement to the Amalgamation Agreement”.
4.3	Unless otherwise waived by the Credit Union Deposit Guarantee Corporation, both Credit Unions must give prior written notice of the Proposed Merger to all creditors and customers to whom it owes more than $1,000.00.
4.4	Each of the Credit Unions agree to consult with each other in respect of their own business operations, operate its business in the ordinary course, and not incur any extraordinary expenditures prior to the consummation of the Proposed Merger without the prior consent of the other credit union.
Article 5 - Closing and Post-Closing	
5.1	Prior to closing, the Merged Credit Union agrees to deliver to the Minister (i) the articles of amalgamation of the Merged Credit Union, (ii) a copy of the proposed bylaws of the Merged Credit Union signed by two (2) directors of the Merged Credit Union, (iii) a notice of the address of the registered office of the Merged Credit Union, and (iv) the full name and residential address of each director of the Merged Credit Union.

*Amending Agreement to the Amalgamation Agreement

In late September, it became apparent to the parties that the date for the satisfaction of the conditions precedent (formerly, October 31, 2023) would need to be extended because the required approvals (including the connectFirst member approval) could not, for a number of related timing issues, be received by October 31, 2023. As such, the parties executed an amendment to the Amalgamation Agreement, as is contemplated under Article 4 of the Amalgamation Agreement, to evidence their mutual agreement to extend the date by which the conditions precedent (including the receipt of member and regulatory approvals) need to be satisfied, and consequently, the related closing timing set forth in the Amalgamation Agreement. Pursuant to this amendment, the date by which the conditions precedent are required to be satisfied is now January 31, 2024, or such earlier or later date agreed to by the credit unions.

VOTING

VOTER ELIGIBILITY

Ready to make your voice heard? You can vote if:

- ✓ You are 18 years of age or older; and
- ✓ Hold at least one connectFirst common share as of or before August 31, 2023

That's all there is to it! Remember, our "one member, one vote" policy ensures that each member has an equal say.

Please note, the Servus vote already took place on September 19, 2023 with 84% of members voting in favour of the proposition to merge with connectFirst.

OTHER MEMBERSHIP TYPES

If you are a business member, organization, partnership, incorporated company, incorporated associated, unincorporated association or a society, you can vote, too.

Different membership types have specific requirements for voting. To learn more about what's required for your membership type, please visit greatertogether.info

VOTING REGISTRATION

Want to vote? Ensure you register today!

Registering to vote ensures you can participate in the Special General Meeting and vote on the Proposed Merger.

Save the Date

Members will vote on the Proposed Merger at a Special General Meeting of your credit union.

The Servus Credit Union Special General Meeting took place on Tuesday, September 19, 2023, with 84% of membership voting yes.

Everything you need to know about these meetings is on pages 25 and 26 of this Guide. Please take a minute now to add this date to your calendar.

The connectFirst Credit Union Special General Meeting has been rescheduled to Thursday, November 9, 2023, at 7pm (MT).

Registration for connectFirst Credit Union members

If you're a member of connectFirst Credit Union, head over to connectfirstcu.com/SGM or scan this code to register to vote.

Register to vote

Here, you'll find an easy-to-navigate online form to confirm your membership and your voting eligibility. After you successfully register, you'll receive an email confirmation with everything you need to know to attend and vote at the connectFirst Special General Meeting.

If you need help with the registration form, please reach out to connectFirst's Member Connection Centre at 1.866.923.4778 or visit a branch near you. We'll confirm your eligibility, register you for the Special General Meeting, and answer any questions you might have about the voting process.

Members are asked to register online by 7:00pm (MT), November 7, 2023, to help us finalize attendance, ensure adequate seating capacity, and ensure a smooth meeting.

RESULTS

Results of the member vote will be shared as follows:

For Servus's Vote Results

Voting results were shared live at Servus's Special General meeting on September 19, 2023. The Special Resolution was approved with members voting 84% in favour.

For connectFirst's Vote Results

connectFirst's voting results will be posted online at connectfirstcu.com and greatertogether.info following the Special General Meeting.

Combined Results

Approval from both Servus and connectFirst members is equally vital in paving the way for this Proposed Merger, which is why we will be sharing the combined results on greatertogether.info in the days following the rescheduled connectFirst Special General Meeting.

Stay informed and be part of this important decision-making process!

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Guide, including documents incorporated by reference herein, contains forward-looking statements and information. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "potential", "pro forma" and similar expressions are intended to identify forward-looking statements or information. Forward-looking information presented in such statements or disclosures may, among other things, relate to: (i) the anticipated benefits from the Proposed Merger; (ii) the expected completion and implementation date of the Proposed Merger; (iii) certain operational and financial information; (iv) the nature of the Merged Credit Union's operations following the Proposed Merger; (v) sources of income; (vi) forecasts of capital expenditures, including general and administrative expenses; (vii) anticipated income taxes; (viii) The Merged Credit Union's business outlook following the Proposed Merger; (ix) plans and objectives of management for future operations; (x) forecast cost savings; and (xi) anticipated operational and financial performance.

Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to connectFirst and Servus, as applicable, including information obtained from third party industry analysts and other third-party sources. You are cautioned that the following list of material factors and assumptions is not exhaustive. The factors and assumptions include, but are not limited to:

- The approval of connectFirst members
- The approval of Servus members
- Satisfaction of the other conditions for completion of the Proposed Merger, including the receipt of all required regulatory and third-party approvals to complete the Proposed Merger
- The completion of the Proposed Merger
- No material changes in the legislative and operating framework for the business of connectFirst and Servus, as applicable
- No material adverse changes in the business of either or both of connectFirst and Servus; and
- No significant events occurring outside the ordinary course of business of connectFirst or Servus, as applicablesuch as a natural disaster or other calamity

The forward-looking information contained in statements or disclosures in this information circular (including the documents incorporated by reference herein) is based (in whole or in part) upon factors which may cause actual results, performance or achievements of connectFirst or Servus, as applicable, to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information. Actual results or outcomes may differ materially from those predicted by such statements or disclosures. While connectFirst and Servus do not know what impact any of those differences may have on their respective businesses, results of operations and financial conditions may be materially adversely affected.

You are further cautioned that the preparation of financial statements in accordance with International Financial Reporting Standards requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

You are cautioned that the foregoing list is not exhaustive. Readers should carefully review and consider the risk factors described under "Risks of Proposed Merger" and other risks described elsewhere in this information circular and in the documents incorporated by reference herein.

The forward-looking statements and information contained in this Guide (including the documents incorporated by reference herein) are made as of the date hereof and thereof and connectFirst and Servus undertake no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by applicable laws. Because of the risks, uncertainties and assumptions contained herein and, in the documents, incorporated by reference herein, members should not place undue reliance on forward-looking statements or disclosures. The forward-looking information and statements contained herein, and the documents incorporated by reference herein are expressly qualified in their entirety by this cautionary statement.

HAVE QUESTIONS?

If you have any questions or need more information about the Proposed Merger, please contact us. We're committed to ensuring you have everything you need to cast an informed vote.

Credit Union	Phone	Email
connectFirst	1.866.923.4778	merger@connectfirstcu.com
Servus	1.877.378.8728	merger@servus.ca

greater together

APPENDIX A:
BYLAWS

greater together

Bylaws of Connect First and Servus Credit Union Ltd.

NOVEMBER 1, 2023

Contents

1. GENERAL

1.1 Definitions

In these Bylaws, unless the context otherwise specifies or requires:

(a) "Act" means the *Credit Union Act* (Alberta), as from time to time amended, and every statute that may be substituted therefore and, in the case of such substitution, any reference in these Bylaws to provisions of the "Act" shall be read as references to the substituted provisions therefore in such substituted statute(s);

(b) "Board" means the board of directors of the Credit Union, as further described in Article 8;

(c) "Business Member" means a Member that is a corporation, partnership or other unincorporated association;

(d) "Bylaw" means any Bylaw of the Credit Union, including any special Bylaw, from time to time in force and effect;

(e) "Committee" means any committee of the Board as further described herein and formed in accordance with the Act;

(f) "Credit Union" means Connect First and Servus Credit Union Ltd.;

(g) "Demutualization" means an arrangement, voluntary dissolution or liquidation, or other transaction or series of transactions, whether or not specifically characterized as resulting in a demutualization, whereby the Credit Union would cease to be either a credit union or some other form of financial institution operating on a co-operative basis, regulated under Canadian federal or provincial law;

(h) "Demutualization Amendment" means any change to these Bylaws which would have the effect of changing this definition, the definition of Demutualization, or the required quorum or majority required in relation to any general meeting or resolution for the purpose of considering or effecting a Demutualization or Demutualization Amendment;

(i) "Director" means a member of the Board from time to time;

(j) "Immediate Relative" means when an Individual is related to another such as married spouse, common-law spouse, adult interdependent partner, child, parent, parent in-law, grandparent, grandparent in-law, brother, brother in-law, sister or sister in-law, or any other relationship which may be perceived as creating a conflict of interest;

(k) "Member" means a member of the Credit Union in accordance with the Act and these Bylaws; and

(l) "Regulations" means the regulations made under the Act, as amended, from time to time in force and effect.

1.2 Principals of Interpretation

(a) Each term defined in the Act and used in these Bylaws without definition shall have the meaning assigned to such term in the Act or Regulations, as the context requires.

(b) In these Bylaws, the singular shall include the plural and the plural shall include the singular; the masculine shall include the feminine and the feminine shall include the masculine and the neutral gender includes bodies corporate and politic.

(c) Section and subsection headings in these Bylaws are included herein for convenience of reference only and shall not constitute a part of these Bylaws for any other purpose or be given any substantive effect.

1.3 Paramountcy

These Bylaws are in all respects subordinate to the Act, and shall not be interpreted as permitting any action that is prohibited by the Act. Whenever these Bylaws are more restrictive than the requirements of the Act, the restrictions of these Bylaws shall bind the Credit Union.

2. MEMBERSHIP

2.1 Qualifications and Application

A person shall be qualified for membership in the Credit Union if such person:

(a) completes an application for membership;

(b) meets the requirements established by the Credit Union for holding an account with the Credit Union; and

(c) subscribes and fully pays for a minimum of one (1) common share of the Credit Union.

2.2 Joint Membership

Two or more persons may apply for joint membership in the Credit Union and each person shall constitute a Member. Each Member participating in the joint account/membership must have fully subscribed and paid for a minimum of one (1) common share.

2.3 Termination of Membership

(a) The Board, or its designate, may, for good and sufficient cause, as may determined by the Board from time to time, terminate the membership of a Member.

(b) Any person whose membership has been terminated shall have the right to appeal, in writing, the decision to the Board, or its designate, within thirty (30) days of the date on which notice of termination of membership was served on such person.

(c) A person whose membership has been terminated in accordance with these Bylaws shall not, failing a successful appeal, again be admitted to the membership of the Credit Union except by resolution of the Board.

2.4 Access to List of Members

Neither Members nor their agents shall have the right to examine the membership list of the Credit Union.

3. SHAREHOLDINGS

3.1 Limit on Common Shares

The maximum number of common shares of the Credit Union that a Member may hold is limited to 200,000 common shares, provided that Members holding in excess of 200,000 common share of the Credit Union prior to November 1, 2023 will be permitted to continue to hold such excess number of common shares held by such Members immediately prior to November 1, 2023.

3.2 Establishment of Investment Shares

The Credit Union shall have a class of special shares, to be known as “investment shares” in accordance with the Act and Regulations. Subject to any restrictions set out under the Act and Regulations, the number of investment shares that may be issued by the Credit Union is unlimited.

3.3 Issuance of Investment Shares

Investment shares may be issued by resolution of the Board in one or more series and each series of investment shares shall have the rights, privileges, restrictions and conditions provided for under the Act, the Regulations, these Bylaws and the authorizing instrument for such series of investment shares.

3.4 Transfers of Shares

Where a Member holding shares of the Credit Union wishes to transfer such shares in a manner permitted under the Act and Regulations, the Member shall make a request in writing to the Credit Union detailing the particulars of such requested transfer. The Board, or its designate, will consider the request and: (a) if approved by the Board, or its designate; and (b) after payment of any amounts due and owing by the Member to the Credit Union, authorize the transfer of such shares.

3.5 Redemption of Shares

(a) Subject to any restrictions set out under the Act and Regulations, the Credit Union may at any time acquire shares issued by it.

(b) Where a Member holding shares of the Credit Union wishes to have any number of shares redeemed by the Credit Union in a manner permitted under the Act and Regulations, the Member shall make a request in writing to the Credit Union detailing the particulars of such requested redemption. The Board, or its designate, will consider the request and: (a) if approved by the Board, or its designate; and (b) after payment of any amounts due and owing by the Member to the Credit Union, authorize the redemption and cancellation of such shares.

3.6 Dividends and Patronage Rebates

The Board shall from time to time determine the amount, manner and form of dividends and patronage rebates to be paid, if any.

4. NOTICES TO MEMBERS

4.1 Manner of Service

Any notice required to be given to Members under the Act or these Bylaws, may be served by the Credit Union in any manner permitted under the Act, including: (a) advertising such notice in prominent display in newspapers circulated in all the territory served by the Credit Union, and (b) posting such notice in places that are prominent and accessible to Members such as in all Credit Union branches, on the Credit Union website and in electronic communications ordinarily sent to Members by the Credit Union.

4.2 Deemed Service of Mailed Notice

Where notice to a Member is given by mail to the last known address of the Member, according to the records of the Credit Union, notice is deemed to have been served after the expiry of five (5) days from the date the notice was delivered to the post office for delivery to the Member.

4.3 Notice to Joint Members

If two or more persons are registered as holders of a joint membership in the Credit Union, notice to one of such persons shall be sufficient notice to each of them.

5. MEMBER MEETINGS

5.1 Order of Business

As far as is practical, the order of business at annual general meetings of Members will be as follows:

(a) call to order;

(b) declaration of quorum;

(c) approval of the meeting rules of order;

(d) approval of meeting agenda;

(e) adoption of minutes of the last meeting;

(f) report of the Chief Executive Officer;

(g) report of the Board and Committees;

(h) presentation of the financial results and auditor’s report;

(i) declaration of Director election results;

(j) destruction of ballots;

(k) any other business listed on the meeting agenda, if any; and

(l) adjournment.

5.2 No Other Business

Only the business listed on the agenda in the notice of a general meeting shall be considered at such meeting.

5.3 Rules of Order

Except as provided for in these Bylaws and any special rules adopted at a general meeting, the rules of order for general meetings shall be the then current edition of Robert’s Rules of Order.

5.4 Amendments to Bylaws

Amendments to these Bylaws may be introduced by the Board, or as otherwise set forth under the Act.

5.5 Permitted Attendees

The only persons entitled to be present at a meeting of Members shall be those entitled to vote, the auditors of the Credit Union, persons invited at the request of the Board and others who, although not entitled to vote, are entitled or required under any provision of the Act to be present at the meeting.

5.6 Chairperson

The chairperson of any general meeting shall be the Board Chair, or in their absence, the Vice-Chair, or in the absence of both, a person appointed by the Board.

5.7 Scrutineers

Scrutineers may be appointed by the chairperson for general meetings. Scrutineers appointed at a general meeting for the purpose of ascertaining the results of a ballot shall be entitled to any information, and may examine any records of the Credit Union, required to determine validity of ballots.

5.8 Quorum

(a) Quorum at a general meeting shall be:

 (i) subject to subsections 5.8(a)(ii) and 5.8(a)(iii) below, one hundred (100) Members;

 (ii) where a special resolution is to be presented to Members, one hundred and fifty (150) Members; and

 (iii) where one of the purposes of the meeting is to consider a resolution to effect a Demutualization or Demutualization Amendment, not less than one percent (1%) of Members.

(b) If no quorum is present, the chairperson shall adjourn the meeting to a date not less than ten (10) or more than fifty (50) days thereafter and no notice shall be required of the new date of the meeting if notice of the date, time and place of the reassembled meeting is given by announcement at the time of the adjournment.

6. VOTING AT MEETINGS

6.1 Membership List

The membership list of the Credit Union shall be closed at a date determined by the Board in accordance with the Act, prior to any general meeting. Only those Members appearing on the list at the close of business on such date shall be entitled to vote on any issues before a meeting or in an election.

6.2 Voting

(a) Subject to any restrictions in these Bylaws, any Member or designated representative properly registered and attending in person, or by secure electronic means at a general meeting, may vote on any question at a general meeting.

(b) No Member shall have more than one (1) vote or be counted more than once in the number of Members recorded on the membership list provided.

(c) Voting at a general meeting may be done by any one, or a combination, of the follow forms, as determined by the Board:

(i) show of hands;

(ii) paper ballot; or

(iii) electronic vote.

6.3 Chairperson's Declaration

At any general meeting, a declaration by the chairperson that a resolution has been carried or defeated shall be conclusive evidence of the fact.

6.4 Demutualization Decisions

Notwithstanding any lesser majority prescribed by the Act, a Demutualization or Demutualization Amendment requires approval by special resolution of the Members.

6.5 Spoiled Ballots

In any general meeting, or an election, a vote by ballot will be considered spoiled when:

(a) more than the permitted number of candidates or options has been selected on the ballot;

(b) the ballot is irregular by way of being a forgery of an official ballot;

(c) a choice other than a duly nominated candidate or option has been written onto the ballot;

(d) the choice marked is unclear or illegible or is subject to reasonable doubt by reason of erasures, misplaced marks or otherwise; or

(e) the ballot is marked in a manner by which the voter can be identified.

6.6 Joint Membership

In the case of joint membership, voting privileges at a general meeting will be allowed to a maximum of two (2) persons, provided such persons do not hold individual memberships and jointly hold at least two (2) common shares.

6.7 Business Members

(a) Each Business Member shall authorize, in accordance with Section 6.7(b) below, a designated representative to represent such Business Member's membership interests in the Credit Union. Only a designated representative of a Business Member shall be entitled to cast the vote of such Business Member on any matter on which such Business Member is entitled to vote.

(b) The Credit Union shall not recognize an individual as a designated representative of a Business Member until such Business Member delivers to the Credit Union a resolution, or other form of written authorization required by the Credit Union, appointing such individual as the designated representative of such Business Member. A Business Member may change its designated representative at any time by resolution, or other form of written authorization required by the Credit Union.

(c) The Credit Union shall be entitled to rely on written authorization supplied by a Business Member for the purpose of authorizing a designated representative and the Business Member is prevented from denying that it is bound by such written authorization as a result of any defects in its form or in the process by which such written authorization was obtained or delivered to the Credit Union.

(d) Following the authorization by a Business Member of an individual as the designated representative of such Business Member in accordance with these Bylaws, such designated representative shall be entitled, for and on behalf of such Business Member, to attend and participate (including voting) at general meetings in the same manner as other Members.

6.8 Voting by Minors

No voting privileges shall be allowed to a Member who has not reached the age of majority.

7. BOARD OF DIRECTORS

7.1 Number of Directors

The Board shall be comprised of no less than nine (9) Directors and no more than fifteen (15) Directors.

7.2 Director Criteria

A Member is not eligible to be nominated for election, be appointed as a Director, or hold office as a Director if the Member:

(a) does not satisfy the qualifications set forth under the Act;

(b) does not meet the criteria specified in the Board governing policies published on the Credit Union's website;

(c) has not been a Member for at least six (6) months and is bondable;

(d) reaches the service limit under Section 7.6 hereof;

(e) is employed in a position, not within the Credit Union, that could reasonably be construed as a potential conflict of interest situation, as determined by the Board;

(f) is, or has been in the past three (3) years, in violation of the Credit Union's policies, the Director's Code of Conduct or Bylaws, as determined by the Board;

(g) is an Immediate Relative of a Director or employee of the Credit Union;

(h) has been an employee of the Credit Union in the past five (5) years;

(i) is, or has been, in litigation as a party adverse in interest to the Credit Union, as determined by the Board; or

(j) is in a real or perceived conflict of interest with the Credit Union through personal, business or other relationships, as determined by the Board.

7.3 Director Ceases to Hold Office

A Director shall cease to hold office when the Director:

(a) no longer satisfies the qualifications set forth under the Act;

(b) no longer meets the criteria specified in the Board governing policies published on the Credit Union's website;

(c) resigns or dies;

(d) is removed by ordinary resolution of the Members or pursuant to the terms of an amalgamation agreement approved by special resolution of the Members;

(e) becomes disqualified in accordance with Section 7.4 hereof;

(f) the Director's term expires;

(g) who is an appointed Director, is removed by a resolution of the Board;

(h) reaches the service limit under Section 7.6 hereof; or

(i) without the approval of the Board Chair: (i) fails to attend two (2) consecutive regularly scheduled Board or Committee meetings within twelve (12) months; or (ii) fails to attend a minimum of 75% of all Board and applicable Committee meetings within twelve (12) months, in each case calculated on a rolling basis.

7.4 Director Disqualification

Where a Director is no longer eligible to hold office as a Director pursuant to the terms of these Bylaws, such Director shall immediately submit their resignation to the Board. If the Director fails to resign, the Board may remove the Director by special resolution of the Board. Where the Board, by passing a special resolution, determines that additional time is needed to assess whether a Director is no longer eligible to hold office as a Director, the Board may suspend the determination of such matter for a period of up ninety (90) days. The Board's decision in respect of this Section 7.4 shall be considered final.

7.5 Term of Office

(a) Commencing from the 2024 annual general meeting, a Director duly elected by the Members shall hold a term of office which shall not exceed the third annual general meeting following the annual general meeting at which they are elected.

(b) A Director appointed in accordance with Section 8.5 of these Bylaws shall hold a term of office which shall not exceed the next annual general meeting following their appointment.

7.6 Service Limits

(a) Subject to the terms of this Section 7.6, duly elected and appointed Directors are eligible to serve on the Board for a maximum of twelve (12) cumulative years, which includes service on the board of any legacy credit union. Once a Director reaches their service limit, they are ineligible to seek re-election or re-appointment to the Board.

(b) Directors elected or appointed pursuant to the Amalgamation Agreement dated August 1, 2023 shall be eligible to serve out their remaining term as set out in the Amalgamation Agreement, even if that results in cumulative service exceeding twelve (12) years.

(c) A Director, having served on the Board for less than twelve (12) cumulative years, shall be eligible to serve on the Board for an additional term even if such term would result in cumulative service exceeding twelve (12) years.

7.7 Director Remuneration

The Board shall receive remuneration in recognition of their time to prepare for and attend meetings in relation to their duties with the Credit Union. The Board shall establish such remuneration, but in no event shall the aggregate amount of remuneration exceed one percent (1.0%) of total Credit Union operating expenses. The amount of remuneration received shall be disclosed annually to the Members.

8. DIRECTOR ELECTIONS & APPOINTMENTS

8.1 Elections Procedures

The Board shall determine the procedures to be followed in the election of qualified director candidates to the Board.

8.2 Director Elections

The Members shall elect Directors at, or before, each annual general meeting of the Members. The Board may determine that elections be conducted by any one, or a combination, of the follow forms:

(a) in-branch voting;

(b) paper ballot; or

(c) electronic vote.

8.3 Acclamation

If the number of qualified persons nominated for the office for which a director election is held is equal to, or lesser than, the number of offices to be filled, the persons so nominated will be declared elected.

8.4 Tie-breaking

In the event of a tie vote arising from a director election held prior to an annual general meeting of Members, the Board shall assess and, in its discretion, determine who among the candidates the Board feels best augments the diversity, qualifications, competencies and attributes of the Board. The Board will, by resolution passed by a majority of the Board, approve the candidate so determined and such candidate will be deemed elected to the Board. The Board may, in its discretion, elect to delegate the assessment of the candidates to a Committee of the Board's choosing, which Committee will provide a recommendation to the Board for the purposes of this Section 8.4.

8.5 Appointments

(a) The Board may establish a process for the appointment of additional Directors to ensure adequate diversity of competencies and attributes are represented on the Board. The appointments may not exceed one-third (1/3) of the number of incumbent elected Directors.

(b) When a vacancy occurs on the Board, the Board may appoint a replacement within ninety (90) days, except where the period until the next annual general meeting is less than ninety (90) days, to serve until the next annual general meeting of the Credit Union, or leave the position vacant.

8.6 Election of Board or Committee Officers

At the first meeting of the Board, which shall be within thirty (30) days following the annual general meeting of the Credit Union, the Board shall elect or appoint from its own members, a chairperson of the Board, a vice chairperson and other Board or Committee officers as they consider necessary. Elections or appointments for Board or Committee officers shall be conducted in the manner determined by the Board.

