SERVUS CREDIT UNION LTD.
Interim Condensed Consolidated Financial Statements

For the three and nine months ended July 31, 2023
(unaudited)

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

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

	Notes		July 31 2023		October 31 2022
Assets					
Cash and cash equivalents [(1)]	11	**$**	**88,538**	$	80,810
Investments	3		**1,402,779**		1,398,015
Members' loans and leases	4,11		**17,784,783**		16,344,134
Income taxes receivable			**-**		8,840
Assets held for sale	11		**3,274**		2,201
Other assets			**41,379**		36,112
Property and equipment			**133,912**		135,087
Leased assets			**64,479**		65,638
Investment property			**5,589**		5,697
Derivative financial assets	7		**7,733**		8,792
Investment in associate			**209,619**		199,623
Intangible assets	11		**55,475**		53,511
Goodwill	11		**21,225**		-
Total assets			**19,818,785**		18,338,460
Liabilities					
Borrowings			**15,927**		200,000
Securitization liabilities	11		**1,179,549**		690,874
Members' deposits			**16,462,491**		15,262,118
Trade payables and other liabilities	11		**217,039**		232,211
Lease liabilities			**73,840**		74,013
Income taxes payable			**3,998**		-
Allowance for off balance sheet credit instruments	4,5		**5,334**		4,602
Derivative financial liabilities	7		**34,749**		48,596
Investment shares			**451**		443
Defined benefit plans			**4,327**		4,313
Deferred income tax liabilities			**2,987**		7,107
Total liabilities			**18,000,692**		16,524,277
Equity					
Share capital			**657,131**		701,275
Retained earnings			**1,157,209**		1,106,390
Accumulated other comprehensive income			**3,753**		6,518
Total equity			**1,818,093**		1,814,183
Total liabilities and equity		**$**	**19,818,785**	$	18,338,460

[(1)] *Cash and cash equivalents includes restricted cash for the nine months ended July 31, 2023 of $8,626 (2022 - $0)*

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

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

	Notes	Three months ended July 31 2023	Three months ended July 31 2022	Nine months ended July 31 2023	Nine months ended July 31 2022
Interest income					
Members' loans and leases		**$ 208,193**	$ 144,882	**$ 577,274**	$ 401,239
Investments, including derivatives	8	**10,566**	3,927	**32,718**	(5,578)
Total interest income		**218,759**	148,809	**609,992**	395,661
Interest expense					
Members' deposits		**96,483**	31,569	**246,980**	65,440
Other interest expense		**8,970**	4,870	**22,978**	14,344
Total interest expense		**105,453**	36,439	**269,958**	79,784
Net interest income		**113,306**	112,370	**340,034**	315,877
Other income		**38,135**	34,538	**115,551**	105,893
Share of (losses) profits from associate		**(469)**	(193)	**(410)**	1,715
Net interest income and other income		**150,972**	146,715	**455,175**	423,485
Provision for credit losses	5	**4,738**	5,762	**33,244**	4,963
Net interest income and other income after provision for (recovery of) credit losses		**146,234**	140,953	**421,931**	418,522
Operating expenses					
Personnel		**64,427**	72,638	**189,882**	190,231
General		**31,870**	26,267	**96,264**	76,642
Occupancy		**4,848**	4,118	**13,768**	12,664
Member security		**2,896**	2,704	**8,516**	7,825
Depreciation		**4,932**	4,603	**14,522**	13,665
Organization		**1,383**	1,202	**3,729**	3,587
Impairment of assets		**207**	183	**1,003**	489
Amortization		**2,845**	2,790	**8,287**	8,405
Total operating expenses		**113,408**	114,505	**335,971**	313,508
Income before patronage allocation to members and income taxes		**32,826**	26,448	**85,960**	105,014
Patronage allocation to members		**8,888**	9,875	**26,543**	27,626
Income before income taxes		**23,938**	16,573	**59,417**	77,388
Income taxes		**5,863**	3,557	**13,642**	17,531
Net income		**$ 18,075**	$ 13,016	**$ 45,775**	$ 59,857

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

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

	Three months ended July 31 2023	Three months ended July 31 2022	Nine months ended July 31 2023	Nine months ended July 31 2022
Net income	**$ 18,075**	$ 13,016	**$ 45,775**	$ 59,857
Other comprehensive income for the year, net of tax:				
Items that will not be reclassified to profit or loss:				
Share of other comprehensive income (loss) from associate				
Actuarial gain on defined benefit pension plans (1)	**-**	-	**310**	18
Change in unrealized gain (loss) on equity securities at fair value through other comprehensive income securities (2)	**26**	(57)	**1,227**	3,484
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive (loss) income from associate				
Change in unrealized (loss) gain on debt securities at fair value through other comprehensive income securities (3)	**(1,940)**	(2,668)	**1,568**	(7,526)
Reclassification adjustments for realized (loss) gain on debt securities (4)	**(460)**	173	**(826)**	422
Total other comprehensive (loss) income	**$ (2,374)**	$ (2,552)	$ 2,279	$ (3,602)
Total comprehensive income	**$ 15,701**	$ 10,464	**$ 48,054**	$ 56,255