9. BOARD AND COMMITTEE MEETINGS

9.1 Board Meeting Frequency

The Board shall meet at least four (4) times per year.

9.2 Committee Meeting Frequency

Committees of the Board shall meet in accordance with the Act, or, their respective terms of reference, as applicable.

9.3 Meeting by Alternate Communications

A Board or Committee meeting may be held by means of electronic or other communication facilities which permit all Individuals participating in the meeting to hear each other. Directors or other persons participating by those means, are deemed, subject to the requirements of the Act, to be present at the meeting.

9.4 Notice of Meetings

Notice of Board or Committee meetings, including the date, time, place and agenda shall be communicated by announcement at the preceding meeting or by telephone, by mail or electronic notification to each Director or Committee member not less than 24-hours in advance of the meeting.

9.5 Waiver of Notice

Notice may be waived by the Board or Committee upon a poll of the Board or applicable Committee members with simple majority agreement, for the purpose of holding an emergency meeting of the Board or Committee.

9.6 Method of Voting

Voting by the Directors or Committee members shall be by show of hands, unless otherwise required by the Board or Committee.

9.7 Quorum

A majority of Directors, or members of a Committee, as the case may be, shall constitute a quorum.

10. SUBSIDIARIES

10.1 Board Authority

The Board may establish subsidiaries provided the functions of the subsidiary are consistent with the objectives of the Credit Union.

APPENDIX B: AMALGAMATION AGREEMENT

greater together

AMALGAMATION AGREEMENT

THIS AMALGAMATION AGREEMENT (this "**Agreement**") is made this 1st day of August, 2023, between:

SERVUS CREDIT UNION LTD.
("**Servus**")

- and -

CONNECT FIRST CREDIT UNION LTD.
("**connectFirst**")

WHEREAS it is desirable that the members and business of Servus be amalgamated with the members and business of connectFirst in accordance with the Act (as hereinafter defined).

NOW THEREFORE, in consideration of the mutual covenants herein set out, the parties hereto covenant and agree as follows:

1. DEFINITIONS

1.1 In this Agreement, unless there is something in the subject matter or context inconsistent therewith:

1.1.1 "Act" means the *Credit Union Act* (Alberta) RSA 2000, as amended from time to time;

1.1.2 "Amalgamated Credit Union" means Connect First and Servus Credit Union Ltd.;

1.1.3 "Amalgamation Date" means November 1, 2023;

1.1.4 "Assets" means all assets set out under the heading "Assets" in Schedule A attached hereto;

1.1.5 "Closing Date" means October 31, 2023**;**

1.1.6 "Corporation" means the Credit Union Deposit Guarantee Corporation;

1.1.7 "Laws" includes statutes, regulations and municipal by-laws:

1.1.8 "Liabilities" means all liabilities set out under the heading "Liabilities" in Schedule A attached hereto;

1.1.9 "Minister" means the member of the Alberta Executive Council charged by the Lieutenant Governor in Council with the Administration of the Act;

1.1.10 "Predecessor Credit Union" means Servus or connectFirst;

1.1.11 "Predecessor Credit Unions" means Servus and connectFirst; and

1.1.12 "Principal Regulations" means the Credit Union Act Principal Regulations, as amended from time to time in force and effect.

2. PROPERTY AND AMALGAMATION REQUIREMENTS

2.1 As of the Amalgamation Date the Predecessor Credit Unions covenant agree that:

2.1.1 All of the assets of each Predecessor Credit Union, subject to its liabilities, as such exist immediately before the Amalgamation Date, shall become the assets and liabilities of the Amalgamated Credit Union;

2.1.2 The Amalgamated Credit Union shall possess all of the property, rights and privileges and shall be subject to all of the liabilities of the Predecessor Credit Unions;

2.1.3 The capital of the Amalgamated Credit Union shall consist of an unlimited number of common shares with a par value of $1.00 each (but fractional shares may be issued); transferable only in restricted circumstances; non-assessable; redeemable at the discretion of the Amalgamated Credit Union, subject to the restrictions contained in the Act and Regulations and the Amalgamated Credit Union's By-Laws.

2.1.4 The maximum number of common shares that may be purchased by an individual member of a Predecessor Credit Union is as set out under the bylaws of such Predecessor Credit Union. The maximum number of common shares that may be purchased by an individual member of the Amalgamated Credit Union will be as set out under the bylaws of the Amalgamated Credit Union.

2.1.5 The shares of each Predecessor Credit Union which are issued and outstanding immediately prior to the Amalgamation date shall, as and from that date, be converted into issued shares of the Amalgamated Credit Union as follows:

<u>Common shares</u>

2.1.5.1 The common shares with a par value of $1.00 each of each Predecessor Credit Union shall be converted, share for share, into an equal number of shares with a par value of $1.00 each of the Amalgamated Credit Union (except that fractional shares issued by the Predecessor Credit Unions shall be converted into fractional shares of the Amalgamated Credit Union); members with converted shareholdings less than the minimum required by the proposed By-Laws will be given six months from the Amalgamation Date to purchase the required number of shares before having their memberships terminated;

<u>connectFirst Investment Shares</u>

2.1.5.2 Investment Shares Series "A" with no par value of connectFirst shall be converted into an equal number of Investment Shares Series "A" of the Amalgamated Credit Union;

2.1.5.3 Investment Shares Series "B" with no par value of connectFirst shall be converted into an equal number of Investment Shares Series "B" of the Amalgamated Credit Union;

2.1.5.4 Investment Shares Series “C” with no par value of connectFirst shall be converted into an equal number of Investment Shares Series “C” of the Amalgamated Credit Union;

2.1.5.5 Investment Shares Series “D” with no par value of connectFirst shall be converted into an equal number of Investment Shares Series “D” of the Amalgamated Credit Union;

2.1.5.6 Investment Shares Series “E” with no par value of connectFirst shall be converted into an equal number of Investment Shares Series “E” of the Amalgamated Credit Union;

2.1.5.7 Investment Shares Series “F” with no par value of connectFirst shall be converted into an equal number of Investment Shares Series “F” of the Amalgamated Credit Union;

2.1.5.8 Investment Shares Series “G” with no par value of connectFirst shall be converted into an equal number of Investment Shares Series “G” of the Amalgamated Credit Union;

2.1.5.9 Investment Shares Series “H” with no par value of connectFirst shall be converted into an equal number of Investment Shares Series “H” of the Amalgamated Credit Union;

Servus Investment Shares

2.1.5.10 Investment Shares Series “A” with no par value of Servus shall be converted into an equal number of Investment Shares Series “I” of the Amalgamated Credit Union;

2.1.5.11 Investment Shares Series “B” with no par value of Servus shall be converted into an equal number of Investment Shares Series “J” of the Amalgamated Credit Union;

2.1.5.12 Investment Shares Series “C” with no par value of Servus shall be converted into an equal number of Investment Shares Series “K” of the Amalgamated Credit Union;

2.1.5.13 Investment Shares Series “D” with no par value of Servus shall be converted into an equal number of Investment Shares Series “L” of the Amalgamated Credit Union;

2.1.5.14 Investment Shares Series “E” with no par value of Servus shall be converted into an equal number of Investment Shares Series “M” of the Amalgamated Credit Union;

2.1.5.15 Investment Shares Series “F” with no par value of Servus shall be converted into an equal number of Investment Shares Series “N” of the Amalgamated Credit Union; and

2.1.5.16 Investment Shares Series “G” with no par value of Servus shall be converted into an equal number of Investment Shares Series “O” of the Amalgamated Credit Union.

2.2 All investment shares of the Predecessor Credit Unions will be converted into investment shares issued by the Amalgamated Credit Union having dividend, redemption and conversion rights equivalent to the rights attaching to the shares before the amalgamation.

2.3 The Articles of Amalgamation of the Amalgamated Credit Union shall be as per the attached **Schedule B**.

2.4 The Board of Directors of the Amalgamated Credit Union shall consist of 12 Directors comprised of five (5) directors who were former directors of connectFirst; and seven (7) directors who were former directors of Servus. The initial Chair and initial Vice-Chair of the Board of Directors of the Amalgamated Credit Union will be determined by the Board of Directors of the Amalgamated Credit Union immediately after the Closing Date. The term of office of the initial Chair and Vice-Chair of the Amalgamated Credit Union will commence on the Amalgamation Date and continue until the close of the annual general meeting of the members of the Amalgamated Credit Union held in 2025.

2.5 The proposed Board of Directors of the Amalgamated Credit Union shall be as set out in **Schedule C** attached hereto.

2.6 A schedule depicting the staggered terms of the proposed Board of Directors of the Amalgamated Credit Union is attached hereto as **Schedule D**.

2.7 No action or proceeding by or against any Predecessor Credit Union shall be affected by the amalgamation of the Predecessor Credit Unions and for all purposes of such action or proceeding, the name of the Amalgamated Credit Union shall be substituted in place of the Predecessor Credit Union, as the case may be.

2.8 The proposed By-Laws of the Amalgamated Credit Union shall be adopted, as set out in **Schedule E** attached hereto.

2.9 The Amalgamated Credit Union will operate with a new organizational structure, drawing from the management teams of the Predecessor Credit Unions. The Chief Executive Officer of the Amalgamated Credit Union on the Amalgamation Date shall be Ian Burns, the current Chief Executive Officer of Servus. Thereafter, nothing contained in this Section shall in any way restrict the authority of the Board of Directors of the Amalgamated Credit Union with respect to the recruitment, selection, development, compensation, supervision and, if necessary, removal of the Chief Executive Officer of Board of Directors of the Amalgamated Credit Union.

2.10 The place of business of the Amalgamated Credit Union being its registered office thereof shall be 2850 Sunridge Blvd NE #200, Calgary, AB T1Y 6G2.

2.11 The Amalgamated Credit Union will continue to operate as an Open Bond Full Service Financial Institution.

2.12 **Schedule A** attached hereto accurately sets out the assets, liabilities, capital and retained earnings of the Predecessor Credit Unions as at October 31, 2022.

3. REPRESENTATIONS AND WARRANTIES

3.1 The Predecessor Credit Unions acknowledge and confirm that they hereby make and are relying upon the representations and warranties herein provided. Each Predecessor Credit Union hereby represents and warrants that:

3.1.1 it is a credit union duly incorporated, validly existing and in good standing under the applicable laws and has all requisite power and authority to hold the Assets owned by it and has the rights to deal with the said Assets;

3.1.2 it will obtain such approval as required in order to act in the manner contemplated by this Agreement, and such approval shall be obtained before the Closing Date;

3.1.3 its financial statements, which have been furnished by each of the Predecessor Credit Unions to the other or others as the case may be, present fairly its financial position;

3.1.4 except for such claims, debts or liabilities as are reflected in the financial statements referred to in the preceding paragraph, and those claims, debts or liabilities incurred in the ordinary course of business since the date of such financial statements, it has no outstanding indebtedness and is not subject to any claims or liabilities and that without the prior written consent of the others, it will not incur, prior to the Closing Date, any additional indebtedness or incur any liabilities other than in the ordinary course of business;

3.1.5 it has filed all requisite tax returns and all other appropriate tax returns, required to be filed by it by the laws of the Province of Alberta or the laws of Canada and it has paid all taxes and assessments (including interest or penalties, owed by it to the extent that such taxes and assessments and subsequent tax liabilities have occurred but have not become payable), the full amounts of such taxes have been reflected as liabilities on its books, and has paid all taxes which would not require a filing of returns and which are required to be paid by it;

3.1.6 it has good and marketable title to all its real, personal and intangible property including the real, personal and intangible property reflected in the financial statements delivered pursuant to clause 3.1.3 above;

3.1.7 between the date of this Agreement and the Closing Date, it will not, without the prior written consent of the other parties, make any changes, modifications in any contracts, agreements or understandings, or incur any further obligations or surrender any rights under such contracts, agreements or undertakings, or to make any further additions to its property except such changes or modifications as are in the ordinary course of business or are necessary or appropriate to maintain their properties;

3.1.8 it is not subject to any order, judgement or decree with respect to its business or the condition of any of its assets or property, or to any provision in its Articles or By-laws, mortgage, lease, agreement, instrument, order, judgement or decree which would prevent the consummation of the transactions contemplated under this Agreement, or compliance by it with the terms, conditions, and provisions of this Agreement;

3.1.9 all its outstanding accounts receivable, as set forth in the above mentioned financial statements and in its books and records, are collectible except to the extent of the provisions for bad debts, if any, set forth in the financial statements;

3.1.10 it has maintained its books of account in the usual, regular, and ordinary manner in accordance with generally accepted accounting principles applied on a consistent basis;

3.1.11 during the period from the date of this Agreement, to and including the Closing Date, it will conduct its business solely in the usual and ordinary manner and will refrain from any transactions not in the ordinary course of its business without prior written consent of the other parties to this Agreement to such transaction having been obtained;

3.1.12 the disclosures made on its part are complete and accurate with respect to all matters affecting the ability to operate its business and any omissions and any inaccuracies in such disclosure, whether considered alone or in the aggregate, do not adversely affect in any manner its ability to operate its business;

3.1.13 the execution and performance of this Agreement has been duly authorized by its board of directors and such execution and performance are within its corporate powers;

3.1.14 it will carry out all steps required by the Act and its respective Constitutions and By-Laws that are necessary in order to validly give effect to this Agreement;

3.1.15 its financial position is accurately set out in all material respects in the Balance Sheet prepared by its management as at October 31, 2022 attached hereto as Schedule A and business has been conducted in the ordinary course since October 31, 2022 and will be conducted in the ordinary course until the Closing Date;

3.1.16 all liens or encumbrances on its assets that have been pledged or assigned as security for liabilities, performance of contacts, or otherwise encumbered have been disclosed to the other Predecessor Credit Union.

3.2 Each Predecessor Credit Union hereby represents and warrants that, except as outlined in Schedule A attached hereto, there are no:

3.2.1 liens or encumbrances on its assets nor have its assets been pledged or assigned as security for liabilities, performances of contracts, or otherwise encumbered, except as has been disclosed to the other Predecessor Credit Union.;

3.2.2 material unrecorded assets or contingent assets;

3.2.3 material unrecorded liabilities or contingent liabilities;

3.2.4 significant contractual obligations such as purchases of property outside the ordinary business of the Predecessor Credit Union;

3.2.5 arrangements or agreements by which programs have been established to provide retirement income to employees that have not been disclosed; or

3.2.6 material transactions that have not been properly recorded in the accounting records underlying the financial statements as of the Closing Date.

3.3 Each Predecessor Credit Union hereby represents and warrants that it has filed all annual returns and has paid all fees under the applicable laws with respect to its corporate existence and is in good standing thereunder;

3.4 Each Predecessor Credit Union hereby represents and warrants that it is not now, and will not be on the Closing Date, in arrears in the remittance of employees' federal and provincial tax deductions, and has complied with the laws and regulations relating thereto;

3.5 Each Predecessor Credit Union hereby represents and warrants that there are no judgements or executions outstanding against it and it has not guaranteed to give security for any debt or obligations of any person, firm or corporation, except those arising in the ordinary course of business and detailed on the Schedule A attached hereto;

3.6 Each Predecessor Credit Union hereby represents and warrants that it has disclosed to the other Predecessor Credit Union all actions, labour disputes, arbitration suits or other legal proceedings, actual or threatened, as of the date hereof that it is or may be party to, and there is no circumstance, matter or thing known to its respective directors or officers which is likely to give rise to such action, suit or other legal proceeding except as has been expressly disclosed to each Predecessor Credit Union.

4. CONDITIONS PRECEDENT

4.1 Before the Predecessor Credit Unions are obliged to close this transaction;

4.1.1 they will receive approval, in the form of a special resolution, from their memberships assenting to the terms and conditions set forth in this Agreement;

4.1.2 the Corporation will approve the terms and conditions set forth in this Agreement; and

4.1.3 the Predecessor Credit Unions shall have received all material consents, approvals or authorizations from any governmental authority required to be received in advance of the closing of this transaction.

If these conditions precedent are not satisfied prior to the Closing Date, or such later date agreed to by the Credit Unions in writing, this Agreement shall be null and void.

4.2 Previous to the approval set out in Article 4.1.1 and 4.1.2, at least two of the proposed directors of the Amalgamated Credit Union shall submit to the Corporation a certified resolution stating that the Amalgamated Credit Union will not be insolvent and that no creditor will be prejudiced by the terms and effects of the amalgamation.

4.3 Prior to the Amalgamation Date, except to the extent this notice is waived by the Corporation, each Predecessor Credit Union will give written notice of the proposed amalgamation to all the known creditors and customers to whom it owes more than $1,000.00.

4.4 Each Predecessor Credit Union shall, from the date hereof until the Amalgamation Date, consult with each other with respect to its business operations and shall not incur any extraordinary expenditures, whether of a capital nature or otherwise, prior to the Amalgamation Date without the approval and consent of the other Predecessor Credit Union.

4.5 This Agreement may be terminated by the Board of Directors of either Predecessor Credit Union at any time prior to the Minister issuing a certificate of amalgamation, notwithstanding the adoption, or partial adoption, of this Agreement under Article 4.1.

5. CLOSING AND POST-CLOSING

5.1 By the Amalgamation Date, the Amalgamated Credit Union shall submit to the Minister the following items:

5.1.1 Articles of amalgamation setting out the name and the nature of the bond of association of the Amalgamated Credit Union, as well as a statement of any restrictions or prohibitions on its business activities;

5.1.2 A copy of the proposed By-Laws, signed by at least two of the proposed directors of the Amalgamated Credit Union;

5.1.3 A notice of the address of the registered office of the Amalgamated Credit Union;

5.1.4 A notice containing the full name and residential address of each of the proposed directors of the Amalgamated Credit Union.

6. MISCELLANEOUS

6.1 The Predecessor Credit Unions agree not to divulge any information with regard to individual Member loans, deposits or other credit facilities to persons other than Directors or employees of the Predecessor Credit Unions or the Directors or officers of the Corporation or to the Minister or his lawful representatives.

6.2 The preamble and Schedules hereto are incorporated herein by reference and form an integral and binding part of this Agreement.

6.3 This Agreement shall not be amended, varied or altered unless both parties agree in writing.

6.4 This Agreement contains the entire contract between the parties hereto and no party shall be bound by any warranty, condition or term other than as expressly stated herein.

6.5 Time shall be of the essence of this Agreement.

6.6 The parties agree that this Agreement shall be governed by the laws of the Province of Alberta.

6.7 This Agreement shall inure to the benefit of and be binding upon the respective parties hereto and their respective heirs, executors, administrators and assigns.

6.8 The parties agree that they will do whatever is reasonably necessary to give effect to the intent of this Agreement that is requested by the other party.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first written above by persons authorized by their respective Credit Unions.

SERVUS CREDIT UNION LTD.

Per: _________________________
Director

Per: _________________________
Director (c/s)

CONNECT FIRST CREDIT UNION LTD.

Per: _________________________
Director

Per: _________________________
Director (c/s)

Schedule A
Financial Position Statements

[Note: The 2022 Financial Reports of each of Servus and connectFirst are available online at greatertogether.info or upon request at your local branch.]

Schedule B
Form of Articles of Amalgamation, of the Amalgamated Credit Union

ARTICLES OF AMALGAMATION

Financial Institutions – Policy, Treasury Board and Finance

'his form, together with a copy of the proposed by-laws, a name search report (if applicable), Notice of Directors (forn 1T4042), and a Notice of Address (form AT4043) must be submitted to Financial Institutions - Policy 'IPolicy@gov.ab.ca or 8th floor Federal Building, 9820 - 107 Street, EDMONTON, Alberta, T5K 1E7, 780-644-5006 'hese forms are available on our website.

\malgamated Credit Union Name: _____

'mail Address: _____

'elephone Number: _____

f space is insufficient, attach additional sheets

Bond of Association Statement:

_____

Restrictions or Prohibitions:

_____

☐*Check here, if additional sheets are attached*

AMALGAMATING CREDIT UNIONS

Name	Registered Office	Corporate Access Number

☐*Check here, if additional sheets are attached*

CERTIFICATION

As directors of the above amalgamated credit union, we certify that the credit unions have complied with all the provisions of the Alberta *Credit Union Act* with respect to amalgamations, and that the particulars in this statement are true and complete.

Director: ______________________________ Date: ____________________
Name and Signature

Director: ______________________________ Date: ____________________
Name and Signature

Director: ______________________________ Date: ____________________
Name and Signature

Schedule B
Form of Notice of Directors of the Amalgamated Credit Union

Alberta

NOTICE OF DIRECTORS

Financial Institutions – Policy, Treasury Board and Finance

This form must be submitted within 10 days after a change in the composition of the board of directors or designated officers to Financial Institutions - Policy, FIPolicy@gov.ab.ca or 8th floor Federal Building, 9820 - 107 Street, EDMONTON, Alberta, T5K 1E7, (780) 644-5006, and the Credit Union Deposit Guarantee Corporation, Suite 2000, 10104 – 103 Avenue, EDMONTON, Alberta, T5J 0H8.

The personal information provided on this form is collected for the purpose of administering the Alberta *Credit Union Act.* It is collected under the authority of section 33 (c) of the *Freedom of Information and Protection of Privacy (FOIP) Act* and protected by the privacy provisions of the Act. If you have any questions about this collection, please contact our office using the information provided above.

Credit Union Name: _____

Corporate Access Number: _____ **Effective Date**: _____

Email Address: _____ **Telephone Number**: _____

CHANGES TO THE BOARD OF DIRECTORS (if space is insufficient, attach additional sheets)

Name and Title (please type or print)	Residential Address	Telephone Number	Status (Proposed/Added/Deleted)
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

CHANGES TO OFFICERS (AS DEFINED BY LEGISLATION), WHO ARE NOT DIRECTORS
(if space is insufficient, attach additional sheets)

Name and Title (please type or print)	Residential Address	Telephone Number	Status (Proposed/Added/Deleted)
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Signed: ____ Date: ________________________
Secretary of the Board of Directors

Schedule B
Form of Notice of Address of the Amalgamated Credit Union

Alberta

NOTICE OF ADDRESS

Financial Institutions – Policy, Treasury Board and Finance

Please complete the appropriate information and submit this form within 15 days of a change of address of the corporation or its agent and where requested by the Minister to Financial Institutions - Policy, FIPolicy@gov.ab.ca or 8th floor Federal Building, 9820 - 107 Street, EDMONTON, Alberta, T5K 1E7, (780) 644-5006.

The personal information provided on this form is collected for the purpose of administering the *Alberta Credit Union Act*. It is collected under the authority of section 33(c) of the *Freedom of Information and Protection of Privacy (FOIP) Act* and protected by the privacy provisions of the Act. If you have any questions about this collection, please contact our office using the information provided above.

Credit Union Name: _____

Corporate Access Number: _____

Effective Date: _____

Registered Office:

Address: _____

Postal Code: _____

Email Address: _____

Telephone Number: _____

Mailing Office: ☐ *Check if same as Registered Office*

Address: _____

Postal Code: _____

Records Office: ☐ *Check if same as Registered Office*

Address: _____

Postal Code: _____

Signed: ____ **Date**:__________________________

Secretary of the Board of Directors

AT4043 (November 2019) Form authorized by the Minister of Finance of Alberta

Schedule C
Proposed Board of Directors

Director Name	Address	Director Name	Address
Kelso Brennan	[redacted]	Darlene Harris	[redacted]
Doug Bristow	[redacted]	Danielle Ghai	[redacted]
Amy Corrigan	[redacted]	Adil Lalani	[redacted]
Perry Dooley	[redacted]	Greg Nakonechny	[redacted]
Andrew Eberl	[redacted]	Shannon Rennie	[redacted]
Shawn Eltom	[redacted]	Carey Taubert	[redacted]

Schedule D
Terms for the Proposed Board of Directors

Director Name	Term Expires
Kelso Brennan	1 year, to 2025 AGM
Doug Bristow	2 years, to 2026 AGM
Amy Corrigan	2 years, to 2026 AGM
Perry Dooley	3 years, to 2027 AGM
Andrew Eberl	3 years, to 2027 AGM
Shawn Eltom	1 year, to 2025 AGM
Darlene Harris	3 years, to 2027 AGM
Danielle Ghai	3 years, to 2027 AGM
Adil Lalani	1 year, to 2025 AGM
Greg Nakonechny	2 years, to 2026 AGM
Shannon Rennie	2 years, to 2026 AGM
Carey Taubert	1 year, to 2025 AGM

Schedule E
Proposed By–Laws

See attached.

Bylaws of Connect First and Servus Credit Union Ltd.

NOVEMBER 1, 2023

Contents

1. GENERAL

1.1 Definitions

In these Bylaws, unless the context otherwise specifies or requires:

(a) "Act" means the *Credit Union Act* (Alberta), as from time to time amended, and every statute that may be substituted therefore and, in the case of such substitution, any reference in these Bylaws to provisions of the "Act" shall be read as references to the substituted provisions therefore in such substituted statute(s);

(b) "Board" means the board of directors of the Credit Union, as further described in Article 8;

(c) "Business Member" means a Member that is a corporation, partnership or other unincorporated association;

(d) "Bylaw" means any Bylaw of the Credit Union, including any special Bylaw, from time to time in force and effect;

(e) "Committee" means any committee of the Board as further described herein and formed in accordance with the Act;

(f) "Credit Union" means Connect First and Servus Credit Union Ltd.;

(g) "Demutualization" means an arrangement, voluntary dissolution or liquidation, or other transaction or series of transactions, whether or not specifically characterized as resulting in a demutualization, whereby the Credit Union would cease to be either a credit union or some other form of financial institution operating on a co-operative basis, regulated under Canadian federal or provincial law;

(h) "Demutualization Amendment" means any change to these Bylaws which would have the effect of changing this definition, the definition of Demutualization, or the required quorum or majority required in relation to any general meeting or resolution for the purpose of considering or effecting a Demutualization or Demutualization Amendment;

(i) "Director" means a member of the Board from time to time;

(j) "Immediate Relative" means when an Individual is related to another such as married spouse, common-law spouse, adult interdependent partner, child, parent, parent in-law, grandparent, grandparent in-law, brother, brother in-law, sister or sister in-law, or any other relationship which may be perceived as creating a conflict of interest;

(k) "Member" means a member of the Credit Union in accordance with the Act and these Bylaws; and

(l) "Regulations" means the regulations made under the Act, as amended, from time to time in force and effect.

1.2 Principals of Interpretation

(a) Each term defined in the Act and used in these Bylaws without definition shall have the meaning assigned to such term in the Act or Regulations, as the context requires.

(b) In these Bylaws, the singular shall include the plural and the plural shall include the singular; the masculine shall include the feminine and the feminine shall include the masculine and the neutral gender includes bodies corporate and politic.

(c) Section and subsection headings in these Bylaws are included herein for convenience of reference only and shall not constitute a part of these Bylaws for any other purpose or be given any substantive effect.

1.3 Paramountcy

These Bylaws are in all respects subordinate to the Act, and shall not be interpreted as permitting any action that is prohibited by the Act. Whenever these Bylaws are more restrictive than the requirements of the Act, the restrictions of these Bylaws shall bind the Credit Union.

2. MEMBERSHIP

2.1 Qualifications and Application

A person shall be qualified for membership in the Credit Union if such person:

(a) completes an application for membership;

(b) meets the requirements established by the Credit Union for holding an account with the Credit Union; and

(c) subscribes and fully pays for a minimum of one (1) common share of the Credit Union.

2.2 Joint Membership

Two or more persons may apply for joint membership in the Credit Union and each person shall constitute a Member. Each Member participating in the joint account/membership must have fully subscribed and paid for a minimum of one (1) common share.

2.3 Termination of Membership

(a) The Board, or its designate, may, for good and sufficient cause, as may determined by the Board from time to time, terminate the membership of a Member.

(b) Any person whose membership has been terminated shall have the right to appeal, in writing, the decision to the Board, or its designate, within thirty (30) days of the date on which notice of termination of membership was served on such person.

(c) A person whose membership has been terminated in accordance with these Bylaws shall not, failing a successful appeal, again be admitted to the membership of the Credit Union except by resolution of the Board.

2.4 Access to List of Members

Neither Members nor their agents shall have the right to examine the membership list of the Credit Union.

3. SHAREHOLDINGS

3.1 Limit on Common Shares

The maximum number of common shares of the Credit Union that a Member may hold is limited to 200,000 common shares, provided that Members holding in excess of 200,000 common share of the Credit Union prior to November 1, 2023 will be permitted to continue to hold such excess number of common shares held by such Members immediately prior to November 1, 2023.

3.2 Establishment of Investment Shares

The Credit Union shall have a class of special shares, to be known as “investment shares” in accordance with the Act and Regulations. Subject to any restrictions set out under the Act and Regulations, the number of investment shares that may be issued by the Credit Union is unlimited.

3.3 Issuance of Investment Shares

Investment shares may be issued by resolution of the Board in one or more series and each series of investment shares shall have the rights, privileges, restrictions and conditions provided for under the Act, the Regulations, these Bylaws and the authorizing instrument for such series of investment shares.

3.4 Transfers of Shares

Where a Member holding shares of the Credit Union wishes to transfer such shares in a manner permitted under the Act and Regulations, the Member shall make a request in writing to the Credit Union detailing the particulars of such requested transfer. The Board, or its designate, will consider the request and: (a) if approved by the Board, or its designate; and (b) after payment of any amounts due and owing by the Member to the Credit Union, authorize the transfer of such shares.

3.5 Redemption of Shares

(a) Subject to any restrictions set out under the Act and Regulations, the Credit Union may at any time acquire shares issued by it.

(b) Where a Member holding shares of the Credit Union wishes to have any number of shares redeemed by the Credit Union in a manner permitted under the Act and Regulations, the Member shall make a request in writing to the Credit Union detailing the particulars of such requested redemption. The Board, or its designate, will consider the request and: (a) if approved by the Board, or its designate; and (b) after payment of any amounts due and owing by the Member to the Credit Union, authorize the redemption and cancellation of such shares.

3.6 Dividends and Patronage Rebates

The Board shall from time to time determine the amount, manner and form of dividends and patronage rebates to be paid, if any.

4. NOTICES TO MEMBERS

4.1 Manner of Service

Any notice required to be given to Members under the Act or these Bylaws, may be served by the Credit Union in any manner permitted under the Act, including: (a) advertising such notice in prominent display in newspapers circulated in all the territory served by the Credit Union, and (b) posting such notice in places that are prominent and accessible to Members such as in all Credit Union branches, on the Credit Union website and in electronic communications ordinarily sent to Members by the Credit Union.

4.2 Deemed Service of Mailed Notice

Where notice to a Member is given by mail to the last known address of the Member, according to the records of the Credit Union, notice is deemed to have been served after the expiry of five (5) days from the date the notice was delivered to the post office for delivery to the Member.

4.3 Notice to Joint Members

If two or more persons are registered as holders of a joint membership in the Credit Union, notice to one of such persons shall be sufficient notice to each of them.

5. MEMBER MEETINGS

5.1 Order of Business

As far as is practical, the order of business at annual general meetings of Members will be as follows:

(a) call to order;

(b) declaration of quorum;

(c) approval of the meeting rules of order;

(d) approval of meeting agenda;

(e) adoption of minutes of the last meeting;

(f) report of the Chief Executive Officer;

(g) report of the Board and Committees;

(h) presentation of the financial results and auditor's report;

(i) declaration of Director election results;

(j) destruction of ballots;

(k) any other business listed on the meeting agenda, if any; and

(l) adjournment.

5.2 No Other Business

Only the business listed on the agenda in the notice of a general meeting shall be considered at such meeting.

5.3 Rules of Order

Except as provided for in these Bylaws and any special rules adopted at a general meeting, the rules of order for general meetings shall be the then current edition of Robert's Rules of Order.

5.4 Amendments to Bylaws

Amendments to these Bylaws may be introduced by the Board, or as otherwise set forth under the Act.

5.5 Permitted Attendees

The only persons entitled to be present at a meeting of Members shall be those entitled to vote, the auditors of the Credit Union, persons invited at the request of the Board and others who, although not entitled to vote, are entitled or required under any provision of the Act to be present at the meeting.

5.6 Chairperson

The chairperson of any general meeting shall be the Board Chair, or in their absence, the Vice-Chair, or in the absence of both, a person appointed by the Board.

5.7 Scrutineers

Scrutineers may be appointed by the chairperson for general meetings. Scrutineers appointed at a general meeting for the purpose of ascertaining the results of a ballot shall be entitled to any information, and may examine any records of the Credit Union, required to determine validity of ballots.

5.8 Quorum

(a) Quorum at a general meeting shall be:

(i) subject to subsections 5.8(a)(ii) and 5.8(a)(iii) below, one hundred (100) Members;

(ii) where a special resolution is to be presented to Members, one hundred and fifty (150) Members; and

(iii) where one of the purposes of the meeting is to consider a resolution to effect a Demutualization or Demutualization Amendment, not less than one percent (1%) of Members.

(b) If no quorum is present, the chairperson shall adjourn the meeting to a date not less than ten (10) or more than fifty (50) days thereafter and no notice shall be required of the new date of the meeting if notice of the date, time and place of the reassembled meeting is given by announcement at the time of the adjournment.

6. VOTING AT MEETINGS

6.1 Membership List

The membership list of the Credit Union shall be closed at a date determined by the Board in accordance with the Act, prior to any general meeting. Only those Members appearing on the list at the close of business on such date shall be entitled to vote on any issues before a meeting or in an election.

6.2 Voting

(a) Subject to any restrictions in these Bylaws, any Member or designated representative properly registered and attending in person, or by secure electronic means at a general meeting, may vote on any question at a general meeting.

(b) No Member shall have more than one (1) vote or be counted more than once in the number of Members recorded on the membership list provided.

(c) Voting at a general meeting may be done by any one, or a combination, of the follow forms, as determined by the Board:

(i) show of hands;

(ii) paper ballot; or

(iii) electronic vote.

6.3 Chairperson's Declaration

At any general meeting, a declaration by the chairperson that a resolution has been carried or defeated shall be conclusive evidence of the fact.

6.4 Demutualization Decisions

Notwithstanding any lesser majority prescribed by the Act, a Demutualization or Demutualization Amendment requires approval by special resolution of the Members.

6.5 Spoiled Ballots

In any general meeting, or an election, a vote by ballot will be considered spoiled when:

(a) more than the permitted number of candidates or options has been selected on the ballot;

(b) the ballot is irregular by way of being a forgery of an official ballot;

(c) a choice other than a duly nominated candidate or option has been written onto the ballot;

(d) the choice marked is unclear or illegible or is subject to reasonable doubt by reason of erasures, misplaced marks or otherwise; or

(e) the ballot is marked in a manner by which the voter can be identified.

6.6 Joint Membership

In the case of joint membership, voting privileges at a general meeting will be allowed to a maximum of two (2) persons, provided such persons do not hold individual memberships and jointly hold at least two (2) common shares.

6.7 Business Members

(a) Each Business Member shall authorize, in accordance with Section 6.7(b) below, a designated representative to represent such Business Member's membership interests in the Credit Union. Only a designated representative of a Business Member shall be entitled to cast the vote of such Business Member on any matter on which such Business Member is entitled to vote.

(b) The Credit Union shall not recognize an individual as a designated representative of a Business Member until such Business Member delivers to the Credit Union a resolution, or other form of written authorization required by the Credit Union, appointing such individual as the designated representative of such Business Member. A Business Member may change its designated representative at any time by resolution, or other form of written authorization required by the Credit Union.

(c) The Credit Union shall be entitled to rely on written authorization supplied by a Business Member for the purpose of authorizing a designated representative and the Business Member is prevented from denying that it is bound by such written authorization as a result of any defects in its form or in the process by which such written authorization was obtained or delivered to the Credit Union.

(d) Following the authorization by a Business Member of an individual as the designated representative of such Business Member in accordance with these Bylaws, such designated representative shall be entitled, for and on behalf of such Business Member, to attend and participate (including voting) at general meetings in the same manner as other Members.

6.8 Voting by Minors

No voting privileges shall be allowed to a Member who has not reached the age of majority.

7. BOARD OF DIRECTORS

7.1 Number of Directors

The Board shall be comprised of no less than nine (9) Directors and no more than fifteen (15) Directors.

7.2 Director Criteria

A Member is not eligible to be nominated for election, be appointed as a Director, or hold office as a Director if the Member:

(a) does not satisfy the qualifications set forth under the Act;

(b) does not meet the criteria specified in the Board governing policies published on the Credit Union's website;

(c) has not been a Member for at least six (6) months and is bondable;

(d) reaches the service limit under Section 7.6 hereof;

(e) is employed in a position, not within the Credit Union, that could reasonably be construed as a potential conflict of interest situation, as determined by the Board;

(f) is, or has been in the past three (3) years, in violation of the Credit Union's policies, the Director's Code of Conduct or Bylaws, as determined by the Board;

(g) is an Immediate Relative of a Director or employee of the Credit Union;

(h) has been an employee of the Credit Union in the past five (5) years;

(i) is, or has been, in litigation as a party adverse in interest to the Credit Union, as determined by the Board; or

(j) is in a real or perceived conflict of interest with the Credit Union through personal, business or other relationships, as determined by the Board.

7.3 Director Ceases to Hold Office

A Director shall cease to hold office when the Director:

(a) no longer satisfies the qualifications set forth under the Act;

(b) no longer meets the criteria specified in the Board governing policies published on the Credit Union's website;

(c) resigns or dies;

(d) is removed by ordinary resolution of the Members or pursuant to the terms of an amalgamation agreement approved by special resolution of the Members;

(e) becomes disqualified in accordance with Section 7.4 hereof;

(f) the Director's term expires;

(g) who is an appointed Director, is removed by a resolution of the Board;

(h) reaches the service limit under Section 7.6 hereof; or

(i) without the approval of the Board Chair: (i) fails to attend two (2) consecutive regularly scheduled Board or Committee meetings within twelve (12) months; or (ii) fails to attend a minimum of 75% of all Board and applicable Committee meetings within twelve (12) months, in each case calculated on a rolling basis.

7.4 Director Disqualification

Where a Director is no longer eligible to hold office as a Director pursuant to the terms of these Bylaws, such Director shall immediately submit their resignation to the Board. If the Director fails to resign, the Board may remove the Director by special resolution of the Board. Where the Board, by passing a special resolution, determines that additional time is needed to assess whether a Director is no longer eligible to hold office as a Director, the Board may suspend the determination of such matter for a period of up ninety (90) days. The Board's decision in respect of this Section 7.4 shall be considered final.

7.5 Term of Office

(a) Commencing from the 2024 annual general meeting, a Director duly elected by the Members shall hold a term of office which shall not exceed the third annual general meeting following the annual general meeting at which they are elected.

(b) A Director appointed in accordance with Section 8.5 of these Bylaws shall hold a term of office which shall not exceed the next annual general meeting following their appointment.

7.6 Service Limits

(a) Subject to the terms of this Section 7.6, duly elected and appointed Directors are eligible to serve on the Board for a maximum of twelve (12) cumulative years, which includes service on the board of any legacy credit union. Once a Director reaches their service limit, they are ineligible to seek re-election or re-appointment to the Board.

(b) Directors elected or appointed pursuant to the Amalgamation Agreement dated August 1, 2023 shall be eligible to serve out their remaining term as set out in the Amalgamation Agreement, even if that results in cumulative service exceeding twelve (12) years.

(c) A Director, having served on the Board for less than twelve (12) cumulative years, shall be eligible to serve on the Board for an additional term even if such term would result in cumulative service exceeding twelve (12) years.

7.7 Director Remuneration

The Board shall receive remuneration in recognition of their time to prepare for and attend meetings in relation to their duties with the Credit Union. The Board shall establish such remuneration, but in no event shall the aggregate amount of remuneration exceed one percent (1.0%) of total Credit Union operating expenses. The amount of remuneration received shall be disclosed annually to the Members.

8. DIRECTOR ELECTIONS & APPOINTMENTS

8.1 Elections Procedures

The Board shall determine the procedures to be followed in the election of qualified director candidates to the Board.

8.2 Director Elections

The Members shall elect Directors at, or before, each annual general meeting of the Members. The Board may determine that elections be conducted by any one, or a combination, of the follow forms:

(a) in-branch voting;

(b) paper ballot; or

(c) electronic vote.

8.3 Acclamation

If the number of qualified persons nominated for the office for which a director election is held is equal to, or lesser than, the number of offices to be filled, the persons so nominated will be declared elected.

8.4 Tie-breaking

In the event of a tie vote arising from a director election held prior to an annual general meeting of Members, the Board shall assess and, in its discretion, determine who among the candidates the Board feels best augments the diversity, qualifications, competencies and attributes of the Board. The Board will, by resolution passed by a majority of the Board, approve the candidate so determined and such candidate will be deemed elected to the Board. The Board may, in its discretion, elect to delegate the assessment of the candidates to a Committee of the Board's choosing, which Committee will provide a recommendation to the Board for the purposes of this Section 8.4.

8.5 Appointments

(a) The Board may establish a process for the appointment of additional Directors to ensure adequate diversity of competencies and attributes are represented on the Board. The appointments may not exceed one-third (1/3) of the number of incumbent elected Directors.

(b) When a vacancy occurs on the Board, the Board may appoint a replacement within ninety (90) days, except where the period until the next annual general meeting is less than ninety (90) days, to serve until the next annual general meeting of the Credit Union, or leave the position vacant.

8.6 Election of Board or Committee Officers

At the first meeting of the Board, which shall be within thirty (30) days following the annual general meeting of the Credit Union, the Board shall elect or appoint from its own members, a chairperson of the Board, a vice chairperson and other Board or Committee officers as they consider necessary. Elections or appointments for Board or Committee officers shall be conducted in the manner determined by the Board.

9. BOARD AND COMMITTEE MEETINGS

9.1 Board Meeting Frequency

The Board shall meet at least four (4) times per year.

9.2 Committee Meeting Frequency

Committees of the Board shall meet in accordance with the Act, or, their respective terms of reference, as applicable.

9.3 Meeting by Alternate Communications

A Board or Committee meeting may be held by means of electronic or other communication facilities which permit all Individuals participating in the meeting to hear each other. Directors or other persons participating by those means, are deemed, subject to the requirements of the Act, to be present at the meeting.

9.4 Notice of Meetings

Notice of Board or Committee meetings, including the date, time, place and agenda shall be communicated by announcement at the preceding meeting or by telephone, by mail or electronic notification to each Director or Committee member not less than 24-hours in advance of the meeting.

9.5 Waiver of Notice

Notice may be waived by the Board or Committee upon a poll of the Board or applicable Committee members with simple majority agreement, for the purpose of holding an emergency meeting of the Board or Committee.

9.6 Method of Voting

Voting by the Directors or Committee members shall be by show of hands, unless otherwise required by the Board or Committee.

9.7 Quorum

A majority of Directors, or members of a Committee, as the case may be, shall constitute a quorum.

10. SUBSIDIARIES

10.1 Board Authority

The Board may establish subsidiaries provided the functions of the subsidiary are consistent with the objectives of the Credit Union.

<u>AMALGAMATION AGREEMENT - AMENDING AGREEMENT</u>

THIS AMENDING AGREEMENT (this "**Agreement**") is made as of this 10th day of October, 2023, by and among SERVUS CREDIT UNION LTD. ("**Servus**") and CONNECT FIRST CREDIT UNION LTD. ("**connectFirst**").

WHEREAS:

A. the parties hereto (the "**Parties**") entered into an Amalgamation Agreement dated August 1, 2023 (the "**Amalgamation Agreement**");

B. Article 4 of the Amalgamation Agreement provides for certain conditions precedent, including the receipt by both Parties of: (i) member approval by special resolution; and (ii) required regulatory consents (collectively, the "**Required Approvals**"), prior to the Closing Date (which in the Amalgamation Agreement is currently defined as October 31, 2023), or such later date agreed to by the Parties in writing; and

C. the Parties expect that the Required Approvals will not be received by the Closing Date and wish to evidence their mutual agreement to extend the date by which by the Required Approvals are required to be obtained and amend the terms and conditions of the Amalgamation Agreement accordingly, as more specifically set out herein,

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, the parties agree as follows:

1. <u>Defined Terms</u>: Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Amalgamation Agreement.

2. <u>Amendments</u>: The Amalgamation Agreement is hereby amended as follows:

   (a) Section 1.1.3 is replaced by the following definition:

   "Amalgamation Date" means the date upon which the certificate of amalgamation issued by the Minister pursuant to the Act comes into effect, which the parties hereto currently anticipate as being as soon as possible after the Closing Date, or such earlier or later date agreed to by Servus and connectFirst;

   (b) Section 1.1.5 is replaced by the following definition:

   "Closing Date" means January 31, 2024, or such earlier or later date agreed to by Servus and connectFirst;

3. <u>Amendment Supplemental</u>: Save and except as herein amended, all other terms and conditions contained in the Amalgamation Agreement shall remain in full force and effect, unamended.

4. <u>Counterparts</u>: This Agreement may be executed in counterparts and such counterparts together shall constitute a single instrument. Delivery of an executed counterpart of this Agreement by electronic means, including, without limitation, by facsimile transmission or by electronic delivery in portable document format (".pdf") or tagged image file format (".tif"), shall be equally effective as delivery of a manually executed counterpart hereof.

[Signature page follows]

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement as of the date first written above.

SERVUS CREDIT UNION LTD.

Per: ______________________
Director

Per: ______________________
Director (c/s)

CONNECT FIRST CREDIT UNION LTD.

Per: ______________________
Director

Per: ______________________
Director (c/s)

2022 Financial Report

connectFirst credit union

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INDEPENDENT AUDITORS' REPORT

To the Members of Connect First Credit Union Ltd.

Opinion

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

- the consolidated statement of financial position as at October 31, 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of members' equity for the year then ended;
- the consolidated statement of cash flow 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, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

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 *"Auditors' Responsibilities for the Audit of the Financial Statements"* section of our auditors' 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.

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 (IFRS) as issued by the International Accounting Standards Board (IASB), 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.

Auditors' 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 auditors' 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 auditors' 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.