(1) *Net of income tax expense for the nine months ended July 31, 2023 of $93 (2022 - $6)*

(2) *Net of income tax expense (recovery) for the three months ended July 31, 2023 of $8 (2022 - $(17)), for the nine months ended July 31, 2023 of $366 (2022 - $1,040)*

(3) *Net of income tax (recovery) expense for the three months ended July 31, 2023 of $(580) (2022 - $(797)), for the nine months ended July 31, 2023 of $468 (2022 - $(2,248))*

(4) *Net of income tax (recovery) expense for the three months ended July 31, 2023 of $(137) (2022 - $52), for the nine months ended July 31, 2023 of $(246) (2022 - $127)*

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

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

	Share Capital					
	Common Shares	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	12,062	-	12,062	-	-	12,062
Redemption of share capital	(33,800)	(4,471)	(38,271)	-	-	(38,271)
Net income	-	-	-	59,857	-	59,857
Share of other comprehensive income from associate	-	-	-	-	(3,602)	(3,602)
Balance at July 31, 2022	$ 560,637	$ 115,844	$ 676,481	$ 1,110,796	$ 6,851	$ 1,794,128

	Share Capital					
	Common Shares	**Investment Shares**	**Total Share Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Total Equity**
Balance at October 31, 2022	**$ 579,893**	**$ 121,382**	**$ 701,275**	**$ 1,106,390**	**$ 6,518**	**$ 1,814,183**
Changes in equity						
Issues of share capital	**3,975**	**-**	**3,975**	**-**	**-**	**3,975**
Redemption of share capital	**(41,733)**	**(6,386)**	**(48,119)**	**-**	**-**	**(48,119)**
Net income	**-**	**-**	**-**	**45,775**	**-**	**45,775**
Share of other comprehensive loss from associate	**-**	**-**	**-**	**-**	**2,279**	**2,279**
Share of reclassification of accumulated other comprehensive income to retained earnings from associate [1]	**-**	**-**	**-**	**5,044**	**(5,044)**	**-**
Balance at July 31, 2023	**$ 542,135**	**$ 114,996**	**$ 657,131**	**$ 1,157,209**	**$ 3,753**	**$ 1,818,093**

[1] *Alberta Central sold shares of an investment, which resulted in a reclassification of accumulated other comprehensive income to retained earnings. The amount reported is the Credit Union's portion of the reclassification, net of income tax expense for the nine months ended July 31, 2023 of $1,507*

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

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

	Nine months ended July 31 2023	Nine months ended July 31 2022
Cash flows from (used in) operating activities		
Net income	**$ 45,775**	$ 59,857
Adjustments for non-cash items and others		
Net interest income [1]	**(340,034)**	(315,877)
Provision for credit losses	**33,244**	4,963
Share of losses (profits) from investment in associate	**410**	(1,715)
Depreciation	**14,522**	13,665
Amortization	**8,287**	8,405
Impairment of assets	**1,003**	489
Gain on leased assets	**(1)**	(3)
Gain on assets held for sale	**(439)**	(136)
(Gain) loss on disposal of property and equipment	**(317)**	185
Income taxes	**13,642**	17,531
Adjustments for net changes in operating assets and liabilities		
Change in members' loans and leases	**(1,335,104)**	(781,281)
Change in members' deposits	**1,122,499**	746,785
Change in assets held for sale	**(5,573)**	(1,966)
Change in derivatives, net	**(12,788)**	14,337
Change in other assets, provisions, and trade payables and other liabilities, net	**(27,650)**	5,725
Income taxes paid, net	**(5,605)**	(25,636)
Interest received	**590,147**	386,490
Interest paid	**(185,162)**	(74,711)
Net cash (used in) from operating activities	**(83,144)**	57,107
Cash flows from (used in) investing activities		
Additions to intangible assets	**(6,711)**	(5,414)
Additions to property and equipment, and investment property	**(8,608)**	(6,624)
Proceeds on disposal of property and equipment, and investment property	**681**	70
Proceeds on disposal of assets held for sale	**6,059**	2,534
Purchase of Alberta Central shares	**(9,796)**	(7,196)
Distributions from Alberta Central	**2,349**	2,239
Purchase of investments, net	**(2,388)**	(226,989)
Acquisition of business	**(13,783)**	-
Cash and restricted cash acquired	**9,410**	-
Changes in working capital related to acquisition of business	**2,722**	-
Net cash used in investing activities	**(20,065)**	(241,380)
Cash flows from (used in) financing activities		
Repayment of term loans and lines of credit, net	**(184,073)**	20,364
Repayment of term loans and lines of credit acquired, net	**(17,863)**	-
Repayment of bank debt acquired	**(1,715)**	-
Advances of securitization liabilities	**557,974**	137,044
Repayments of securitization liabilities	**(195,267)**	(254,266)
Repayments of principal portion of lease liabilities	**(3,975)**	(3,947)
Shares issued	**3,975**	12,062
Shares redeemed	**(48,119)**	(38,271)
Net cash from (used in) financing activities	**110,937**	(127,014)
Decrease in cash and cash equivalents	**7,728**	(311,287)
Cash and cash equivalents, beginning of period	**80,810**	603,208
Cash and cash equivalents, end of period	**$ 88,538**	$ 291,921