KPMG LLP

Chartered Professional Accountants

January 17, 2023
Calgary, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

($ Thousands)	Notes	As at October 31 2022	2021
ASSETS			
Cash and cash equivalents		50,950	53,171
Investments	6	679,423	632,524
Loans to members	7	6,335,654	5,473,345
Foreclosed properties	8	1,740	3,457
Other assets	9	60,862	36,693
Intangible assets	10	13,595	13,198
Property and equipment	10	52,380	53,234
Right of use assets	26	20,654	19,156
Deferred tax assets	17	1,324	1,711
		7,216,582	**6,286,489**
LIABILITIES			
Members' deposits	11	6,025,747	5,348,931
Accounts payable and accruals		38,380	31,936
Lease liabilities	26	29,090	28,272
Secured borrowings	25	479,887	292,105
		6,573,104	**5,701,244**
MEMBERS' EQUITY			
Common shares	14	288,158	246,524
Investment shares	14	153,305	157,688
Ownership dividend allocation	13	13,382	7,137
Investment share dividends declared	14	8,345	4,497
Contributed surplus	1	7,445	-
Retained earnings		172,843	169,399
		643,478	**585,245**
		7,216,582	**6,286,489**

Commitments (Note 12)

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

On behalf of the Board:

Andrew Eberl
Board Chair

Carey Taubert
Audit and Finance Committee Chair

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

($ Thousands)	Notes	YEARS ENDED OCTOBER 31 2022	2021
FINANCIAL INCOME			
Interest on loans to members		209,162	175,616
Investment income	24	10,103	3,661
Unrealized gains on interest rate swaps	22	3,347	540
		222,612	179,817
FINANCIAL EXPENSE			
Interest on members' deposits		56,174	43,076
Interest on loans payable		8,930	8,832
Interest on lease liabilities		1,272	1,262
		66,376	53,170
Financial margin		**156,236**	**126,647**
Charge for loan impairment	7	16,562	5,664
		139,674	120,983
Other income	15	24,872	23,522
Gross margin		**164,546**	**144,505**
Personnel expenses	19	74,869	66,857
Operating lease expenses		2,641	2,472
Depreciation and amortization	10 & 26	8,701	8,228
Other expenses	16	52,032	41,781
		138,243	**119,338**
Income before income taxes		**26,303**	**25,167**
Income taxes	17		
Current		4,997	2,629
Deferred		1,143	3,135
		6,140	**5,764**
Net income and comprehensive income		**20,163**	**19,403**

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

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY

Years ended October 31, 2022 and 2021

($Thousands)	**Common shares**	**Series A-H investment shares**	**Ownership dividends declared**	**Investment share dividends declared**	**Contributed Surplus**	**Retained earnings**	**Total equity**
Balance November 1, 2020	238,477	120,123	4,999	4,192	-	158,958	526,749
Net and comprehensive income						19,403	19,403
Transactions with members							
Shares issued to members for cash	30,992	40,000					70,992
Shares issued by dividend	4,999	4,192	(4,999)	(4,192)			-
2021 dividends declared - investment (note 14)				4,497		(4,497)	-
2021 dividends declared - ownership (note 13)			7,137			(7,137)	-
Deferred income tax recovery, dividends declared						2,672	2,672
Shares redeemed for cash	(27,944)	(6,627)					(34,571)
Balance October 31, 2021	246,524	157,688	7,137	4,497	-	169,399	585,245
Acquisition of Spark (note 1)	5,096				7,445		12,541
Net and comprehensive income						20,163	20,163
Transactions with members							
Shares issued to members for cash	54,246						54,246
Shares issued by dividend	7,137	4,497	(7,137)	(4,497)		13	13
2022 dividends declared - investment (note 14)				8,345		(8,345)	-
2022 dividends declared - ownership (note 13)			13,382			(13,382)	-
Current income tax recovery, dividends declared						4,995	4,995
Shares redeemed for cash	(24,845)	(8,880)					(33,725)
Balance October 31, 2022	288,158	153,305	13,382	8,345	7,445	172,843	643,478

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

CONSOLIDATED STATEMENT OF CASH FLOW

	YEARS ENDED OCTOBER 31	
($ Thousands)	**2022**	**2021**
Cash flows from operating activities		
Net Income	20,163	19,403
Adjustments for:		
Interest on loans to members	(209,162)	(175,616)
Interest/dividends on investments	(10,103)	(3,661)
Interest expense	66,376	53,170
Unrealized gain on interest rate swaps	(3,347)	(540)
Depreciation and amortization	8,701	8,228
Charge for loan impairment	17,409	6,303
Current/deferred income tax expense	6,140	5,764
Change in other assets	(13,812)	5,376
Change in accounts payable	3,010	24,963
Interest received	215,189	179,086
Interest paid	(51,487)	(67,777)
Income tax paid	(6,809)	(10,596)
Increase in members' deposits	462,911	372,055
Increase in loans to members, net of repayments	(714,118)	(463,583)
Proceeds from sale of foreclosed property	6,627	285
Net cash used in operating activities	**(202,312)**	**(47,140)**
Cash flows from financing activities		
Common shares issued for cash	54,246	30,992
Common share redemptions	(24,845)	(27,944)
Investment shares issued for cash	-	40,000
Investment share redemptions	(8,880)	(6,627)
Advances of secured borrowing	389,788	130,467
Repayment of secured borrowing	(202,006)	(226,185)
Payment of lease liabilities	(2,850)	(2,421)
Net cash from (used in) financing activities	**205,453**	**(61,718)**
Cash flows from investing activities		
Cash acquired on amalgamation	218	-
Acquisition of investments	(1,477,949)	(935,882)
Proceeds from sale of investments	1,478,218	1,028,811
Acquisition of property and equipment, net	(3,025)	(2,151)
Acquisition of intangibles, net	(2,824)	(1,534)
Net cash (used in) from investing activities	**(5,362)**	**89,244**
Decrease in cash and cash equivalents	(2,221)	(19,614)
Cash and cash equivalents, beginning of year	53,171	72,785
Cash and cash equivalents, end of year	**50,950**	**53,171**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 2022 with comparative figures for the year ended October 31, 2021.

($ Thousands)

Connect First Credit Union Ltd. and its subsidiaries ("Connect First" or the "Credit Union") are located in Canada and provide financial services to its members through a network of credit union branches in the City of Calgary and central and southern Alberta. The registered office is located at 200, 2850 Sunridge Blvd., Calgary, Alberta, T1Y 6G2.

These consolidated financial statements include the accounts of the Credit Union and its wholly-owned subsidiaries, 1549081 Alberta Ltd., First Calgary Savings Insurance Ltd., and Connect First Wealth Ltd. During the fiscal years ended October 31, 2022 and 2021, the subsidiary 1549081 Alberta Ltd. held title to certain foreclosed property. During the fiscal years ended October 31, 2022 and 2021, First Calgary Savings Insurance Ltd. and Connect First Wealth Ltd. had no activity. Therefore, the only difference between the consolidated and separate financial statements of the Credit Union would be the elimination of the foreclosed property on the statement of financial position. There would be no other significant differences from the consolidated financial statements.

The Credit Union Deposit Guarantee Corporation ("CUDGC"), a Provincial Corporation, guarantees the repayment of all deposits, including accrued interest, held with Alberta credit unions. The Credit Union Act ("the Act") provides that the Province of Alberta will ensure that this obligation of CUDGC is carried out.

The consolidated financial statements have been approved for issue by the Board of Directors on January 17, 2023.

1. BUSINESS COMBINATION

On November 1, 2021, the Credit Union amalgamated with Spark The Energy Credit Union Ltd. ("Spark"). Pursuant to the terms of the amalgamation, all members of Spark exchanged their common shares for shares of Connect First on a one for one basis.

The business combination will be accounted for using the acquisition method, with the Credit Union acquiring 100% of the net assets of Spark.

Spark operates two branches, one in the city of Calgary and one in Fort Saskatchewan. The amalgamation will allow Connect First to serve a larger membership base and be a further visible representation of the Credit Union's strategy and direction. Spark members will gain from a larger range of products and services, innovative technology offerings, and receive extended support through Connect First's Member Connection Centre.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition:

Cash and cash equivalents	218
Income taxes receivable	87
Investments	45,745
Member loans receivable	167,857
Other assets	79
Derivative financial assets	85
Property and equipment	138
Intangible assets	56
Right-of-use assets	241
Deferred tax asset	758
Total assets acquired	215,264
Member deposits	198,955
Loans payable and lines of credit	3,221
Accounts payable and accrued liabilities	214
Lease liabilities	248
Derivative financial liabilities	85
Total liabilities assumed	202,723
Net assets acquired	12,541

The par value of equity shares issued to former members of Spark was $5,096. The credit union has recognized the excess of the fair value of the net assets acquired over the par value of the equity interests of Connect First as Contributed Surplus within the Consolidated Statement of Financial Position in the amount of $7,445.

2. BASIS OF PRESENTATION

a) Statement of compliance

The Credit Union's consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies as set out in Note 3 below, comply with the requirements of IFRS and have been applied consistently to all periods presented in the consolidated financial statements, except as otherwise noted.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain investments that are classified and measured as fair value through other comprehensive income, foreclosed property held for sale at fair value less costs to sell, and all derivative financial instruments, which are classified and measured at fair value through profit and loss.

c) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is also the Credit Union's functional currency. Except as otherwise indicated, financial information has been rounded to the nearest thousand.

d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of estimates include the measurement of the allowance for loan impairment, deferred tax assets and liabilities, the estimate of fair value of foreclosed property, valuation of leased assets and liabilities, the useful lives of property and equipment, and intangibles, and the estimate of fair value of financial instruments measured at fair value, and the fair value of assets and liabilities acquired in a business combination. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Financial Instruments

A. Recognition, classification and measurement

All financial assets are initially recorded at fair value and subsequently classified as measured at amortized cost, fair value through OCI (“FVOCI”), or fair value through profit and loss (“FVTPL”). Classification of financial assets is based on the business model in which a financial asset is managed, and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold the asset to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding.

Financial assets measured at amortized cost are comprised of cash and cash equivalents, investments in term deposits and other debt securities, Alberta Central statutory term deposits, accounts receivable and lease residual, other assets, and loans to members.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at FVOCI are comprised of Alberta Central non-statutory term deposits and Alberta Central common shares.

On initial recognition of an equity instrument that is not held for trading, the Credit Union may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

A financial asset is measured mandatorily at FVTPL if it does not meet the criteria to be measured at amortized cost or fair value through other comprehensive income. Financial assets mandatorily measured at fair value through profit or loss include interest rate swaps.

A financial asset may be irrevocably designated at FVTPL on initial recognition in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. The Credit Union does not hold any financial assets designated to be measured at FVTPL.

For financial assets classified as mandatorily measured at FVTPL or designated at FVTPL, changes in fair value are recognized in the consolidated statement of income. For financial assets classified as measured at FVOCI or for financial assets for which an irrevocable election has been made to present subsequent changes in fair value in OCI, changes in fair value are recognized in the consolidated statement of comprehensive income. For financial assets and other financial liabilities measured at amortized cost, interest income and interest expense is calculated using the effective interest rate method and is recognized in the consolidated statement of income.

All financial liabilities are initially recorded at fair value and subsequently classified as measured at amortized cost or FVTPL. On initial recognition, the Credit Union may irrevocably designate a financial asset or liability at FVTPL when doing so results in more relevant information, because either:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or

- a group of financial liabilities or financial assets and financial liabilities is managed with its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

Financial liabilities measured at amortized cost are comprised of accounts payable and accruals, member deposits and secured borrowings.

Business model assessment

The Credit Union makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the asset is managed, and information is provided to management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to management;

- how managers of the business are compensated;

- whether the assets are held for trading purposes;

- the risks that affect the performance of the financial assets held within the business model and how those risks are managed; and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sale activity.

Contractual cash flow characteristics assessment

In assessing whether the contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition and 'interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

The Credit Union considers the contractual terms of the financial asset and whether the asset contains contractual terms that could change the timing or amount of cash flows such that it would not meet the condition of principal and interest. Contractual terms considered in this assessment include contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms, terms that limit the claim to cash flows from specified assets, and features that modify the consideration from time value of money.

Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Credit Union changes its business model for managing those assets.

Derecognition of financial assets and liabilities

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or transferred and either all of the risks and rewards of ownership have been substantially transferred; or the risks and rewards of ownership have not been retained nor substantially transferred but control has not been retained. Financial liabilities are derecognized when they are extinguished, that is when the obligation is discharged, is cancelled or has expired.

Modification of financial assets

The Credit Union assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Credit Union's derecognition policy.

When the modifications do not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset's original effective interest rate.
For the purpose of applying the impairment requirements, at each reporting date subsequent to the modification, the Credit Union continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

B. Impairment

The expected credit loss ("ECL") impairment model applies to amortized cost financial assets, debt investments at FVOCI, off-balance sheet loan commitments, and financial guarantee contracts.

The ECL model results in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual impairment. The ECL model requires the recognition of credit losses based on 12 months of expected losses for performing loans (Stage 1) and the recognition of lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2) and credit impaired assets (Stage 3).

Assessment of significant increase in credit risk

The assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. Factors considered in the assessment include macroeconomic outlook, delinquency and monitoring, and management judgement. The importance and relevance of each specific macroeconomic factor depends on the loan portfolio, characteristics of the financial instruments, and the borrower. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement any gap.

For certain instruments with low credit risk at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default and the borrower has the ability to fulfill their contractual obligations both in the short and long term, including periods of adverse changes in the economic or business environment.

Evaluating significant increases in credit risk is completed on a quarterly basis and is determined using the following factors:

- Internal risk ratings for commercial and agricultural loans
- Beacon scores for personal loans and residential mortgages
- Loans that are 30 days past due are considered to have a significant increase in credit risk and are moved to stage 2
- Loans that are 90 days past due are considered in default and moved into stage 3

The Credit Union generally defines default as any financial instrument that is more than 90 days past due. However, default can also occur when delinquency is less than 90 days but when there is evidence that the borrower is unlikely to pay their obligation in full (eg. breach of covenants, bankruptcy).

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls, which is the difference between the cash flows due in accordance with the contract and the cash flows expected to be received. The measurement of ECL is based primarily on the product of the following variables: probability of default (PD), loss given default (LGD), and exposure at default (EAD).

The PD is an estimate of the likelihood that a loan will not be repaid and will go into default in either a 12-month or lifetime horizon. The LGD is an estimate of the amount that may not be recovered in the event of default. The EAD is an estimate of the outstanding amount of credit exposure at the time a default may occur. These estimates are modelled based on historic data, current market conditions, and reasonable and supportable information about future economic conditions.

The calculation of ECL includes explicit incorporation of forecasted economic conditions. The Credit Union has utilized models incorporating specific macroeconomic variables that are relevant to each specific portfolio. Experienced credit judgement is required to incorporate multiple probability-weighted forward-looking scenarios in the determination of the ECL allowance. The allowance is sensitive to changes in economic forecasts and the probability-weight assigned to each forward-looking scenario. The following key economic factors are used to estimate probability of default:

- Unemployment rate (Alberta specific)
- Housing price index (Alberta specific)
- Banker's acceptance rate

Credit-impaired and restructured financial assets

If the terms of a financial asset are renegotiated or modified, or a financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and how ECL is measured. If the expected restructuring will not result in de-recognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset. If the expected restructuring will result in de-recognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow of the existing asset at the time of its de-recognition.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The charge for loan impairment is recognized in the consolidated statement of income.

Write-off

Loan and debt securities are written off (either partially or in full) when there is no probable prospect of recovery.

(b) Cash and cash equivalents

Cash and cash equivalents include highly liquid financial assets with original maturities of three months or less, held for the purpose of meeting short-term cash commitments.

(c) Translation of foreign currencies

Financial assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing at the date of the financial statements. Revenues and expenses in foreign currencies are translated at the average exchange rates prevailing during the period. Realized and unrealized gains and losses on foreign currency positions are included in other income.

(d) Secured borrowings

The Credit Union enters into agreements to securitize pools of residential mortgages and recognizes a liability when the underlying asset is not de-recognized. The Credit Union reviews transfer agreements in order to determine whether the transfers of financial assets should result in all or a portion of the transferred mortgages being derecognized from its consolidated statement of financial position. The de-recognition requirements include an assessment of whether the Credit Union's rights to contractual cash flows have expired or have been transferred or whether an obligation has been undertaken by the Credit Union to pay the cash flows collected on the underlying transferred assets over to a third party. The de-recognition requirements also include an assessment of whether substantially all the risks and rewards of ownership have been transferred. When risks and rewards are not transferred, the securitization is accounted for as a secured borrowing.

(e) Foreclosed Properties

Foreclosed properties are classified as held for sale assets and are measured at the lower of the carrying amount and fair value less costs to sell.

(f) Intangible Assets

Intangible assets consist of application and internally developed software. Expenditure on internally developed software is recognized as an asset when the Credit Union is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful lives of the assets are as follows:

Computer software	3 to 10 years

(g) Property and Equipment

Property and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, with the exception of land which is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted as appropriate. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets:

Parking lots	25 years
Buildings	10 to 55 years
Furniture and equipment	7 to 40 years
Computer equipment	5 years
Leasehold improvements	Remaining term of lease

Property and equipment are classified as assets held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of carrying amount and fair value less costs to sell.

(h) Impairment of Non-Financial Assets

Non-financial assets are reviewed at each reporting date for indicators of impairment. If any such indication exists then the asset's recoverable amount is estimated. 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 an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in net income.

(i) 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. Short term employee benefit obligations are measured on an undiscounted basis and expensed as the related service is provided.

(j) Income Taxes

Income tax expense comprises current and deferred income taxes. Current tax is the expected tax payable on the taxable income for the period. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Current tax and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity or other comprehensive income.

(k) Share Capital

Common and investment shares are redeemable at the discretion of the Board of Directors and accordingly are presented as a component of issued capital within equity. Incremental costs directly attributable to the issue of shares are recognized as a deduction from equity, net of tax. Investment share stock dividends are recorded against retained earnings and increase share capital with no net change in equity. Ownership dividend is charged to equity.

(l) Revenue Recognition

Under IFRS 15, revenue is recognized when Connect First satisfies a performance obligation by transferring the promised good or service to the member and the member obtains control of the good or service. The recognition of revenue can either be over time or at a point in time depending on when the performance obligation is satisfied.

Revenues under the scope of IFRS 15 are described below:

Service charges

Service charges and other fees are derived from day to day banking services. The fees for these services are established in the member account agreement and are either billed individually at the time the service is performed and the performance obligation is met, or on a monthly basis for a package or bundle of services as the services are performed and the performance obligation is met. Fees billed individually at the time the service is performed are recognized in revenue at the point in time the service is performed. Where monthly services are provided over time throughout the month, revenue is recognized over time with full recognition at the end of each month.

Insurance commissions

Connect First earns fees for sale and renewal of insurance policies made on behalf of third-party insurance providers. The fee is earned and recognized into income at the point in time when the sale or renewal of an insurance policy is made.

Credit card fees

Connect First issues credit cards to its members who satisfy the credit card approval process. The cardholder agreement is between the member and a third-party credit card company. Connect First receives monthly income from the credit card company based on the number of card activations and a percentage of the interest collected on outstanding balances. The income is recognized over time on a monthly basis.

Wealth management

Connect First earns commissions, or trailer fees, on the sale of segregated investment funds and mutual funds to its members. These fees are paid on a monthly basis for as long as the member owns the investment.

Other

Other income includes profit share received from partners and rental income received from tenants of the Olds administration building. All other income is recognized when received.

Revenues in the scope of IFRS 9 include interest income, investment income, foreign exchange gains and losses, and gains/(losses) on interest rate swaps.

Interest income on loans to members

Interest income is calculated on loans to members held at amortized cost and is recognized in net income for the period using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the loan to the carrying amount. The calculation of the effective interest rate includes all transaction costs and fees paid or received that are directly attributable to the acquisition or issue of a loan. Interest is recorded on an accrual basis.

Interest income on impaired loans continues to be recognized at the rate of interest used to discount future cash flows to present values for the purpose of measuring the impairment loss.

Investment income

Investment income includes both interest on financial assets held at amortized cost and at fair value through other comprehensive income using the effective interest rate method, and dividends. Dividends are recognized when the Credit Union’s right to receive the payment is established. Changes in the fair value of financial assets measured at fair value through other comprehensive income are recorded in other comprehensive income.

Gains (losses) on interest rate swaps

Derivatives held for risk management purposes are measured at fair value through net income. Realized gains and losses are included in interest on loans to members in the statement of comprehensive income. Changes in fair value are reported as unrealized gains/losses in the statement of comprehensive income.

(m) Defined contribution pension plan

A defined contribution plan is a post-employment benefit plan under which employees contribute a percentage of their salary that is matched by the Credit Union. Payment is made to the entity administering the plan on behalf of the employee and is paid by them to the employee upon their retirement from the Credit Union. Obligations for contributions to defined contribution pension plans are recognized as a personnel expense when they are due in respect of services rendered in the period.

(n) Leases

The Credit Union recognizes a ROU asset and a lease liability at the lease commencement date, with the exception of short-term leases (less than 12 months) and low-value leases (less than $5 thousand USD). For short- term leases and low-value leases, lease payments are recognized on a straight-line basis over the term of the lease. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability and expenditures that are directly attributable to the acquisition of the asset. The ROU asset is subsequently amortized using the straight-line method from the commencement date of the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of ROU assets are determined on the same basis as those of property and equipment. The ROU asset is periodically reviewed for impairments, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the future lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Credit Union's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. The Credit Union assesses at lease commencement whether it is reasonably certain to exercise an extension or termination option to include in the lease term. The lease liability is then remeasured when there is a change in the expected future lease payments or if there is a significant event or change in circumstance that would impact whether it is reasonably certain to exercise options to extend or terminate the lease. When there is a remeasurement, a corresponding adjustment is made to the carrying amount of the Right-of-Use ("ROU") asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to below zero.

(o) Consolidated financial statements

Subsidiaries are entities controlled by the Credit Union. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-company balances, and income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

(p) Business combination

Connect First uses the acquisition method of accounting for its business combinations as required by IFRS 3. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired which is measured at acquisition date fair value. Connect First uses its best estimates and assumptions to accurately value assets and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, and these estimates are inherently uncertain and subject to refinement. Any gain on purchase is recognized in profit or loss immediately. Transaction costs incurred by the Credit Union in connection with a business combination are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships (if any). Such amounts are generally recognized in the consolidated statement of operations and comprehensive loss.

4. FUTURE ACCOUNTING CHANGES

Connect First monitors amendments and additions to accounting standards. The following changes have been issued but are not yet in effect.

IAS 1 *Presentation of Financial Statements*
IAS 1, originally issued in January 2011, outlines the overall requirements for financial statements, including content, structure, and concepts. In January 2020 the standard was amended to assist organizations in determining whether liabilities should be classified as current or non-current. The Credit Union intends to adopt the changes to IAS 1 in its financial statements for the annual period beginning November 1, 2023. The extent of the impact of adoption of the standard has not yet been determined.

IAS 1 *Disclosure of Accounting Policies*
In February 2021, the IASB issued amendments to IAS 1 *Disclosure of Accounting Policies*. The amendment requires businesses to disclose their material accounting policies rather than their significant accounting policies. Guidance is provided to assist in the determination of materiality. Connect First intends to adopt the changes in its financial statements for the annual reporting period beginning November 1, 2023. The extent of the impact of adoption of the standard has not yet been determined.

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
In February 2021, amendments were made to IAS 8 in respect to the definition of accounting estimates. According to the IASB, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The standard clarifies that a change in accounting estimates due to new information is not the correction of an error. The amendments are effective November 1, 2023. The extent of the impact of adoption of the standard has not yet been determined.

5. CAPITAL MANAGEMENT

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

The Credit Union is required under the Act to hold capital equal to or exceeding the greater of: 4.0% of the consolidated statement of financial position assets or 13.5% of risk-weighted assets (comprised of 8.0% of risk-weighted assets plus a regulatory buffer of 3.5%, plus a minimum internal buffer of 2.0% as mandated by the regulator), allowing for the impact of operational risk and strategic initiatives. Should the cushion fall below the pre-defined amounts, management together with the Board of Directors will determine what corrective action needs to be taken, if any.

The Credit Union's goal is to hold various forms of capital, with a specific focus on growing retained earnings. Retained earnings are the most stable and least expensive form of capital for the Credit Union to hold.

When determining sufficiency of capital, the Credit Union includes in its calculation amounts permitted under the Act including:

- retained earnings and contributed surplus;
- common shares;
- investment shares;

- other forms of capital as determined from time to time by the Board of Directors and permitted under the Act.

The total value of the figures above is then reduced (increased) by:

- deferred income tax asset (liability);
- goodwill and other intangible assets.

The Credit Union management ensures compliance with capital adequacy through an Internal Capital Adequacy Assessment Process (ICAAP) that includes the following activities:

- Identifying the capital needed to support the current and planned operations of the Credit Union;
- Developing and submitting to the Board of Directors for its approval, appropriate and prudent capital management policies, including policies on the quantity and quality of capital needed to support the current and planned operations that reflect both the risks to which the Credit Union is exposed and its regulatory capital requirements;
- Regularly measuring and monitoring capital requirements and capital position, and ensuring Connect First meets its capital requirements;
- Establishing appropriate and effective procedures and controls for managing capital, monitoring adherence to those procedures and controls, and reviewing them on a regular basis to ensure that they remain effective;
- Providing the Board of Directors with appropriate reports on the Credit Union's capital position and on the procedures and controls for managing capital;
- Stress testing the capital levels on at least an annual basis. The tests include a variety of scenarios that vary growth and income assumptions. They include a test for the current year as well as for the following year. A sufficient number of scenarios are tested to ensure that sensitivity levels can reasonably be assessed and planned for.

The Credit Union has exceeded its minimum regulatory capital requirements. As at October 31, 2022, the Credit Union's regulatory capital is 13.63% (2021 – 14.15%) of risk-weighted assets.

6. INVESTMENTS

	2022	2021
Investments - term deposits and other debt securities	61,210	58,026
Alberta Central term deposits		
- Non-statutory term deposits	28,688	61,001
- Statutory term deposits	524,488	453,955
Alberta Central common shares	65,037	59,542
	679,423	632,524

The Credit Union is required by the Act to hold common shares in Alberta Central, which are also a condition of membership in Alberta Central. The common shares entitle the holders to vote. Voting privileges are restricted to one vote per credit union member, regardless of the number of common shares held by a member. The common shares also provide the right to receive dividends declared. In certain limited circumstances where a weighted vote occurs, the Credit Union would have approximately 21% of the votes (proportionate to its share-holdings in Alberta Central), however, the Credit Union has determined that it does not have significant influence over Alberta Central. Common shares of Alberta Central are redeemable at par.

As required by the Act, the Credit Union maintains statutory term deposits in Central to satisfy the legislated liquidity level, as described in Note 23 (c).

7. LOANS TO MEMBERS

Loans to members comprise the following:

	2022		2021	
Performing loans	6,285,434	99.21%	5,428,201	99.18%
Non-performing loans	60,152	0.95%	57,990	1.06%
Accrued interest	19,834	0.31%	17,329	0.32%
Allowance for impairment	(29,766)	-0.47%	(30,175)	-0.55%
Total	6,335,654	100%	5,473,345	100%

The following table shows the gross carrying amount of loans measured at amortized cost as of October 31, 2022 and 2021. Stage 1 represents performing loans with a 12-month expected credit loss, Stage 2 represents performing loans with a lifetime expected credit loss, and Stage 3 represents impaired loans with a lifetime expected credit loss.

	Stage 1	Stage 2	Stage 3	Total	Accrued Interest	Allowance for Credit Losses	Total Net of Allowance
As at October 31, 2022							
Consumer	610,584	33,812	2,165	646,561	1,582	8,165	639,978
Residential mortgage	2,741,093	84,991	1,854	2,827,938	3,514	1,753	2,829,699
Commercial and agriculture	2,798,144	16,811	56,132	2,871,087	14,738	19,848	2,865,977
Total member loans	6,149,821	135,614	60,151	6,345,586	19,834	29,766	6,335,654

	Stage 1	Stage 2	Stage 3	Total	Accrued Interest	Allowance for Credit Losses	Total Net of Allowance
As at October 31, 2021							
Consumer	434,149	17,270	1,568	452,987	911	5,217	448,681
Residential mortgage	2,382,414	92,917	3,750	2,479,081	2,728	1,777	2,480,032
Commercial and agriculture	2,484,519	17,327	52,672	2,554,519	13,691	23,181	2,545,028
Total member loans	5,301,082	127,514	57,990	5,486,587	17,329	30,175	5,473,741

Allowance for expected credit losses consists of the following:

Residential mortgages	Stage 1	Stage 2	Stage 3	Total
As at November 1, 2020	915	829	215	1,959
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	(5)	(60)	57	(8)
Remeasurement of loss allowance other than stage transfers	(41)	(63)	74	(30)
Derecognitions and maturities	(124)	(105)	(81)	(310)
Loan originations	246	65	-	311
Total remeasurement of loss allowance	76	(163)	50	(37)
Write offs	(33)	-	(112)	(145)
As at October 31, 2021	958	666	153	1,777
As at November 1, 2021	958	666	153	1,777
ECL acquired on business combination	16	14	40	70
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	410	(365)	(45)	-
Remeasurement of loss allowance other than stage transfers	(552)	281	177	(94)
Derecognitions and maturities	(158)	(94)	(66)	(318)
Loan originations	274	78	-	352
Total remeasurement of loss allowance	(26)	(100)	66	(60)
Write offs	-	(7)	(27)	(34)
As at October 31, 2022	948	573	232	1,753

Consumer loans	Stage 1	Stage 2	Stage 3	Total
As at November 1, 2020	4,304	1,733	959	6,996
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	(150)	69	385	304
Remeasurement of loss allowance other than stage transfers	(1,156)	24	514	(618)
Derecognitions and maturities	(681)	(185)	(333)	(1,199)
Loan originations	1,080	176	101	1,357
Total remeasurement of loss allowance	(907)	84	667	(156)
Write offs	(428)	(344)	(851)	(1,623)
As at October 31, 2021	2,969	1,473	775	5,217
As at November 1, 2021	2,969	1,473	775	5,217
ECL acquired on business combination	48	93	124	265
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	609	(465)	(144)	-
Remeasurement of loss allowance other than stage transfers	(27)	1,617	1,143	2,733
Derecognitions and maturities	(425)	(169)	(129)	(723)
Loan originations	1,820	837	334	2,991
Total remeasurement of loss allowance	1,977	1,820	1,204	5,001
Write offs	(1,171)	(229)	(918)	(2,318)
As at October 31, 2022	3,823	3,157	1,185	8,165

Commercial and agriculture loans	Stage 1	Stage 2	Stage 3	Total
As at November 1, 2020	3,527	998	16,311	20,836
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	(46)	55	(196)	(187)
Remeasurement of loss allowance other than stage transfers	(1,334)	(63)	6,860	5,463
Derecognitions and maturities	(587)	(223)	(3,554)	(4,364)
Loan originations	1,142	37	2,481	3,660
Total remeasurement of loss allowance	(825)	(194)	5,591	4,572
Write offs	(5)	(10)	(2,212)	(2,227)
As at October 31, 2021	2,697	794	19,690	23,181
As at November 1, 2021	2,697	794	19,690	23,181
ECL acquired on business combination	3	4	-	7
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	655	(433)	(222)	-
Remeasurement of loss allowance other than stage transfers	(295)	695	9,838	10,238
Derecognitions and maturities	(332)	(35)	(164)	(531)
Loan originations	1,253	30	1,529	2,812
Total remeasurement of loss allowance	1,281	257	10,981	12,519
Write offs	(20)	(91)	(15,748)	(15,859)
As at October 31, 2022	3,961	964	14,923	19,848

Totals at October 31, 2021	6,624	2,933	20,618	30,175
Totals at October 31, 2022	8,732	4,694	16,340	29,766

The total allowance for expected credit losses is reconciled as follows:		
	2022	**2021**
Opening allowance for impairment	30,175	29,791
ECL acquired on business combination	342	-
Charge for loan impairment:		
Net remeasurement due to stage transfers	-	109
Remeasurement of loss allowance other than stage transfers	12,877	4,815
Derecognitions and maturities	(1,572)	(5,873)
Loan originations	6,155	5,328
Write-offs	(18,211)	(3,995)
Allowance for expected credit losses, October 31	29,766	30,175
The charge for loan impairment on the statement of comprehensive income is reconciled as follows:		
Charge for loan impairment as above	17,460	4,379
Charge for loan impairment on foreclosed property at October 31 (note 8)	-	1,505
Charge for impairment on investments	(354)	209
Recoveries	(544)	(429)
Total charge for loan impairment	16,562	5,664

As previously disclosed in Note 3, the measurement of the allowance for expected credit losses as well as foreclosed property (see Note 8) involves the use of significant judgements, estimates and assumptions. The Credit Union has applied judgment, including consideration of these factors in the assessment of any underlying credit deterioration, and considered both qualitative and quantitative information. Specifically, the Credit Union considered the following:

Significant Increase in Credit Risk (“SICR”)

The judgments related to whether or not there is a SICR result in loans moving between stages and, therefore, being subject to different measurement. With respect to delinquencies, the judgements used related to SICR remain consistent with those at October 31, 2021.

Forward Looking Information (“FLI”)

As of October 31, 2022, the following FLI has been used in the measurement of the ECL, as compared to that used at October 31, 2021. The FLIs used by the Credit Union is based on publicly available external data and our view of future economic conditions. We exercise experienced credit judgment to incorporate multiple economic forecasts, which are probability-weighted in the determination of the final ECL. Credit Union’s ECL methodology also requires the use of experienced credit judgment to incorporate the estimated impact of factors that are not captured in the modelled ECL results.

Connect First determines ECL using three probability-weighted forward-looking scenarios. These scenarios include a “base” case scenario that represents the most likely outcome and two additional scenarios representing the optimistic and pessimistic outcomes. These additional scenarios are designed to capture material non-linearity of potential credit losses in portfolios.

In the base scenario, the spreads remain narrow in the short term and widen in the long term while both the BA and GOC rates remain at a low level in the short term and increase over the long run, which is consistent with a moderate recession over the next couple of years followed by moderate economic recovery.

The best-case scenario shows both BA rate and GOC rate increasing consistently every quarter, which indicates immediate and substantial economic recovery followed by tighter monetary policy.

In the worst-case scenario the spreads widen over time while both the BA and GOC rates remain at a low level, which is consistent with an assumption of a long-term recession.

October 31, 2022	Base case scenario		Alternative scenario optimistic		Alternative scenario pessimistic	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Driver						
3 month BA rate %	4.06	2.98	5.50	4.94	1.31	1.66
3 month Government of Canada Bond Rate %	3.60	2.54	5.10	4.57	0.75	1.12
Alberta housing price index % change	0.30	1.00	4.36	1.00	(2.01)	0.15
Alberta unemployment rate %	5.60	5.27	4.81	4.65	7.63	7.23

October 31, 2021	Base case scenario		Alternative scenario optimistic		Alternative scenario pessimistic	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Driver						
3 month BA rate %	0.51	1.43	1.10	2.25	0.32	0.60
3 month Government of Canada Bond Rate %	0.35	1.20	1.00	2.10	0.12	0.33
Alberta housing price index % change	1.07	1.14	2.96	2.09	(2.01)	0.15
Alberta unemployment rate %	7.01	6.39	6.48	5.61	8.15	7.40

The reported expected credit losses for financial assets in Stage 1 and Stage 2 with 100% weighting under the optimistic macroeconomic conditions, with other assumptions held constant would decrease by approximately $0.9 million (2021 - $0.3 million).

The reported expected credit losses for financial assets in Stage 1 and Stage 2 with 100% weighting under the pessimistic macroeconomic conditions, with other assumptions held constant would increase by approximately $2.5 million (2021 - $0.6 million).

At October 31, 2022, management concluded that the weighting to be used would be 80% base, 10% best case, and 10% worst case (2021 – 80% base case, 10% best case, 10% worst case).

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

Base case scenario

	Next 3 months	Next 6 months	Next 9 months	Next 12 months	Remaining forecast period
Driver					
3 month BA rate %	4.19	4.21	4.17	4.06	2.98
3 month Government of Canada Bond Rate %	3.70	3.70	3.70	3.60	2.54
Alberta housing price index % change	(0.10)	0.06	0.04	0.29	1.00
Alberta unemployment rate %	5.40	5.70	5.60	5.60	5.27

Alternative scenario pessimistic

	Next 3 months	Next 6 months	Next 9 months	Next 12 months	Remaining forecast period
Driver					
3 month BA rate %	1.77	1.60	1.32	1.31	1.66
3 month Government of Canada Bond Rate %	1.20	1.00	0.75	0.75	1.12
Alberta housing price index % change	(2.17)	(0.49)	0.53	0.12	0.15
Alberta unemployment rate %	8.17	8.40	7.77	7.63	7.23

Alternative scenario optimistic

	Next 3 months	Next 6 months	Next 9 months	Next 12 months	Remaining forecast period
Driver					
3 month BA rate %	4.54	4.86	5.21	5.50	4.94
3 month Government of Canada Bond Rate %	4.10	4.40	4.80	5.10	4.57
Alberta housing price index % change	1.90	1.06	1.04	0.29	1.00
Alberta unemployment rate %	4.90	4.83	4.84	4.81	4.65

Performing loans to members and their contractual maturities consist of the following:

2022	On Demand	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 Years & Over	Total
Residential Mortgages							
- Insured	-	101,696	90,250	148,926	212,139	163,596	716,607
- Conventional	247,899	305,955	293,812	372,512	479,958	409,341	2,109,477
Consumer Loans	84,683	122,208	112,160	92,496	79,805	153,043	644,395
Commercial Mortgages	1,929	460,645	302,220	378,890	336,046	286,124	1,765,854
Commercial Loans	395,186	81,028	14,861	24,232	10,275	46,361	571,943
Agricultural Loans	58,029	5,940	3,168	2,322	3,938	2,954	76,351
Agricultural Mortgages	-	77,180	54,572	77,766	77,306	113,983	400,807
Total	787,726	1,154,652	871,043	1,097,144	1,199,467	1,175,402	6,285,434

2021	On Demand	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 Years & Over	Total
Residential Mortgages							
- Insured	-	121,891	90,046	65,933	120,016	156,254	554,140
- Conventional	238,308	392,632	308,109	253,930	335,768	392,444	1,921,191
Consumer Loans	65,054	96,041	79,645	64,230	48,198	98,254	451,422
Commercial Mortgages	22,392	452,095	372,659	302,847	212,498	261,225	1,623,716
Commercial Loans	309,267	35,187	27,308	11,501	19,516	41,968	444,747
Agricultural Loans	53,786	6,760	3,174	2,551	1,623	3,423	71,317
Agricultural Mortgages	-	83,975	70,264	49,836	70,975	86,618	361,668
Total	688,807	1,188,581	951,205	750,828	808,594	1,040,186	5,428,201

8. FORECLOSED PROPERTY

During the year ended October 31, 2022, the Credit Union has sold the large commercial property that was originally moved into foreclosure in fiscal 2019. The property was sold for the previously determined fair value less costs to sell and no further loss was recorded. The remaining foreclosed property balance relates to five residential loans and one commercial loan that have been foreclosed on in the process of realizing on the Credit Union’s security.

9. OTHER ASSETS

	2022	2021
Accounts receivable	4,866	4,009
Lease residual	3,863	5,275
Prepaid expenses and deposits	41,378	26,860
Fair value of swaps (Note 22)	3,901	540
Income tax receivable	6,845	-
Other	9	9
	60,862	36,693

10. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Land	Buildings	Furniture & equipment	Computer equipment	Leasehold improvements	Total	Intangible assets	
COST								
Balance at November 1, 2021	7,591	36,059	17,024	6,581	16,661	83,916	19,987	
Acquisitions	-	40	1,488	396	1,912	3,836	2,893	*
Disposals	-	(349)	(302)	(19)	(52)	(722)	(9)	
Balance at October 31, 2022	7,591	35,750	18,210	6,958	18,521	87,030	22,871	

	Land	Buildings	Furniture & equipment	Computer equipment	Leasehold improvements	Total	Intangible assets
DEPRECIATION AND AMORTIZATION							
Balance at November 1, 2021	-	(7,719)	(9,128)	(4,275)	(9,560)	(30,682)	(6,789)
Depreciation and amortization for the year	-	(1,349)	(1,194)	(762)	(741)	(4,046)	(2,487)
Disposals	-	-	78	-	-	78	-
Balance at October 31, 2022	-	(9,068)	(10,244)	(5,037)	(10,301)	(34,650)	(9,276)
NET BOOK VALUE							
October 31, 2021	7,591	28,340	7,896	2,306	7,101	53,234	13,198
October 31, 2022	7,591	26,682	7,966	1,921	8,220	52,380	13,595

*Intangible assets acquisitions include $461 (2021 - $754) of internal costs and $2,432 (2021 - $1,351) of external costs.

11. MEMBERS' DEPOSITS

	2022	2021
Demand Deposits	2,573,403	2,586,331
Registered Savings Plans	412,159	392,118
Term Deposits	3,001,263	2,350,718
Registered Education Savings Plans	10,665	6,396
	5,997,490	5,335,563
Accrued Interest	28,257	13,368
Total	6,025,747	5,348,931

Maturities are as follows:

2022	On Demand	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 Years & Over	Total
Demand Deposits	2,573,403	-	-	-	-	-	2,573,403
Registered Savings Plans	15,409	225,981	99,269	30,435	11,464	29,601	412,159
Term Deposits	34,551	2,222,959	506,458	137,609	33,721	65,965	3,001,263
Registered Education Savings Plans	-	10,665	-	-	-	-	10,665
	2,623,363	2,459,605	605,727	168,044	45,185	95,566	5,997,490

2021	On Demand	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 Years & Over	Total
Demand Deposits	2,586,331	-	-	-	-	-	2,586,331
Registered Savings Plans	18,135	236,869	71,245	43,165	8,791	13,913	392,118
Term Deposits	19,386	1,921,623	241,794	100,416	40,793	26,706	2,350,718
Registered Education Savings Plans	-	6,396	-	-	-	-	6,396
	2,623,852	2,164,888	313,039	143,581	49,584	40,619	5,335,563

12. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit Commitments

In the normal course of business, the Credit Union enters into various commitments to meet the credit requirements of its members. These include credit commitments and letters of credit, which are not included in the consolidated statement of financial position.

Standby letters of credit represent an irrevocable obligation to make payments to a third party in the event that the member is unable to meet its contractual financial or performance obligations. In the event of a call on such commitments, the Credit Union has recourse against the member.

Documentary and commercial letters of credit require the Credit Union to honour drafts presented by third parties upon completion of specific activities.

Commitments to extend credit represent undertakings to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions, and include recently authorized credit not yet drawn down and credit facilities available on a revolving basis.

These credit arrangements are subject to the Credit Union's normal credit standards and collateral may be obtained where appropriate. The contract amounts set out below represent the maximum future cash requirements should the contracts be fully drawn. However, many of these arrangements will expire or terminate without being drawn.

	2022	2021
Letters of credit	17,067	15,301
Commitments to extend credit with a term to maturity of one year or less	851,734	608,772

(b) Contingencies

Various actions and legal proceedings arising from the normal course of business are pending against the Credit Union. Management does not anticipate that the ultimate loss, if any, of these actions and proceedings will be material.

13. OWNERSHIP DIVIDENDS

The Board of Directors has declared an ownership dividend to be paid in fiscal 2023 in respect of fiscal 2022 to members by way of an issuance of common shares in the amount of $13,382 (2021 - $7,137). The ownership dividend allocated to members is based on member common share holdings.

14. SHARE CAPITAL

($ thousands, except per share amounts)

(a) Common Shares

Common shares have the following characteristics:

i) an unlimited number have been authorized to be issued;
ii) a par value of $1 per share, but fractional shares may be issued;
iii) transferable only in restricted circumstances;
iv) non-assessable;
v) redemption is at par value and is at the discretion of the Board of Directors of the Credit Union, subject to the restrictions contained in the Act;
vi) members must hold a minimum of 1 share to retain membership in the Credit Union; and
vii) carry the right to vote.

(b) Series A, B, C, D, E, F, G & H Investment Shares

In October 2022, the Board of Directors approved a 5.45% dividend to holders of record of Series A, B, C, D, E, F, G and H Investment Shares for the year ended October 31, 2022 in the aggregate amount of $8,345 (2021 – $4,497). The payment will be made in November 2022 through the issuance of additional Series A, B, C, D, E, F, G and H Investment Shares, respectively.

Series A, B, C, D, E, F, G and H Investment Shares were issued for consideration of $1 per share and have the following characteristics:

- i) no par value;
- ii) no voting rights;
- iii) transferable under limited circumstances;
- iv) callable at the discretion of the Credit Union upon 5 years written notice;
- v) dividends are non-cumulative and rank ahead of ownership dividend on common shares. They are also subject to the Credit Union's dividend policy which can be changed at the discretion of the Board of Directors; and
- vi) redemptions are permitted in the Credit Union's redemption policy, as approved by the Board of Directors, which is subject to change at their discretion. Redemptions are also subject to the limits outlined in the Act.

Common shares and Series A, B, C, D, E, F, G and H Investment Shares represent "at risk" capital and are not guaranteed by CUDGC.

15. OTHER INCOME

	2022	2021
Service charges and other fees	6,405	5,913
Foreign exchange gain/loss	1,399	847
Loan prepayment and other fees	3,563	5,130
Insurance	2,023	1,529
Credit card fees	630	469
Wealth management	9,226	8,461
Other	1,626	1,173
	24,872	23,522

16. OTHER EXPENSES

	2022	2021
Advertising	5,145	6,006
Technology	14,335	12,371
Member security and deposit insurance premium	4,230	3,861
Professional fees	6,005	2,490
Stationary, telephone, postage, courier	1,761	1,963
Financial planning	167	132
ATM/POS operations	1,648	1,625
Board expenses	760	657
Lending costs	2,435	1,601
Charitable donations/community investment	451	371
Occupancy	6,759	3,862
Other	8,336	6,842
	52,032	41,781

17. PROVISION FOR INCOME TAXES

The components of tax expense for the years ended October 31, 2022 and 2021 are as follows:

	2022	2021
Current tax expense:		
Current period	4,997	2,629
Deferred tax expense:		
Origination and reversal of temporary differences	1,143	3,135
Total income tax expense	**6,140**	**5,764**

Reconciliation of effective tax rate

	2022	2021
Income before tax	26,303	25,197
Income tax using the Credit Union's combined federal and provincial statutory Canadian tax rate of 23.00% (2021 - 23.00%)	6,050	5,788
Effect of tax rate changes and other	45	(54)
Non-deductible expenses	45	30
Total income tax expense	**6,140**	**5,764**

Recognized deferred tax assets and liabilities

	Property and Equipment	**Provisions**	**ROU Assets**	**Lease Liabilities**	**Non-Capital Losses**	**Other Assets**	**Totals**
As at November 1, 2021	(5,010)	3,410	(4,406)	6,502	1,339	(124)	1,711
Credit/(Charged) to the statement of income	(107)	706	(289)	131	(816)	(770)	(1,145)
Credit/(Charged) to other	(20)	42	(55)	57	734	-	758
As at October 31, 2022	**(5,137)**	**4,158**	**(4,750)**	**6,690**	**1,257**	**(894)**	**1,324**

18. RELATED PARTY TRANSACTIONS

Related parties of Connect First include subsidiaries, key management personnel and close family members of key management personnel, including directors, as well as entities that have a control or significant influence relationship with key management personnel.

Outstanding loans to:	**2022**	2021
Key management personnel and entities controlled by key management personnel	26,480	24,935

Outstanding deposits from:	**2022**	2021
Key management personnel and entities controlled by key management personnel	29,081	25,478

All loans to key management personnel are current as of October 31, 2022.

Compensation of key management personnel ($)

The makeup of key management personnel changed in 2022 to incorporate positions that leadership felt had the ability to influence operations and were crucial to the effective management of the organization.

Connect First executive management earned the following remuneration and benefits ($):

2022	**Annual Remuneration**	**Performance Incentive**	**Total Benefits**	**2022 Total**	
Chief Executive Officer	1,755,750	347,200	304,707	2,407,657	*
Interim Chief Executive Officer	242,346	109,000	90,159	441,505	
Chief Financial Officer	352,743	119,900	86,364	559,007	*
Interim Chief Financial Officer/Chief Audit Officer	194,038	25,108	33,014	252,160	
Chief Technology Officer	234,615	117,500	72,078	424,193	
Chief Strategy and Innovation Officer	475,556	111,500	67,169	654,225	*
Chief People & Culture Officer	219,423	108,500	66,290	394,213	
EVP Consumer & Wealth	193,829	48,354	42,131	284,314	
EVP Business, Commercial and Agriculture	47,596	-	4,227	51,823	**
SVP Product & Experience	171,197	33,652	39,051	243,900	
SVP Brand & Reputation	155,776	24,129	30,075	209,980	
SVP Credit Risk	172,950	48,350	37,653	258,953	

*Executive restructuring occurred in 2022. Terminated executive members were paid $1,815,588 in severance in the year, which has been included in the Annual Remuneration column.

**The new EVP Business, Commercial and Agriculture joined in August 2022.

The performance incentives shown above represent 2021 bonus amounts that were subsequently paid in 2022.

2021	Annual Remuneration	Performance Incentive	Total Benefits	2021 Total
Chief Executive Officer	435,000	-	188,749	623,749
Chief Operating Officer	285,000	-	81,854	366,854
Chief Financial Officer	233,000	-	71,989	304,989
Chief Technology Officer	225,000	-	75,149	300,149
Chief Strategy & Innovation Officer	220,000	-	75,104	295,104
Chief Credit & Risk Officer	196,154	-	64,557	260,711
Chief People & Culture Officer	194,615	-	66,106	260,721

Paid to directors ($):

	2022	2021
Directors' fees and committee remuneration	532,475	465,954
Directors' expenses	74,585	34,601

Compensation to directors ranged from $15,162 (2021 - $2,000) to $92,350 (2021 - $74,100) with an average of $35,498 (2021- $29,122). Members of the Board do not receive or pay preferred rates on products and services offered by the Credit Union and are only compensated with short term director fees.

19. PERSONNEL EXPENSES

	2022	2021
Salaries and wages	54,188	47,280
Short term benefits	14,393	12,686
Long term benefits	2,883	3,741
Termination benefits	3,405	3,150
	74,869	66,857

20. ASSET AND LIABILITY MANAGEMENT

Interest rate risk refers to the potential impact of changes in interest rates on the Credit Union's earnings when the maturities of its financial liabilities are not matched with the maturities of its financial assets. In the normal course of business, the Credit Union enters into interest rate swaps and option contracts to manage exposure to interest rate fluctuations and to manage the asset and liability mismatch. These financial instruments are subject to normal credit standards, financial controls, and risk management and monitoring procedures.