[1] *Net interest income includes a fair value (gain) loss on derivatives for the nine months ended July 31, 2023 of $(11,202) (2022 - $11,265)*

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

1. BASIS OF PRESENTATION

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

These Interim Condensed Consolidated Financial Statements were approved by the Audit and Finance Committee on September 26, 2023.

Use of Estimates, Assumptions and Critical Judgments
The preparation of the Interim Condensed Consolidated Financial Statements requires management to make estimates, assumptions and critical judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and related disclosures. Estimates and underlying assumptions required under International Financial Reporting Standards (IFRS) are best estimates undertaken in accordance with the applicable standards and are reviewed on a continuous basis.

Estimates and assumptions have been used in the following areas: income taxes; deferred tax assets and liabilities; fair values of financial instruments; expected credit losses; measurement of provisions; the useful lives of property, equipment, and intangible assets; valuation of leased assets and lease liabilities; credit card points liability; defined benefit plans; fair value less costs to sell for assets held for sale; and the fair value of assets and liabilities acquired in a business combination, including contingent consideration. Actual results may differ significantly from these estimates, and the impact of any such differences will be recorded in future periods.

Critical judgments have been made in the following areas: impairment of non-financial assets, expected credit loss allowance (ECL), classification of financial instruments, classification of leases as a lessor, valuation of leased assets and lease liabilities and accounting for investment in associate. Less critical judgments have been applied to modification and derecognition of assets.

Provincially, financial markets remain volatile with inflation and interest rates driving borrowing costs higher. Although this will deter spending, population growth and rising employment are key contributors to Alberta's overall positive economic outlook. These competing factors have a significant impact on management's estimates and assumptions in preparing the Interim Condensed Consolidated Financial Statements. One area of significant judgment affected strongly by the economic environment is the estimate for ECL; refer to Note 6 for more details.

2. ACCOUNTING POLICIES

These Interim Condensed Consolidated Financial Statements have been prepared following the same accounting policies and methods as those used in preparing the Credit Union’s 2022 annual consolidated financial statements, as well as additional accounting policies which are in effect for these interim condensed consolidated financial statements and future periods. The additional accounting policies are:

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

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

2. ACCOUNTING POLICIES (CONTINUED)

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

Goodwill
Goodwill is initially measured at cost and is calculated as the excess of the purchase price for an acquired business over the fair value of acquired net identifiable assets and liabilities and is allocated to the cash-generating units (CGU) to which it relates.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Subsequent reversals of goodwill impairment are prohibited.

Goodwill is evaluated for impairment against the carrying amount of the CGU at least annually. The carrying amount of the CGU includes the carrying amounts of assets, liabilities and allocated goodwill. If the recoverable amount is less than the carrying value, the impairment loss is first allocated to reduce the carrying amount of any allocated goodwill and then to the other non-financial assets of the CGU proportionally based on the carrying amount of each asset. Any impairment loss is charged to profit or loss in the period when the impairment is identified.

Intangible assets acquired through business combinations
Intangible assets acquired through business combinations have limited lives and include customer relationships. Customer relationships represent the fair value of future cash flows from leased assets expected to be generated from existing customers at the time of acquisition. This intangible is amortized as earnings are realized based on forecasted leased asset growth rates and anticipated annual attrition rates over a ten-year period.

Restricted cash
The Credit Union acquired restricted cash as part of the acquisition of a leasing company (note 11). The restricted cash represents funds in connection with securitization activities. The securitization agreements require these funds to be held in trust as security on securitized lease receivables.

Finance lease accounting
The leasing company acquired by Servus (note 11) provides financing to customers through finance leases.