Payments exchanged under the swaps are calculated on a fixed rate, pay floating rate basis. The notional principal amounts, shown in the table below, are not exchanged by the Credit Union and its counterparties. They are used as the basis for determining payments under the contracts.

The fair value of these contracts is included in other assets on the statement of financial position if positive and accounts payable if negative, and represents the estimated consideration that would be received or paid, as applicable, to settle these derivative contracts. However, it is the intention of the Credit Union to maintain these contracts to maturity, when the contract expires with no value. Accordingly, over the life of each of these derivative contracts, cumulative unrealized gains and losses recognized will total nil.

Interest receivable or payable under the terms of the interest rate swaps is recorded as an adjustment to interest on loans to members on an accrual basis.

The table below summarizes key Statement of Financial Position categories by maturity dates and weighted average effective interest rates.

2022

($ Thousands)	Average Rate	Variable & Within 3 Months	3 Months to 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	Over 4 Years	Non-Interest Sensitive	Total
October 31, 2022									
ASSETS									
Cash	0.45%	-	-	-	-	-	-	50,950	50,950
Investments	3.05%	364,815	159,173	33,568.00	30,422	26,363	65,037	45	679,423
Loans to Members	3.99%	1,114,738	863,520	871,043	1,097,144	1,207,819	1,181,390	-	6,335,654
Other	0.00%	-	-	-	-	-	-	150,555	150,555
	3.80%	**1,479,553**	**1,022,693**	**904,611**	**1,127,566**	**1,234,182**	**1,246,427**	**201,550**	**7,216,582**
LIABILITIES and EQUITY									
Deposits	1.73%	2,904,139	1,928,404	605,727	168,044	45,185	97,238	277,010	6,025,747
Other	0.00%	1,269	44,464	44,775	90,715	171,329	127,335	710,948	1,190,835
	1.45%	**2,905,408**	**1,972,868**	**650,502**	**258,759**	**216,514**	**224,573**	**987,958**	**7,216,582**
BALANCE SHEET MISMATCH		(1,425,855)	(950,175)	254,109	868,807	1,017,668	1,021,854	(786,408)	-
Derivatives		50,000					(50,000)		
NET MISMATCH		(1,375,855)	(950,175)	254,109	868,807	1,017,668	971,854	(786,408)	-

2021

($ Thousands)	Average Rate	Variable & Within 3 Months	3 Months to 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	Over 4 Years	Non-Interest Sensitive	Total
October 31, 2021									
ASSETS									
Cash	0.25%	53,171	-	-	-	-	-	-	53,171
Investments	0.26%	466,682	18,576	-	-	27,542	119,681	43	632,524
Loans to Members	3.34%	1,041,238	818,953	951,205	750,828	808,594	1,040,186	62,341	5,473,345
Other	0.00%	-	-	-	-	-	-	127,449	127,449
	2.94%	**1,561,091**	**837,529**	**951,205**	**750,828**	**836,136**	**1,159,867**	**189,833**	**6,286,489**
LIABILITIES and EQUITY									
Deposits	0.62%	3,219,862	1,582,245	313,039	143,581	49,584	40,620	-	5,348,931
Other	2.91%	1,975	54,821	91,328	54,528	54,089	37,480	643,337	937,558
	0.96%	**3,221,837**	**1,637,066**	**404,367**	**198,109**	**103,673**	**78,100**	**643,337**	**6,286,489**
BALANCE SHEET MISMATCH		(1,660,746)	(799,537)	546,838	552,719	732,463	1,081,767	(453,504)	-
Derivatives		25,000					(25,000)		
NET MISMATCH		(1,635,746)	(799,537)	546,838	552,719	732,463	1,056,767	(453,504)	-

21. CREDIT FACILITIES

The Credit Union has certain credit facilities in place allowing it to borrow funds on a short-term basis from Alberta Central. These facilities are classified as other financial liabilities and are measured at amortized cost. As at October 31, 2022, the following facilities were in place:

(a) A revolving line of credit authorized to a maximum amount of $130,022 (2021 - $118,807) including a US dollar component equivalent of up to CAD $13,775 (2021 - $13,775) that is repayable on demand and bears interest at prime less one-half of one percent per annum.

(b) A revolving term loan with an authorized limit of $390,065 (2021 - $356,422) that is available for terms up to 30 days. Prime rate-based loans are payable at the Prime rate in effect less 1%. Subject to Alberta Central's discretion, the Credit Union can enter into a fixed rate loan for terms of 1 to 24 months repayable at a rate determined by Alberta Central at the date of draw down for the loan.

As at October 31, 2022 and 2021, the credit facilities were undrawn.

The total guaranteed commitment level for the above facilities at October 31, 2022 is limited to 2% of the Credit Union's assets. Total borrowing facilities can be increased to 8% of the Credit Union's assets in the case of an unexpected emergency liquidity event. The balance of the facility is subject to availability. A security agreement covering substantially all of the Credit Union's assets is collateral for the credit facilities.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts set out in the table below represent the fair values of the Credit Union's financial instruments using the valuations and assumptions described below.

The estimated fair value approximates amounts at which instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act; however, many of the Credit Union's financial instruments 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, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect current market rates of interest and varying degrees of credit risk. Because of the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The Credit Union's interest rate swaps and investments classified as FVOCI are reported in the consolidated statement of financial position at fair value. Fair value is a point-in-time estimate that may change in subsequent reporting periods, primarily in response to changes in market interest rates. A fair value hierarchy is used to categorize the inputs used in valuation techniques to measure fair value.

The fair value of interest rate swaps and non-statutory term deposits are measured with internal models using observable future interest rates as inputs to a discounted cash flow model (level 2 of the hierarchy). The fair value of the Alberta Central common shares is based on redemption value, which approximates the cost of the shares.

The fair values of cash and other financial assets and liabilities not included below are assumed to approximate carrying values, due to their short-term nature and would be classified as level 1 in the fair value hierarchy. The estimated fair value of floating rate member loans and member deposits are assumed to equal book value as the interest rates automatically re-price to market. The estimated fair value of fixed rate member loans and fixed rate member deposits are determined by discounting the expected future cash flows of these loans and deposits at current market rates for products with similar terms and credit risks.

From time to time, transfers between various fair value hierarchy levels may result as there may be changes in the availability of quoted market prices or observable market inputs as a result of changes in market conditions. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period. During the year ended October 31, 2022, there were no transfers between levels of the hierarchy for any financial assets and liabilities.

2022

	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Assets					
Investments - amortized cost		576,885		576,885	585,698
Investments - FVOCI		93,725		93,725	93,725
Loans		6,017,221		6,017,221	6,335,654
Derivatives		3,901		3,901	3,901
Total	-	6,691,732	-	6,691,732	7,018,978
Liabilities					
Deposits		5,979,665		5,979,665	6,025,747
Secured borrowings		448,614		448,614	479,887
Total	-	6,428,279	-	6,428,279	6,505,634

2021

	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Assets					
Investments - amortized cost		514,426		514,426	511,981
Investments - FVOCI		120,543		120,543	120,543
Loans		5,531,163		5,531,163	5,473,345
Total	-	6,166,132	-	6,166,132	6,105,869
Liabilities					
Deposits		5,355,605		5,355,605	5,348,931
Secured borrowings		292,884		292,884	292,105
Total	-	5,648,489	-	5,648,489	5,641,036

Derivative Financial Instruments

The following table provides the notional value outstanding for derivative financial instruments and the related fair value.

2022

	Notional Amount	Positive Fair Value
Interest Rate Swaps	50,000	3,901

2021

	Notional Amount	Positive Fair Value
Interest Rate Swaps	25,000	540

The fair values of derivative financial instruments are calculated based on market conditions at the reporting date and may not be reflective of future fair values. The fair values are recognized in other assets (note 9). During the year ended October 31, 2022, outstanding interest rate swaps resulted in realized gains of $46 (2021 – loss $74) and unrealized gains of $3,347 (2021 – $540). Realized gains/losses are included in interest on loans to members in the statement of comprehensive income.

23. NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

The Credit Union is exposed to the following risks as a result of holding financial instruments: credit risk, market risk, and liquidity risk. The Credit Union does not have a significant exposure to foreign exchange risk. The following is a description of those risks and how the Credit Union manages them.

a) 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. Credit risk arises principally in lending activities that result in loans to members as described in Note 7. Credit risk is also present in interest rate swaps, cash and investments held for liquidity purposes. The Credit Union monitors counterparty published credit ratings to mitigate risks with respect to these assets.

The impaired retail loans plus accrued interest disclosed below are included in Stage 3 of the expected credit loss model, as disclosed in Note 7. The remainder of the retail mortgages and loans included below are classified as either Stage 1 or Stage 2, including accrued interest as disclosed in Note 7.

Credit Quality

2022	Stage 1	Stage 2	Stage 3	Total
Commercial mortgages and loans				
1 to 5 - satisfactory risk	2,800,941	5,866	22,287	2,829,094
6 to 7 - unimpaired	9,964	11,031	13,027	34,022
8 to 9 - impaired	-	-	22,709	22,709
Allowance for credit losses	(3,961)	(964)	(14,923)	(19,848)
Carrying amount	**2,806,944**	**15,933**	**43,100**	**2,865,977**

	Consumer loans	Residential mortgages	Total
Retail mortgages and loans			
Satisfactory risk	645,946	2,829,564	3,475,510
Impaired retail loans	2,196	1,888	4,085
Allowance for impaired loans	(8,165)	(1,753)	(9,918)
Carrying amount	**639,977**	**2,829,699**	**3,469,677**

2021	Stage 1	Stage 2	Stage 3	Total
Commercial mortgages and loans				
1 to 5 - satisfactory risk	2,485,031	6,464	1,874	2,493,369
6 to 7 - unimpaired	9,619	10,874	4,319	24,812
8 to 9 - impaired	81	0	49,551	49,632
Allowance for credit losses	(2,697)	(795)	(19,689)	(23,181)
Carrying amount	**2,492,034**	**16,543**	**36,055**	**2,544,632**

	Consumer loans	Residential mortgages	Total
Retail mortgages and loans			
Satisfactory risk	452,320	2,477,998	2,930,318
Impaired retail loans	1,578	3,811	5,389
Allowance for impaired loans	(5,217)	(1,777)	(6,994)
Carrying amount	**448,681**	**2,480,032**	**2,928,713**

The Credit Union monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans to members at the reporting date is shown below:

Concentration by sector

		2022	2021
Commercial:			
	Real estate, rental & leasing	1,232,953	1,120,519
	Construction	273,531	291,303
	Accommodation & food services	219,157	183,218
	Health care & social assistance	49,608	62,881
	Retail trade	112,533	88,559
	Finance & insurance	17,073	31,615
	Other	486,688	341,730
		2,391,543	2,119,825
Retail:			
	Mortgages	2,827,938	2,479,081
	Dealer loans & leases	472,916	288,014
	Unsecured lending	72,941	77,941
	Secured lending	100,703	87,032
		3,474,498	2,932,068
Agriculture:			
	Mortgages	400,461	360,652
	Loans	79,084	73,646
		479,545	434,298
		6,345,586	**5,486,191**

Credit Risk Management

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 portfolios. Qualitative and quantitative analysis of a borrower's financial information are important factors used in determining the financial state of the counterparty.

Borrowers are subject to a credit review process. These reviews ensure that the borrower complies with internal policy and underwriting standards. The Credit Union reduces credit risk through various forms of collateral security, including mortgages. Credit risk is also managed through analysis of the ability of members and potential members to meet principal and interest repayment obligations and by changing lending limits where appropriate. Risk is generally assessed on residential mortgage loans based on their classification as either conventional mortgages or insured mortgages. A residential mortgage is classified as conventional if the amount borrowed does not exceed 80% of the assessed value of the property held as collateral. Mortgages that exceed the 80% loan-to-value are insured. Consumer loans have a marginally higher credit risk, which is mitigated through a variety of methods including collateral requirements. The Credit Risk Committee monitors credit risk and approves policies for the Credit Union.

The collateral and other enhancements held by Connect First as security for loans include: i) insurance (for insured residential mortgages), ii) mortgages over residential lots and properties, iii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, and iv) recourse to liquid assets and securities.

Specialized risk management policies and underwriting practices also protect the Credit Union in commercial lending.

b) Market Risk

Market risk arises from changes in interest rates that affect the Credit Union's financial margin. Exposure to this risk directly impacts the Credit Union's income from its loan and investment portfolios, and interest expense related to its deposit portfolios. The Credit Union's objective is to earn an acceptable return on these portfolios, without taking unreasonable risk, while meeting member-owner needs.

Risk management

The Credit Union's risk position is measured based upon the potential impact of a change in interest rates on interest payments: charged to and received from member-owners, received on investments, and paid on deposits and borrowings. The Asset Liability Committee (ALCO) is a committee comprised of senior management that meets at least quarterly and ad-hoc as required. Every meeting must include the Chief Executive Officer. Responsibilities include:

- Reviewing variances between actual, budgeted and projected financial margin
- Reviewing management of interest rate sensitivity and financial margin including investing, liquidity management, hedging and securitization activities
- Reviewing asset/liability management, ("ALM") and hedging strategies to manage interest rate risk in order to achieve policies
- Assessing the current interest rate risk position and the potential effect of the Credit Union's primary ALM strategy
- Reviewing and providing input and feedback on key risk modeling assumptions

Interest rate risk in the one-year time frame is managed to keep the negative impact for every 100 basis point change in prime rate to within 10 basis points of the projected most likely financial margin. At this level, no corrective action to reduce risk is required, but may be taken as a proactive step based upon management's judgment, allowing for potential deviations from assumptions and the resultant risk that may occur.

The following table provides the potential before-tax impact of a 100 basis point ("bps") increase or decrease in interest rates on our financial margin. These measures are based on assumptions made by management and validated by experience. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and our risk management initiatives.

	2022	2021
Before tax impact on financial margin of:		
100 basis point increase in rates	(766)	6,462
100 basis point decrease in rates	(5,944)	(5,677)

c) Liquidity Risk

Liquidity risk is the risk of having insufficient financial resources to meet the Credit Union's cash and funding requirements, statutory liquidity requirements, or both. The Credit Union has a strong liquidity base, is active in the securitization market, and has a well-established contingency liquidity plan.

The desired liquidity level above the statutory requirement is determined by taking into account the balance between the cost of liquidity and the yield achieved. The Credit Union will at all times maintain above statutory liquidity levels as required by regulations. Immediate corrective action will be taken if the ratio approaches the regulatory minimum. The Act requires that statutory liquidity deposits be held with Alberta Central. Statutory liquidity includes eligible deposits and shares of Central. The statutory liquidity ratio is 9.0% of average deposits and borrowings for the second prior month. Based on average deposits and borrowings for August 2022 the Credit Union's liquidity as at October 31, 2022 exceeds minimum requirements by $175 (2021 - $2,147).

d) Capital Management

The Credit Union is well capitalized and has the ability to maintain the required capital buffers. Refer to Note 5 for details on our capital management.

24. INVESTMENT INCOME

	2022	2021
Interest on statutory investments	6,197	714
Dividends on statutory investments	898	1,278
Interest on other investments	2,720	1,669
Interest on bond forward	288	-
	10,103	3,661

25. SECURITIZATION

During the fiscal year, the Credit Union, as part of its program of liquidity, entered into asset transfer agreements with a third party to securitize pools of residential mortgages.

The Credit Union has determined that these securitization transactions should be accounted for as secured borrowings as the Credit Union did not transfer substantially all of the risks and rewards of ownership, including principal prepayment, interest rate and credit risk of the mortgages in the securitization transactions. The balance at October 31, 2022 is $479,887 (2021 - $292,105). The residential mortgages are categorized as Loans to Members and they are held as security for the secured borrowings. The carrying amount as at October 31, 2022, of the associated residential mortgages as at October 31, 2022 is $517,457 (2021 - $422,168). Connect First has no obligation to repurchase the securitized mortgages.

The National Housing Act Mortgage-Backed Securities (NHA MBS) program consists of investments that are financed by pools of insured mortgages. Investors in these pools receive monthly payments of principal and interest where principal is distributed from the payments of the mortgagors and interest is based on the pool's coupon rate. Timely payment of the blended payments is guaranteed by the Canada Mortgage and Housing Corporation (CMHC).

In the Canadian Mortgage Bond (CMB) program, the monthly and amortizing cash flows are converted into a fixed interest coupon bond. Interest payments are made semi-annually with a final principal payment at maturity.

Secured Borrowings	Maturity Date	Pricing Yield	As at October 31, 2022	As at October 31, 2021
CMB	May 1, 2023 to July 1, 2023	1.0268% to 1.0464%	2,875	26,296
NHA MBS	December 1, 2022 to September 1, 2027	1.0268% to 4.7680%	477,012	265,809
Total			479,887	292,105

26. LEASES

The nature of the leases that the Credit Union has recognized relate primarily to real estate leases for branches and office space, as well as 3 corporate vehicles.

Right of use (ROU) asset	Property	Vehicles	Total
Cost			
Balance at November 1, 2021	23,552	-	23,552
Acquisitions	3,602	64	3,666
Disposals	-	-	-
Balance at October 31, 2022	27,154	64	27,218
Accumulated Depreciation			
Balance at November 1, 2021	(4,396)	-	(4,396)
Depreciation and amortization for the year	(2,155)	(13)	(2,168)
Disposals	-	-	-
Balance at October 31, 2022	(6,551)	(13)	(6,564)
Net Book Value			
October 31, 2021	19,156	-	19,156
October 31, 2022	**20,603**	**51**	**20,654**

Lease Liabilities	**As at October 31 2022**	As at October 31 2021
Maturity analysis - contractual undiscounted cash flows		
Less than one year	3,624	3,876
One to five years	13,750	13,255
More than five years	16,602	14,355
Total undiscounted future lease payments at October 31	33,976	31,486
Less present value discount	4,886	3,214
Lease liabilities included in the statement of financial position	29,090	28,272

Amounts recognized in profit or loss

	2022	2021
Interest on lease liabilities	(1,272)	(1,262)
Variable lease payments not included in the measurement of lease liabilities	(2,528)	(2,363)
Expenses relating to short term leases	(113)	(113)
Expenses relating to leases of low-value assets	(30)	(29)

The variable lease payments that are not included in the calculation of the lease liability include operating costs associated with the lease that are not based on an index or rate.

SERVUS CREDIT UNION LTD.
Consolidated Financial Statements

For the year ended October 31, 2022

SERVUS CREDIT UNION LTD.
Consolidated Financial Statements

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. (Servus or 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

KPMG LLP
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Edmonton, AB T5J 0H3
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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, 2022;
- 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, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 document 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 (IFRS) as issued by the International Accounting Standards Board (IASB), 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.

KPMG

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 auditor's 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 19, 2023

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

	Notes		**October 31 2022**		October 31 2021
Assets					
Cash and cash equivalents	5	**$**	**80,810**	$	603,208
Investments	6		**1,398,015**		1,036,401
Members' loans	7,9		**16,344,134**		15,314,479
Income taxes receivable			**8,840**		-
Assets held for sale	10		**2,201**		3,099
Other assets	11		**36,112**		33,689
Property and equipment	12		**135,087**		134,625
Leased assets	13		**65,638**		56,506
Investment property	14		**5,697**		5,908
Derivative financial assets	15		**8,792**		9,507
Investment in associate	16		**199,623**		199,886
Intangible assets	17		**53,511**		57,644
Total assets			**18,338,460**		17,454,952
Liabilities					
Borrowings	19		**200,000**		200,000
Securitization liabilities	20		**690,874**		766,784
Members' deposits	21		**15,265,464**		14,380,795
Trade payables and other liabilities	22		**228,865**		228,289
Lease liabilities	13		**74,013**		62,373
Income taxes payable			**-**		4,958
Allowance for off balance sheet credit instruments	7,8		**4,602**		5,578
Derivative financial liabilities	15		**48,596**		25,567
Investment shares	24		**443**		430
Defined benefit plans	23		**4,313**		5,516
Deferred income tax liabilities	18		**7,107**		10,580
Total liabilities			**16,524,277**		15,690,870
Equity					
Share capital	24		**701,275**		702,690
Retained earnings			**1,106,390**		1,050,939
Accumulated other comprehensive income			**6,518**		10,453
Total equity			**1,814,183**		1,764,082
Total liabilities and equity		**$**	**18,338,460**	$	17,454,952

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

Approved on behalf of the Board of Directors

Original signed by:

John Lamb, Chair, Board of Directors	Doug Bristow, Chair, Audit and Finance Committee

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

	Notes		Year ended October 31 2022		Year ended October 31 2021
Interest income					
Members' loans		**$**	**566,083**	$	516,198
Investments, including derivatives	25		**(8,112)**		(8,809)
Total interest income			**557,971**		507,389
Interest expense					
Members' deposits			**118,193**		83,973
Other interest expense	26		**20,433**		26,855
Total interest expense			**138,626**		110,828
Net interest income			**419,345**		396,561
Other income	27		**145,208**		139,946
Share of profits (losses) from associate	16		**1,036**		(347)
Net interest income and other income			**565,589**		536,160
Provision for (recovery of) credit losses	8		**8,165**		(13,563)
Net interest income and other income after provision for (recovery of) credit losses			**557,424**		549,723
Operating expenses					
Personnel			**248,117**		219,955
General			**110,266**		88,534
Occupancy			**17,395**		16,876
Member security			**10,546**		9,820
Depreciation	12,13,14		**18,373**		18,076
Organization			**5,156**		4,707
Impairment of assets	10,12,17		**631**		680
Amortization	17		**11,198**		11,847
Total operating expenses			**421,682**		370,495
Income before patronage allocation to members and income taxes			**135,742**		179,228
Patronage allocation to members	24		**36,050**		36,127
Income before income taxes			**99,692**		143,101
Income taxes	18		**22,578**		32,180
Net income		**$**	**77,114**	$	110,921

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 2022**		Year ended October 31 2021
Net income		**$**	**77,114**	$	110,921
Other comprehensive 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		**882**		277
Share of other comprehensive income (loss) from associate					
Actuarial gain (loss) on defined benefit pension plans (2)			**18**		(139)
Change in unrealized gain (loss) on equity securities at fair value through other comprehensive income securities (3)			**3,418**		(189)
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive (loss) income from associate					
Change in unrealized loss on debt securities at fair value through other comprehensive income securities (4)			**(8,742)**		(2,062)
Reclassification adjustments for realized gain on debt securities (5)			**489**		193
Total other comprehensive loss		**$**	**(3,935)**	$	(1,920)
Total comprehensive income		**$**	**73,179**	$	109,001

(1) Net of income tax expense for the year ended October 31, 2022 of $264 (2021 - $123)
(2) Net of income tax expense (recovery) for the year ended October 31, 2022 of $6 (2021 - $(35))
(3) Net of income tax expense (recovery) for the year ended October 31, 2022 of $1,021 (2021 - $(48))
(4) Net of income tax (recovery) for the year ended October 31, 2022 of $(2,612) (2021 - $(518))
(5) Net of income tax expense for the year ended October 31, 2022 of $146 (2021 - $49)

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, 2020		$ 566,375	$ 120,174	$ 686,549	$ 954,279	$ 12,373	$ 1,653,201
Changes in equity							
Issues of share capital	24	34,017	-	34,017	-	-	34,017
Redemption of share capital	24	(32,356)	(4,041)	(36,397)	-	-	(36,397)
Dividends on share capital	24	14,339	4,182	18,521	-	-	18,521
Net income		-	-	-	110,921	-	110,921
Dividend (1)	24	-	-	-	(14,261)	-	(14,261)
Actuarial gain on defined benefit plans	23	-	-	-	-	277	277
Share of other comprehensive loss from associate		-	-	-	-	(2,197)	(2,197)
Balance at October 31, 2021		$ 582,375	$ 120,315	$ 702,690	$ 1,050,939	$ 10,453	$ 1,764,082

	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**

(1) Net of income tax recovery for the year ended October 31, 2022 of $6,471 (2021 - $4,260)

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 2022		Year ended October 31 2021
Cash flows from (used in) operating activities				
Net income	**$**	**77,114**	$	110,921
Adjustments for non-cash items and others				
Net interest income (1)		**(419,345)**		(396,561)
Provision for (recovery of) credit losses		**8,165**		(13,563)
Share of (profits) losses from investment in associate		**(1,036)**		347
Depreciation		**18,373**		18,076
Amortization		**11,198**		11,847
Impairment of assets		**631**		680
Gain on leased assets		**(22)**		(30)
Gain on assets held for sale		**(112)**		(919)
Loss on disposal of property and equipment		**429**		573
Loss on disposal of intangible assets		**41**		-
Gain on loan modifications		**-**		(2,596)
Gain on investments		**(1,219)**		-
Income taxes		**22,578**		32,180
Adjustments for net changes in operating assets and liabilities				
Change in members' loans		**(1,025,361)**		(491,569)
Change in members' deposits		**859,529**		554,748
Change in assets held for sale		**(2,882)**		(8,953)
Change in derivatives, net		**23,744**		24,417
Change in other assets, provisions, and trade payables and other liabilities, net		**11,813**		23,309
Income taxes paid, net		**(33,379)**		(21,450)
Interest received		**540,073**		545,965
Interest paid		**(112,011)**		(140,009)
Net cash (used in) from operating activities		**(21,679)**		247,413
Cash flows from (used in) investing activities				
Additions to intangible assets		**(7,106)**		(7,705)
Additions to property and equipment, and investment property		**(12,918)**		(9,815)
Proceeds on disposal of property and equipment, and investment property		**116**		162
Proceeds on disposal of assets held for sale		**3,261**		12,764
Purchase of Alberta Central shares		**(7,196)**		(8,418)
Distributions from Alberta Central		**2,239**		3,287
(Purchase of) proceeds from investments, net		**(355,933)**		588,937
Net cash (used in) from investing activities		**(377,537)**		579,212
Cash flows from (used in) financing activities				
Advances of securitization liabilities		**255,958**		155,618
Repayments of securitization liabilities		**(344,374)**		(560,518)
Repayments of principal portion of lease liabilities		**(5,217)**		(5,091)
Shares issued		**13,219**		34,017
Shares redeemed		**(42,768)**		(36,397)
Net cash used in financing activities		**(123,182)**		(412,371)
(Decrease) increase in cash and cash equivalents		**(522,398)**		414,254
Cash and cash equivalents, beginning of year		**603,208**		188,954
Cash and cash equivalents, end of year	**$**	**80,810**	$	603,208

(1) Net interest income includes a fair value loss on derivatives for the year ended October 31, 2022 of $14,962 (2021 - $17,514)

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, 2022, were authorized for issue by the Board of Directors on January 19, 2023.

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; 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, modification and derecognition of assets, expected credit loss allowance (ECL), classification of financial instruments, valuation of leased assets and lease liabilities and accounting for investment in associate.

While market volatility associated with the COVID-19 pandemic has eased, current economic conditions within Alberta such as high inflation, rising interest rates, and falling unemployment levels continue to have a significant impact on the estimates and assumptions made by management in preparing the Consolidated Financial Statements. 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 its involvement with the investee
- The ability to use its 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 2190730 Alberta Ltd., Servus Registries Ltd. (formerly 2190769 Alberta Ltd.), 1253565 Alberta Ltd., 1299443 Alberta Ltd., and 1308253 Alberta Ltd., which provide registry services

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Classification and Measurement	Amortized Cost	Fair Value Through Other Comprehensive Income (FVOCI)	Fair Value Through Profit or Loss (FVTPL)
Cash and cash equivalents	▼		
Accounts receivable	▼		
Investments - term deposits with Alberta Central	▼		
Investment shares in entities			▼
Shares in Concentra Bank			▼
Members' loans	▼		
Securitized mortgage pools	▼		
Derivatives - interest rate swaps			▼
Derivatives - equity linked options			▼
Members' deposits	▼		
Trade payables and other liabilities	▼		
Borrowings and securitization liabilities	▼		
Investment share liability portion			▼

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For member loans, ECL is reported as a deduction in the loan'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.

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.

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

Impairment of Financial Assets
The Credit Union records an allowance for credit losses for all financial assets that are measured at amortized cost or at FVOCI. This also includes 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Forward Looking Indicators
Forward looking indicators (FLI) are incorporated into the measurement of ECL. The following factors have been determined to be most relevant to the Credit Union:

- Alberta unemployment rate
- 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

These macroeconomic factors are customized to each major loan grouping, taking into account any lag factors and are updated quarterly. The model includes forecasts for these FLI for the next 20 quarters and then uses a weighted average of three scenarios (base, best, and worst) of these FLI to calculate ECL. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expected Life
For loans in Stages 2 and 3, ECL is calculated over the loan's expected remaining lifetime. For most loans, the life is based on the remaining contractual term. Exceptions can apply if the loan has 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.

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

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

- Credit risk ratings: commercial and agriculture loans use an internal risk rating, consumer and credit card and residential mortgages use FICO scores
- Loans 30 days 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
- 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Modifications
A modification is when a loan'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, the Credit Union retains all the risks and rewards. These mortgages are not derecognized and a liability for cash proceeds from securitization is recognized in the consolidated statement of financial position.

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

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

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

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 and property that has been repossessed following foreclosure on loans that are in default. The Credit Union follows procedures in place to dispose of these assets.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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
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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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.

<u>The Credit Union as a Lessee</u>
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.

<u>The Credit Union as a Lessor</u>
Leases in which the Credit Union does not transfer substantially all the risks and rewards of the asset are classified as operating leases. Rentals 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 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 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 Servus 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized 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 standard and determined that it does not have an impact on the financial statements:

<u>Interest Rate Benchmark Interbank Offered Rate Reform Phase 2</u>
In August 2020, the IASB published proposals for amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts, and IFRS 16 Leases. The amendments provide guidance to address issues that may affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The proposed amendments relate to the modification of financial assets and financial liabilities, including lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the Board’s proposals for classification and measurements and hedge accounting.

There is currently no impact to the financial statements for the Credit Union as hedge accounting is not currently used given that no instruments have been designated as hedges in the current period, insurance is not sold, and leases are not using a benchmarked rate.

Future Accounting Changes

Effective for the Credit Union — November 1, 2022

The Credit Union has assessed the following accounting standards effective November 1, 2022 and determined that they will have no impact on the financial statements:

4. CURRENT AND FUTURE ACCOUNTING CHANGES (CONTINUED)

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.

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.

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.

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.

Additionally, the IASB deferred the effective date of these amendments from annual periods beginning on or after January 1, 2024.

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 2022		As at October 31 2021
Cash on hand	**$**	**19,940**	$	16,953
ATM cash		**8,910**		9,001
Cash held in foreign currencies		**790**		388
Cash with Alberta Central		**48,136**		377,270
Cash with other financial institutions		**-**		200,000
Cheques and items in transit		**3,034**		(404)
Total	**$**	**80,810**	$	603,208

6. INVESTMENTS

		As at October 31 2022		As at October 31 2021
Term deposits with Alberta Central	**$**	**1,391,461**	$	1,035,562
Other		**1,541**		288
		1,393,002		1,035,850
Accrued interest		**5,015**		552
		1,398,017		1,036,402
ECL allowance on investments		**(2)**		(1)
Total	**$**	**1,398,015**	$	1,036,401

(Canadian $ thousands, except per share amounts)

7. 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			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Allowance for Credit Losses**	**Total Net of Allowance**
As at October 31, 2022						
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**
Total members' loans	$ **15,493,395**	$ **824,776**	$ **65,059**	$ **16,383,230**	$ **39,096**	$ **16,344,134**
As at October 31, 2022						
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**
Total off balance sheet credit instruments	$ **4,810,952**	$ **51,907**	$ **1,708**	$ **4,864,567**	$ **4,602**	$ **4,859,965**

	Performing		Impaired			
	Stage 1	Stage 2	Stage 3	Total	Allowance for Credit Losses	Total Net of Allowance
As at October 31, 2021						
Residential mortgages	$ 8,132,740	$ 503,687	$ 9,124	$ 8,645,551	$ 4,996	$ 8,640,555
Commercial and agriculture	5,439,573	177,727	37,707	5,655,007	23,136	5,631,871
Consumer and credit card	978,675	72,402	2,504	1,053,581	11,528	1,042,053
Total members' loans	$ 14,550,988	$ 753,816	$ 49,335	$ 15,354,139	$ 39,660	$ 15,314,479
As at October 31, 2021						
Residential mortgages	$ 2,107,012	$ 15,253	$ 837	$ 2,123,102	$ 379	$ 2,122,723
Commercial and agriculture	1,338,754	4,402	141	1,343,297	896	1,342,401
Consumer and credit card	1,066,550	15,595	626	1,082,771	4,303	1,078,468
Total off balance sheet credit instruments	$ 4,512,316	$ 35,250	$ 1,604	$ 4,549,170	$ 5,578	$ 4,543,592

8. 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 at October 31, 2022.

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 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 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 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. Sensitivities around the weights of the FLI are also performed each reporting period by assessing the forecasts for each of the base, best and worst-case scenarios and determining the probability of each scenario. At October 31, 2022, management concluded that weighting to be used is a 60% base, 20% best and 20% worst-case (October 31, 2021 – 60% base, 20% best and 20% worst-case).

Where a sensitivity analysis shows that the loan book has a risk that is not adequately covered by the model calculation, the sensitivity is used to provide 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, 2022, management has not applied an overlay (October 31, 2021 – $3.5 million) on the commercial, consumer, residential mortgages, and credit card book.

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

	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 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 Consolidated Statement of Financial Position as:				
Netted with members' loans	**4,471**	**25,335**	**9,290**	**39,096**
Off balance sheet credit instruments [1]	**273**	**1,050**	**3,279**	**4,602**
Total	**$ 4,744**	**$ 26,385**	**$ 12,569**	**$ 43,698**

	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
As at October 31, 2020	$ 7,343	$ 45,260	$ 21,893	$ 74,496
Recoveries of previous loan write-offs	25	421	5,519	5,965
Provision (recovery) charged to net income	1,674	(14,337)	(900)	(13,563)
	9,042	31,344	26,512	66,898
Loans written off	(3,667)	(7,312)	(10,681)	(21,660)
As at October 31, 2021	$ 5,375	$ 24,032	$ 15,831	$ 45,238
Presented on Consolidated Statement of Financial Position as:				
Netted with members' loans	4,996	23,136	11,528	39,660
Off balance sheet credit instruments [1]	379	896	4,303	5,578
Total	$ 5,375	$ 24,032	$ 15,831	$ 45,238

[1] *Off balance sheet credit instruments consisting of undrawn commitments and financial guarantees*

(Canadian $ thousands, except per share amounts)

8. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The provision (recovery) charged to net income is:

			Year ended October 31 2022		Year ended October 31 2021
Loans		**$**	**8,164**	$	(13,563)
Investments	Note 6		**1**		-
Provision for (recovery of) credit losses		**$**	**8,165**	$	(13,563)

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, 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		**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**

		Performing				Impaired		
		Stage 1		Stage 2		Stage 3		Total
As at October 31, 2020	$	1,996	$	3,858	$	1,489	$	7,343
Transfers								
Stage 1 (1)		460		(458)		(2)		-
Stage 2 (1)		(1,845)		2,060		(215)		-
Stage 3 (1)		(219)		(1,145)		1,364		-
New originations (2)		643		607		-		1,250
Repayments (3)		(337)		(337)		(821)		(1,495)
Remeasurements (4)		1,583		(2,090)		2,426		1,919
Loans written off		-		-		(3,667)		(3,667)
Recoveries		-		-		25		25
As at October 31, 2021	$	2,281	$	2,495	$	599	$	5,375
Presented on Consolidated Statement of Financial Position as:								
Netted with members' loans		1,968		2,430		598		4,996
Off balance sheet credit instruments		313		65		1		379
Total	$	2,281	$	2,495	$	599	$	5,375

(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 CREDIT LOSSES (CONTINUED)

Allowance for credit losses – Commercial and Agriculture

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

	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
As at October 31, 2020	$ 7,728	$ 14,471	$ 23,085	$ 45,284
Transfers				
Stage 1 [1]	813	(811)	(2)	-
Stage 2 [1]	(1,950)	2,067	(117)	-
Stage 3 [1]	(900)	(3,545)	4,445	-
New originations [2]	1,232	50	49	1,331
Repayments [3]	(722)	(743)	(457)	(1,922)
Remeasurements [4]	(1,859)	(7,996)	(3,915)	(13,770)
Loans written off	-	-	(7,312)	(7,312)
Recoveries	-	-	421	421
As at October 31, 2021	$ 4,342	$ 3,493	$ 16,197	$ 24,032
Presented on Consolidated Statement of Financial Position as:				
Netted with members' loans	3,485	3,479	16,172	23,136
Off balance sheet credit instruments	857	14	25	896
Total	$ 4,342	$ 3,493	$ 16,197	$ 24,032

[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 CREDIT LOSSES (CONTINUED)

Allowance for credit losses – Consumer and Credit Card

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

	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
As at October 31, 2020	$ 8,925	$ 11,337	$ 1,631	$ 21,893
Transfers				
Stage 1 [(1)]	1,057	(1,040)	(17)	-
Stage 2 [(1)]	(4,850)	5,096	(246)	-
Stage 3 [(1)]	(727)	(3,072)	3,799	-
New originations [(2)]	2,924	676	1	3,601
Repayments [(3)]	(983)	(820)	(2,668)	(4,471)
Remeasurements [(4)]	431	(4,227)	3,766	(30)
Loans written off	-	-	(10,681)	(10,681)
Recoveries	-	-	5,519	5,519
As at October 31, 2021	$ 6,777	$ 7,950	$ 1,104	$ 15,831
Presented on Consolidated Statement of Financial Position as:				
Netted with members' loans	3,494	6,963	1,071	11,528
Off balance sheet credit instruments	3,283	987	33	4,303
Total	$ 6,777	$ 7,950	$ 1,104	$ 15,831

[(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

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 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 October 31, 2022	**Residential Mortgages**	**Commercial and Agriculture**	**Consumer and Credit Card**	**Total**
Risk Categories				
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**
Total members' loans	**$ 8,813,856**	**$ 6,405,519**	**$ 1,163,855**	**$ 16,383,230**

As at October 31, 2021	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
Risk Categories				
Very low risk	$ 3,369,197	$ 27,661	$ 294,297	$ 3,691,155
Low risk	3,745,741	2,255,221	412,635	6,413,597
Medium risk	1,047,651	3,200,714	179,254	4,427,619
High risk	473,838	133,704	164,891	772,433
Impaired	9,124	37,707	2,504	49,335
Total members' loans	$ 8,645,551	$ 5,655,007	$ 1,053,581	$ 15,354,139

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

As at October 31, 2022	**Residential Mortgages**	**Commercial and Agriculture**	**Consumer and Credit Card**	**Total**
Risk Categories				
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**
Total off balance sheet credit instruments	**$ 2,171,769**	**$ 1,560,776**	**$ 1,132,022**	**$ 4,864,567**

As at October 31, 2021	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
Risk Categories				
Very low risk	$ 1,018,692	$ 148,711	$ 599,418	$ 1,766,821
Low risk	1,046,300	948,286	312,200	2,306,786
Medium risk	49,999	245,408	59,865	355,272
High risk	7,274	751	110,662	118,687
Impaired	837	141	626	1,604
Total off balance sheet credit instruments	$ 2,123,102	$ 1,343,297	$ 1,082,771	$ 4,549,170

(Canadian $ thousands, except per share amounts)

9. CREDIT QUALITY OF MEMBERS' LOANS (CONTINUED)

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 and agriculture	**14,806**	**-**	**-**	**-**	**14,806**
Consumer and credit card	**18,110**	**-**	**-**	**-**	**18,110**
Stage 2					
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**
Stage3					
Residential mortgages	**-**	**-**	**-**	**15,986**	**15,986**
Commercial and agriculture	**23**	**528**	**39**	**30,642**	**31,232**
Consumer and credit card	**-**	**-**	**-**	**3,319**	**3,319**
Total	**$ 152,920**	**$ 56,073**	**$ 21,049**	**$ 62,730**	**$ 292,772**

Loans Past Due, as at October 31, 2021	Up to 30 Days	31 to 59 Days	60 to 89 Days	Over 90 Days	Total
Stage 1					
Residential mortgages	$ 64,995	$ -	$ -	$ -	$ 64,995
Commercial and agriculture	8,532	-	-	-	8,532
Consumer and credit card	16,425	-	-	-	16,425
Stage 2					
Residential mortgages	27,744	33,195	9,529	10,113	80,581
Commercial and agriculture	7,297	23,476	20,543	47,641	98,957
Consumer and credit card	6,413	5,288	1,994	56	13,751
Stage3					
Residential mortgages	-	-	-	8,986	8,986
Commercial and agriculture	236	71	109	21,478	21,894
Consumer and credit card	-	-	-	2,441	2,441
Total	$ 131,642	$ 62,030	$ 32,175	$ 90,715	$ 316,562

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.

Loans by Security	**As at October 31 2022**	As at October 31 2021
Insured loans and mortgages	**$ 3,068,313**	$ 3,081,029
Secured by mortgage	**11,820,006**	10,879,690
Secured by other	**917,007**	854,592
Unsecured loans	**341,161**	318,493
Unsecured credit card	**236,743**	220,335
Total	**$ 16,383,230**	$ 15,354,139

(Canadian $ thousands, except per share amounts)

10. ASSETS HELD FOR SALE

		As at October 31 2022		As at October 31 2021
Foreclosed property	**$**	**2,201**	$	2,608
Other land and buildings		**-**		491
Total	**$**	**2,201**	$	3,099

Management has concluded that an impairment on assets held for sale was required to be recorded by the Credit Union. An impairment loss of $631 (2021 – $680) has been recorded in the consolidated statement of income.

11. OTHER ASSETS

		As at October 31 2022		As at October 31 2021
Accounts receivable and other receivables	**$**	**13,926**	$	12,124
Prepaid expenses		**22,186**		21,565
Total	**$**	**36,112**	$	33,689

12. PROPERTY AND EQUIPMENT

		Land		**Buildings**		**Leasehold Improvement**		**Furniture, Office Equipment and Vehicles**		**Computer Equipment**		**Total**
Cost												
Balance as at October 31, 2020	$	26,354	$	157,589	$	40,911	$	29,882	$	25,328	$	280,064
Additions		-		1,963		1,287		4,075		2,490		9,815
Disposals		-		(451)		(1,333)		(2,743)		(549)		(5,076)
Transfer to investment property		-		(87)		-		-		-		(87)
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**
Accumulated Depreciation												
Balance as at October 31, 2020	$	-	$	74,950	$	30,086	$	21,559	$	16,127	$	142,722
Depreciation		-		4,454		1,869		2,184		3,187		11,694
Disposals		-		(256)		(967)		(2,573)		(545)		(4,341)
Transfer from investment property		-		16		-		-		-		16
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**
Net Book Value												
At October 31, 2021		26,354		79,850		9,877		10,044		8,500		134,625
At October 31, 2022		**26,354**		**77,827**		**11,287**		**11,132**		**8,487**		**135,087**

(Canadian $ thousands, except per share amounts)

13. LEASES

	Land	Buildings	Other Equipment	Computer Equipment	Total
Cost					
Balance as at October 31, 2020	$ 2,975	$ 55,245	$ 509	$ 853	$ 59,582
Additions	-	9,548	132	210	9,890
Disposals	(16)	(1,076)	(7)	-	(1,099)
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**
Accumulated Depreciation					
Balance as at October 31, 2020	$ 143	$ 5,453	$ 55	$ 444	$ 6,095
Depreciation	146	5,612	56	253	6,067
Disposals	(10)	(280)	(5)	-	(295)
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**
Net Book Value					
At October 31, 2021	2,680	52,932	528	366	56,506
At October 31, 2022	**2,647**	**62,239**	**579**	**173**	**65,638**

For the year ended October 31, 2022, the Credit Union had non-cash additions to leased assets of $15,823 (2021 – $9,890), lease liabilities of $17,320 (2021 – $10,173) and interest expense related to leases of $2,736 (2021 – $2,436). 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 2022	As at October 31 2021
Within 1 year	**$ 8,107**	$ 7,787
Between 1 and 5 years	**29,876**	24,818
After 5 years	**64,709**	50,348
Total future lease payments	**$ 102,692**	$ 82,953
Less present value discount	**28,679**	20,580
Total lease liabilities	**$ 74,013**	$ 62,373

(Canadian $ thousands, except per share amounts)

14. INVESTMENT PROPERTY

	Land	Buildings	Total
Cost			
Balance as at October 31, 2020	$ 1,523	$ 10,296	$ 11,819
Transfer from property and equipment	-	87	87
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**
Accumulated Depreciation			
Balance as at October 31, 2020	$ -	$ 5,699	$ 5,699
Depreciation	-	315	315
Transfer to property and equipment	-	(16)	(16)
Balance as at October 31, 2021	$ -	$ 5,998	$ 5,998
Depreciation	-	276	276
Transfer to property and equipment	-	(6)	(6)
Balance as at October 31, 2022	**$ -**	**$ 6,268**	**$ 6,268**
Net Book Value			
At October 31, 2021	1,523	4,385	5,908
At October 31, 2022	**1,523**	**4,174**	**5,697**

The fair value of investment property held is $11,664 (2021 – $12,320).

Income Related To Investment Property	**As at October 31 2022**	As at October 31 2021
Rental income	**$ 890**	$ 1,152
Direct operating expense from property generating rental income	**811**	805
Total	**$ 79**	$ 347

Future rental payments receivable are as follows:

	As at October 31 2022	As at October 31 2021
Less than 1 year	**$ 552**	$ 628
Between 1 and 5 years	**1,546**	1,659
More than 5 years	**2,848**	3,178
Total	**$ 4,946**	$ 5,465

(Canadian $ thousands, except per share amounts)

15. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at October 31, 2022			As at October 31, 2021		
	Gross Financial Assets	Gross Financial Liabilities	Net	Gross Financial Assets	Gross Financial Liabilities	Net
Equity-linked options	$ 8,792	$ (8,674)	$ 118	$ 9,507	$ (9,385)	$ 122
Interest rate swaps	-	(39,922)	(39,922)	-	(16,182)	(16,182)
Total	$ 8,792	$ (48,596)	$ (39,804)	$ 9,507	$ (25,567)	$ (16,060)

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 2022	As at October 31 2021
Interest rate swaps					
receive fixed, pay floating	$ 250,000	$ -	$ 600,000	$ 850,000	$ 850,000
Equity-linked options	-	11,975	104,425	116,400	94,150
Total	$ 250,000	$ 11,975	$ 704,425	$ 966,400	$ 944,150

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, 2022, is 57.8% (2021 – 57.6%).

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

Financial Information from Alberta Central	As at October 31 2022	As at October 31 2021
Assets	$ 3,970,597	$ 3,712,622
Liabilities	3,617,518	3,358,076
Revenues	44,457	25,091
Income (loss) before distributions	809	(1,955)
Other comprehensive loss	(10,832)	(4,816)

(Canadian $ thousands, except per share amounts)

16. INVESTMENT IN ASSOCIATE (CONTINUED)

Investment in Associate - Alberta Central		**As at October 31 2022**		As at October 31 2021
Opening balance	**$**	**199,886**	$	197,851
Purchase of additional shares		**7,196**		8,418
Share of profits (losses)		**1,036**		(347)
Share of other comprehensive loss		**(6,256)**		(2,749)
Distributions		**(2,239)**		(3,287)
Total	**$**	**199,623**	$	199,886

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 2022**		As at October 31 2021
Cash	**$**	**48,136**	$	377,270
Term deposits		**1,391,461**		1,035,562
Accrued interest on term deposits		**4,827**		489
Other assets		**2,035**		2,680
Trade payables and other liabilities		**8,991**		1,471

		2022		2021
Interest income	**$**	**5,304**	$	6,267
Interest expense		**1,051**		757
Other income		**604**		753
Membership fees expense		**3,662**		3,108
Other expense		**2,466**		2,244

(Canadian $ thousands, except per share amounts)

17. INTANGIBLE ASSETS

	Purchased Software and Other	Internally Developed Software	Computer Software Under Development	Credit Card Related Intangible	Total
Cost					
Balance as at October 31, 2020	$ 3,530	$ 83,477	$ 6,486	$ 28,707	$ 122,200
Additions	1,600	-	6,105	-	7,705
Disposals	(88)	(1,165)	-	-	(1,253)
Transfers	-	2,947	(2,947)	-	-
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**
Accumulated Amortization					
Balance as at October 31, 2020	$ 2,703	$ 49,816	$ -	$ 7,895	$ 60,414
Amortization	476	8,501	-	2,870	11,847
Disposals	(88)	(1,165)	-	-	(1,253)
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**
Net Book Value					
As at October 31, 2021	1,951	28,107	9,644	17,942	57,644
As at October 31, 2022	**1,485**	**20,852**	**16,103**	**15,071**	**53,511**

(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		2022		2021
Current tax expense				
Based on current year taxable income	$	**24,778**	$	29,623
Adjustments for under (over) provision in prior periods		**98**		(215)
Sub total		**24,876**		29,408
Deferred tax (recovery) expense				
Origination and reversal of temporary differences		**(2,349)**		2,749
Adjustments for under provision in prior periods		**51**		23
Sub total		**(2,298)**		2,772
Total	$	**22,578**	$	32,180

Reconciliation of effective tax rate:

		2022			2021	
Income before income taxes	$	**99,692**		$	143,101	
Income tax expense based on statutory rate		**22,929**	**23.00%**		32,913	23.00%
Effect on non-deductible expenses		**(541)**	**(0.54%)**		(481)	(0.34%)
Adjustments for under (over) provision in prior periods		**149**	**0.15%**		(192)	(0.13%)
Other		**41**	**0.04%**		(60)	(0.04%)
Total income tax expense	$	**22,578**	**22.65%**	$	32,180	22.49%

(Canadian $ thousands, except per share amounts)

18. INCOME TAXES (CONTINUED)

Deferred tax assets and liabilities:

The movement in deferred tax assets and liabilities is:

Deferred Tax Assets and Liabilities	**As at October 31 2021**	**Recognized in Net Income**	**Recognized in OCI**	**As at October 31 2022**
Deferred tax assets (liabilities):				
Member loans	$ **6,768**	$ **(1,190)**	$ **-**	$ **5,578**
Property and equipment	**(12,419)**	**2,518**	**-**	**(9,901)**
Derivative instruments	**84**	**-**	**-**	**84**
Investment in associate	**(9,657)**	**(26)**	**1,439**	**(8,244)**
Employee benefits & other payables	**3,295**	**419**	**(264)**	**3,450**
Leases	**1,349**	**577**	**-**	**1,926**
Net consolidated deferred tax assets (liabilities)	$ **(10,580)**	$ **2,298**	$ **1,175**	$ **(7,107)**

	As at October 31 2020	Recognized in Net Income	Recognized in OCI	As at October 31 2021
Deferred tax assets (liabilities):				
Member loans	$ 11,815	$ (5,047)	$ -	$ 6,768
Property and equipment	(13,884)	1,465	-	(12,419)
Derivative instruments	(170)	254	-	84
Investment in associate	(11,124)	915	552	(9,657)
Employee benefits & other payables	4,059	(641)	(123)	3,295
Leases	1,066	283	-	1,349
Net consolidated deferred tax assets (liabilities)	$ (8,238)	$ (2,771)	$ 429	$ (10,580)

19. BORROWINGS

	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**

	As at October 31 2020	Advances	Repayments	As at October 31 2021	Interest and Fee Payments
Line of credit	$ -	$ 168,248	$ (168,248)	$ -	$ 14
Revolving	-	-	-	-	511
Non-Revolving	200,000	-	-	200,000	2,007
Total	$ 200,000	$ 168,248	$ (168,248)	$ 200,000	$ 2,532

Alberta Central

The Credit Union has a credit facility agreement with Alberta Central in the aggregate amount of $1,180,000 comprising a revolving demand operating line of credit and revolving term loans. Included in the $1,180,000 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.

19. BORROWINGS (CONTINUED)

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.

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.

Non-Revolving Credit Facility
The Credit Union has a $200,000 loan facility that was funded with CIBC on February 1, 2018 and amended on December 21, 2021.

The amended facility is a non-revolving credit facility with interest calculated at a spread above the 30 day banker's acceptance rate. The maturity date of the amended credit facility is February 1, 2023.

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

(Canadian $ thousands, except per share amounts)

20. SECURITIZATION LIABILITIES

	Maturity Date	Interest Rate		**As at October 31 2022**		As at October 31 2021
Securitization liabilities	Nov 3, 2022 to Dec 1, 2028	0.332% to 2.475%	**$**	**690,874**	$	766,784

Securitization liabilities interest payments made for the year are $13,759 (2021 – $19,204). Interest received for unsold mortgage pools during the year are $2,571 (2021 – $3,829).

Securitization of residential and commercial mortgage loans guaranteed by the Canada Mortgage and Housing Corporation through the Canada Mortgage Bonds program, or to third party investors provide the Credit Union with additional sources of liquidity.

The carrying amount as at October 31, 2022, of the associated residential and commercial mortgages held as security is $888,820 (2021 – $981,110). 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.

21. MEMBERS' DEPOSITS

		As at October 31 2022		As at October 31 2021
Demand accounts	**$**	**8,040,517**	$	8,248,673
Term deposits		**4,588,742**		3,634,222
Registered plans		**2,575,438**		2,461,747
Other deposits		**12,645**		13,171
		15,217,342		14,357,813
Accrued interest		**48,122**		22,982
Total	**$**	**15,265,464**	$	14,380,795

22. TRADE PAYABLES AND OTHER LIABILITIES

		As at October 31 2022		As at October 31 2021
Cheques and other items in transit	**$**	**26,723**	$	23,004
Accounts payable		**148,324**		152,682
Credit card points liability		**9,527**		9,249
Dividend and patronage to members		**35,025**		35,208
Deferred income		**8,982**		7,949
Legal provisions		**284**		197
Total	**$**	**228,865**	$	228,289

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.

(Canadian $ thousands, except per share amounts)

22. TRADE PAYABLES AND OTHER LIABILITIES (CONTINUED)

Legal and Contractual Claims		
Balance at October 31, 2020	$	257
Additional provisions recognized		87
Unused amounts reversed		(147)
Balance at October 31, 2021	$	197
Additional provisions recognized		266
Amounts incurred and charged against existing provisions		(179)
Balance at October 31, 2022	**$**	**284**

23. EMPLOYEE BENEFITS

		2022		2021
Short-term employee benefits	**$**	**217,576**	$	208,601
Post-employment benefits		**9,932**		9,698
Termination benefits		**16,901**		215
Total	**$**	**244,409**	$	218,514

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

Plan Cost		**Pension Plans**		**Other Benefit Plans**		**2022**		2021
Net benefit plan cost in net income								
Current service cost	**$**	**105**	**$**	**-**	**$**	**105**	$	154
Interest cost		**100**		**42**		**142**		134
Total		**205**		**42**		**247**		288
Defined contribution registered retirement savings plan - Credit Union contributions		**9,936**		**-**		**9,936**		10,054
Total		**10,141**		**42**		**10,183**		10,342
Actuarial loss (gain) recognized in other comprehensive income		**404**		**(1,229)**		**(825)**		321
Total	**$**	**10,545**	**$**	**(1,187)**	**$**	**9,358**	$	10,663

Accrued Benefit Obligation and Liability		**Pension Plans**		**Other Benefit Plans**		**As at October 31 2022**		As at October 31 2021
Unfunded accrued benefit obligation								
Balance, beginning of year	**$**	**3,788**	**$**	**1,728**	**$**	**5,516**	$	8,126
Current service cost [(1)]		**105**		**-**		**105**		154
Interest cost [(1)]		**100**		**42**		**142**		134
Benefits paid		**(247)**		**(57)**		**(304)**		(2,498)
Actuarial gain		**(692)**		**(454)**		**(1,146)**		(400)
Balance, end of year	**$**	**3,054**	**$**	**1,259**	**$**	**4,313**	$	5,516

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

(Canadian $ thousands, except per share amounts)

23. EMPLOYEE BENEFITS (CONTINUED)

	Pension Plans		Other Benefit Plans	
	2022	2021	**2022**	2021
Discount rate	**5.30%**	2.70%	**5.30%**	2.50%

Changes in the assumed health care cost trend rates for the post-retirement benefit plans for the year ended October 31, 2022, are:

Effect on:	**Inflation increased by 1%**	**Discount rate decreased by 1%**
Accrued benefit obligation	$ 2	$ 112

Experience Adjustments	**2022**	2021
Accrued benefit obligation and liability	**$ 4,313**	$ 5,516
Experience gain	**(1,146)**	(400)
Tax expense	**264**	123
Net experience gain	**$ (882)**	$ (277)
Defined benefit contributions expected to be paid in 2023	**$ 304**	

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

(Canadian $ thousands, except per share amounts)

24. SHARE CAPITAL (CONTINUED)

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 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	

	Issued and Outstanding as at October 31 2020	Issued	Redeemed and Transferred	Dividends Declared	Issued and Outstanding as at October 31 2021	Investment Share Liability Portion
Common shares total	$ 566,375	$ 34,017	$ (32,356)	$ 14,339	$ 582,375	
Investment shares						
Series A	53,322	-	(1,375)	1,864	53,811	-
Series B	8,164	-	(345)	281	8,100	-
Series C	21,012	-	(678)	729	21,063	-
Series D	32,308	-	(1,413)	1,108	32,003	-
Series E	4,434	-	(216)	167	4,385	430
Series F	582	-	(7)	21	596	-
Series G	352	-	(7)	12	357	-
Investment shares total	$ 120,174	$ -	$ (4,041)	$ 4,182	$ 120,315	$ 430
Share capital total	$ 686,549	$ 34,017	$ (36,397)	$ 18,521	$ 702,690	

Patronage and Dividends Payable in Cash or Shares	**2022**	2021
Patronage allocation to members in cash	**$ 36,050**	$ 36,127
Common share dividend	**22,113**	14,339
Investment share dividend	**6,021**	4,182
Total	**$ 64,184**	$ 54,648

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 (%)	**2022**	2021
Common share	**4.00%**	2.60%
Investment share	**5.00% - 5.50%**	3.60%

(Canadian $ thousands, except per share amounts)

25. INVESTMENT INCOME

		2022		2021
Investment income on term deposits and other	**$**	**14,882**	$	6,332
Unrealized gain (loss) on derivative instruments		**(14,937)**		(17,370)
Realized (loss) gain on derivative instruments		**(8,057)**		2,229
Total	**$**	**(8,112)**	$	(8,809)

26. OTHER INTEREST EXPENSE

		2022		2021
Term loans	**$**	**4,531**	$	2,339
Line of credit		**129**		14
Securitization liabilities		**15,700**		24,437
Other		**73**		65
Total	**$**	**20,433**	$	26,855

27. OTHER INCOME

		2022		2021
Account service charges	**$**	**35,919**	$	32,528
Loan and prepayment fees		**15,153**		18,656
Commissions		**14,831**		13,830
Wealth management revenue		**27,575**		24,371
Credit card revenue		**32,627**		27,789
Insurance revenue		**10,123**		13,166
Registries revenue		**344**		334
Foreign exchange income		**3,948**		2,816
Gain on loan modifications		**-**		2,596
Other		**4,688**		3,860
Total	**$**	**145,208**	$	139,946

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, 2022, and 2021, the Credit Union's capital ratio was greater than the minimum requirement.

The chart below details the amounts that are included in the 2022 and 2021 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 2022		As At October 31 2021
Primary Capital:				
Retained earnings	$	**1,106,390**	$	1,050,939
Common shares		**579,893**		582,375
Investment shares (qualifying as primary)		**109,643**		108,670
Accumulated other comprehensive income		**6,518**		10,453
Total primary capital		**1,802,444**		1,752,437
Secondary Capital:				
Credit loss allowance - performing		**21,662**		27,339
Deferred income tax liabilities		**7,107**		10,580
Investment shares (qualifying as secondary)		**12,182**		12,075
Total secondary capital		**40,951**		49,994
Deductions From Primary Capital:				
Intangible assets		**53,511**		57,644
Subsidiary and affiliate investments		**35,244**		42,703
Total deductions from capital		**88,755**		100,347
Total capital available	$	**1,754,640**	$	1,702,084
Capital as % of Risk Weighted Assets				
Total capital as % of risk weighted assets		**16.37%**		17.42%
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		**9.57%**		9.75%
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 $48,322 (2021 – $47,906). 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 2022**		As at October 31 2021
Original term to maturity of one year or less	**$**	**4,622,983**	$	4,409,209
Original term to maturity of more than one year		**193,262**		92,055
Total	**$**	**4,816,245**	$	4,501,264

(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 2022**		As at October 31 2021
Total contractual amount	**$**	**268**	$	229
Cost to date		**-**		40
Remaining commitment	**$**	**268**	$	189

The Credit Union also has a callable unfunded capital commitment of $77 (2021 – $111) 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 2022**		As at October 31 2021
Within 1 year	**$**	**3,449**	**$**	**16,061**	**$**	**19,510**	$	13,166
Between 1 and 5 years		**9,748**		**18,155**		**27,903**		19,801
After 5 years		**5,029**		**1,440**		**6,469**		4,994
Total	**$**	**18,226**	**$**	**35,656**	**$**	**53,882**	$	37,961

As of October 31, 2022, the Credit Union is committed to one lease that has been signed but has not yet commenced. The leased asset value of this contract is $1,974 at the time of commencement. This contract is not included in the leased assets or leased liabilities presented in the consolidated financial statements.

Contingent Liabilities
There are various legal proceedings and actions that arise from the normal course of business and are pending at October 31, 2022. 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, 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	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		15,265,464		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		-
Total financial instrument liabilities		$	16,424,976	$	16,327,490	$	(97,486)

As at October 31, 2021	Note		Carrying Value		Fair Value		Fair Value Difference
Financial Instrument Assets							
Cash and cash equivalents	a	$	603,208	$	603,208	$	-
Interest bearing deposits with financial institutions	c,e		1,036,113		1,036,554		441
Assets at fair value through profit or loss	d		9,785		9,785		-
Members' loans	b,c,e		15,314,479		15,373,576		59,097
Other	a		12,134		12,134		-
Total financial instrument assets			16,975,719		17,035,257		59,538
Financial Instrument Liabilities							
Members' deposits	b,c		14,380,795		14,391,257		10,462
Liabilities at fair value through profit or loss	d		25,567		25,567		-
Borrowings	b		200,000		200,000		-
Securitization liabilities	c		766,784		779,625		12,841
Payables and other financial liabilities	a		220,573		220,573		-
Total financial instrument liabilities		$	15,593,719	$	15,617,022	$	23,303

(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.

(Canadian $ thousands, except per share amounts)

30. 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 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

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

As at October 31, 2021	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative assets	$ -	$ 9,507	$ -	$ 9,507
Investment shares in entities [1]	-	-	51	51
Shares in Concentra Bank [1]	-	-	227	227
Total	$ -	$ 9,507	$ 278	$ 9,785
Financial Liabilities				
Member shares - Series E	-	430	-	430
Derivative liabilities	-	25,567	-	25,567
Total	$ -	$ 25,997	$ -	$ 25,997

Fair value measurements using Level 3 inputs	
Balance at October 31, 2020	$ 270
Fair value through profit and (loss)	12
Purchases	13
Sales	(17)
Balance at October 31, 2021	$ 278

[1] *Investment shares in entities and Shares in Concentra Bank 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, 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.

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:		**2022**		2021
1% increase in rates	**$**	**(8,038)**	$	(3,179)
1% decrease in rates	**$**	**8,160**	$	(7,008)

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, 2022, the Credit Union's net difference between assets and liabilities in foreign currencies was $1,669 (2021 – $128).

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 2022, the Credit Union's liquidity as at October 31, 2022, 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 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, 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	**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	**8,836,977**	**5,222,517**	**993,951**	**212,019**	**-**	**15,265,464**
Trade payables and other liabilities	**443**	**219,601**	**-**	**-**	**-**	**220,044**
Borrowings	**-**	**200,000**	**-**	**-**	**-**	**200,000**
Securitization liabilities	**-**	**212,834**	**327,057**	**146,992**	**3,991**	**690,874**
Total financial liabilities	**$ 8,837,420**	**$ 5,854,952**	**$ 1,321,008**	**$ 359,011**	**$ 3,991**	**$ 16,376,382**
Net maturities	**$ (6,873,172)**	**$ (777,140)**	**$ 4,077,556**	**$ 4,862,257**	**$ 171,038**	**$ 1,460,539**

As at October 31, 2021	Non-Maturities	Less than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Financial Assets						
Cash and cash equivalents	$ 603,208	$ -	$ -	$ -	$ -	$ 603,208
Investments	351	960,631	37,408	38,011	-	1,036,401
Members' loans	2,009,115	4,069,825	5,023,780	4,086,133	125,626	15,314,479
Accounts receivable	-	11,889	-	-	-	11,889
Total financial assets	$ 2,612,674	$ 5,042,345	$ 5,061,188	$ 4,124,144	$ 125,626	$ 16,965,977
Financial Liabilities						
Members' deposits	9,167,598	3,662,382	1,435,911	114,892	12	14,380,795
Trade payables and other liabilities	430	219,902	242	-	-	220,574
Borrowings	-	200,000	-	-	-	200,000
Securitization liabilities	-	242,869	404,619	115,223	4,073	766,784
Total financial liabilities	$ 9,168,028	$ 4,325,153	$ 1,840,772	$ 230,115	$ 4,085	$ 15,568,153
Net maturities	$ (6,555,354)	$ 717,192	$ 3,220,416	$ 3,894,029	$ 121,541	$ 1,397,824

(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, 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	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	1,354,885	15,265,464
Effective yield (%)	*1.32%*	*1.57%*	*1.54%*	*2.66%*	*1.57%*	-	*1.55%*
Other liabilities	-	-	-	-	-	367,939	367,939
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)	$ -

As at October 31, 2021	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	$ 577,270	$ -	$ -	$ -	$ -	$ 25,938	$ 603,208
Effective yield (%)	*0.30%*	-	-	-	-	-	*0.29%*
Investment in associate	-	-	-	-	-	199,886	199,886
Investments	-	683,608	187,763	88,771	74,407	1,852	1,036,401
Effective yield (%)	-	*0.28%*	*0.21%*	*0.30%*	*1.46%*	-	*0.35%*
Members' loans	3,299,138	819,293	720,311	1,612,238	8,634,516	228,983	15,314,479
Effective yield (%)	*3.48%*	*3.16%*	*3.17%*	*3.15%*	*3.13%*	-	*3.16%*
Other assets	-	-	-	-	-	300,978	300,978
	3,876,408	1,502,901	908,074	1,701,009	8,708,923	757,637	17,454,952
Liabilities and Equity							
Members' deposits	7,035,574	1,221,058	746,662	1,669,531	2,380,923	1,327,047	14,380,795
Effective yield (%)	*0.18%*	*0.98%*	*1.12%*	*0.84%*	*0.84%*	-	*0.46%*
Other liabilities	-	-	-	-	-	343,291	343,291
Borrowings	-	200,000	-	-	-	-	200,000
Effective yield (%)	-	*0.93%*	-	-	-	-	*0.93%*
Securitization liabilities	-	47,609	35,614	159,833	524,825	(1,097)	766,784
Effective yield (%)	-	*4.08%*	*1.74%*	*2.22%*	*2.27%*	-	*2.35%*
Equity	-	-	-	-	-	1,764,082	1,764,082
	7,035,574	1,468,667	782,276	1,829,364	2,905,748	3,433,323	17,454,952
Off Statement of Financial Position							
Notional value of assets derivative financial instruments	-	-	-	-	850,000	-	850,000
Notional value of liabilities derivative financial instruments	(850,000)	-	-	-	-	-	(850,000)
Sub total	(850,000)	-	-	-	850,000	-	-
Net 2021 position	$ (4,009,166)	$ 34,234	$ 125,798	$ (128,355)	$ 6,653,175	$ (2,675,686)	$ -

(Canadian $ thousands, except per share amounts)

33. RELATED PARTY DISCLOSURES

Related parties of the Credit Union include subsidiaries, key management personnel, close family members of key management personnel, entities subject to significant influence and employees of the Credit Union.

Associates

Refer to Note 16 for a summary of related party transactions with Alberta Central.

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	2022
Chief Executive Officer (CEO)	**$ 1,458**	**$ 57**	**$ 136**	**$ 1,651**
Chief Financial Officer (CFO)	**608**	**36**	**29**	**673**
Chief Operating Officer (COO)	**654**	**36**	**29**	**719**
Chief Risk Officer (CRO)[1]	**480**	**27**	**27**	**534**
Chief Information & Payments Officer (CIPO)	**555**	**31**	**29**	**615**
Chief Credit Officer (CCO)[2]	**23**	**2**	**2**	**27**
Chief Transformation Officer (CTO)[3]	**589**	**33**	**26**	**648**
Chief People & Corporate Services Officer (CPO)[4]	**22**	**3**	**5**	**30**
Total	**$ 4,389**	**$ 225**	**$ 283**	**$ 4,897**

[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

	Salary and Bonus	Benefits	Post Employment Benefits	2021
Chief Executive Officer (CEO) [1]	$ 722	$ 36	$ 148	$ 906
Chief Executive Officer (CEO) [2]	740	30	60	830
Chief Financial Officer (CFO)	591	34	28	653
Chief Operating Officer (COO)	599	33	28	660
Chief Information Officer (CIO) [3]	90	4	4	98
Chief Information & Payment Officer (CIPO)	538	30	28	596
Chief Credit Officer (CCO)	537	30	28	595
Chief People & Corporate Services Officer (CPO)	524	36	28	588
Chief Marketing & Digital Banking Officer (CMO)	527	30	27	584
Chief Member Experience Officer (CMEO) [4]	388	20	129	537
Total	$ 5,256	$ 283	$ 508	$ 6,047

[1] The CEO position was occupied by 2 officers during the year. Amount reported relates to prior officer
[2] The CEO position was occupied by 2 officers during the year. Amount reported relates to current officer
[3] The CIO position was eliminated effective December 2020
[4] The CMEO position was eliminated effective May 2021

(Canadian $ thousands, except per share amounts)

33. RELATED PARTY DISCLOSURES (CONTINUED)

Directors' Compensation and Expenses		**2022**		2021
Compensation to directors	**$**	**714**	$	727
Expenses incurred by directors		**107**		20
Total	**$**	**821**	$	747

Compensation to directors ranged from $14 (2021 – $26) to $84 (2021 – $93) with an average of $55 (2021 – $56).

Short-term employee benefits include employee benefits that are payable within 12 months after October 31 of each year and include salary, bonus, benefits and allowances. Post-employment benefits are employee benefits that are payable after the completion of employment and include compensation made to retirement and pension plans. Other long-term benefits are benefits that are payable more than 12 months after October 31 of each year. Termination benefits are benefits payable as a result of an employee's employment being terminated and include severance payments and accruals for pending severance offers.

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 2022**		As at October 31 2021
Key management personnel	**$**	**2,301**	$	2,027
Board of directors		**6,713**		4,842
Other employees		**357,132**		401,074
Total	**$**	**366,146**	$	407,943

Members' Deposits		**As at October 31 2022**		As at October 31 2021
Key management personnel	**$**	**337**	$	640
Board of directors		**2,428**		2,841
Other employees		**150,046**		170,836
Total	**$**	**152,811**	$	174,317

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. EVENTS AFTER THE REPORTING PERIOD

On November 1, 2022, the Credit Union's five registries were amalgamated into a newly incorporated entity called Servus Registries Ltd. The amalgamation does not have a financial impact on the Credit Union's consolidated financial statements.

On November 1, 2022, Equitable Bank completed the acquisition of Concentra Bank, and has established that it will buy back shares from shareholders at a premium. As at October 31, 2022, the Credit Union holds investment shares in Concentra Bank, and an adjustment has been made to increase the carrying value of the shares by $1,219 based on an estimation of the anticipated premium. The acquisition of shares from the Credit Union is expected to be finalized in fiscal year 2023.

Subsequent to October 31, 2022, the Credit Union entered discussions with a real-estate member regarding the terms of a large commercial loan held by the member. This event resulted in the loan being classified as impaired in fiscal year 2023. The discussions are currently ongoing and the impact on the expected credit loss is not determinable at this time. At October 31, 2022, the loan has a carrying amount of $27,000 and a Stage 2 ECL of $505.

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