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

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

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

(Canadian $ thousands)

2. ACCOUNTING POLICIES (CONTINUED)

IFRS Amendments
The following are amendments to standards applicable to the current year:

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

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

3. INVESTMENTS

		As at July 31 2023		As at October 31 2022
Term deposits with Alberta Central	$	**1,395,282**	$	1,391,461
Other		**108**		1,541
		1,395,390		1,393,002
Accrued interest		**7,391**		5,015
		1,402,781		1,398,017
ECL allowance on investments		**(2)**		(2)
Total	$	**1,402,779**	$	1,398,015

4. MEMBERS' LOANS AND LEASES

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			
As at July 31, 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Allowance for Credit Losses**	**Total Net of Allowance**
Members' Loans and Leases						
Residential mortgages	$ 8,436,215	$ 671,645	$ 16,014	$ 9,123,874	$ 5,185	$ 9,118,689
Commercial [(1)]	7,113,076	284,377	98,810	7,496,263	47,696	7,448,567
Consumer [(2)]	1,120,034	102,677	4,494	1,227,205	9,678	1,217,527
Total members' loans and leases	$ 16,669,325	$ 1,058,699	$ 119,318	$ 17,847,342	$ 62,559	$ 17,784,783
Off Balance Sheet Credit Instruments						
Residential mortgages	$ 2,209,290	$ 36,716	$ 3	$ 2,246,009	$ 343	$ 2,245,666
Commercial [(1)]	1,737,455	17,376	160	1,754,991	1,953	1,753,038
Consumer [(2)]	1,049,647	22,055	249	1,071,951	3,038	1,068,913
Total off balance sheet credit instruments	$ 4,996,392	$ 76,147	$ 412	$ 5,072,951	$ 5,334	$ 5,067,617

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

(Canadian $ thousands)

4. MEMBERS' LOANS AND LEASES (CONTINUED)

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

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

5. ALLOWANCE FOR CREDIT LOSSES

Key Data and Assumptions
Estimating the ECL is based on a set of inputs, assumptions and methodologies placed around credit risk and future looking indicators and therefore requires significant judgment. Management has made complex and subjective judgments to assess the adequacy of the assumptions used to calculate the ECL as at July 31, 2023.

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

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

The macroeconomic factors used in the model that affect the Credit Union ECL calculations are:
- Alberta unemployment rates
- Canadian unemployment rates (Credit Card book only)
- Alberta housing price index
- The rate spread between the three-month Bank of Canada bond and three-month Bankers' Acceptance rates

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

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

At July 31, 2023, management has not applied an overlay (October 31, 2022 - $0) to the calculated ECL.

(Canadian $ thousands)

5. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

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

	Residential Mortgages	Commercial [1]	Consumer [2]	Total
As at October 31, 2022	**$ 4,744**	**$ 27,526**	**$ 11,428**	**$ 43,698**
Acquisition, June 1, 2023	**-**	**409**	**-**	**409**
Recoveries of previous loan write-offs	**30**	**121**	**3,289**	**3,440**
Provision charged to net income	**3,166**	**24,839**	**5,239**	**33,244**
	7,940	**52,895**	**19,956**	**80,791**
Loans written off	**(2,412)**	**(3,246)**	**(7,240)**	**(12,898)**
As at July 31, 2023	**$ 5,528**	**$ 49,649**	**$ 12,716**	**$ 67,893**
Presented on Interim Condensed Consolidated Statement of Financial Position as:				
Netted with members' loans and leases	**5,185**	**47,696**	**9,678**	**62,559**
Off balance sheet credit instruments [3]	**343**	**1,953**	**3,038**	**5,334**
Total	**$ 5,528**	**$ 49,649**	**$ 12,716**	**$ 67,893**

[1] Includes commercial loans, credit card, agriculture loans, and lease receivables
[2] Includes consumer loans and credit card
[3] Off balance sheet credit instruments consist of undrawn commitments and financial guarantees

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

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

(Canadian $ thousands)

5. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

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

Allowance for credit losses – Residential Mortgages

	Performing		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at October 31, 2022	**$ 1,476**	**$ 2,178**	**$ 1,090**	**$ 4,744**
Transfers				
Stage 1 (1)	**566**	**(556)**	**(10)**	**-**
Stage 2 (1)	**(92)**	**205**	**(113)**	**-**
Stage 3 (1)	**(3)**	**(67)**	**70**	**-**
New originations (2)	**278**	**584**	**30**	**892**
Repayments (3)	**(90)**	**(166)**	**(204)**	**(460)**
Remeasurements (4)	**(303)**	**729**	**2,308**	**2,734**
Loans written off	**-**	**-**	**(2,412)**	**(2,412)**
Recoveries	**-**	**-**	**30**	**30**
As at July 31, 2023	**$ 1,832**	**$ 2,907**	**$ 789**	**$ 5,528**
Presented on Interim Condensed Consolidated Statement of Financial Position as:				
Netted with members' loans and leases	**1,573**	**2,823**	**789**	**5,185**
Off balance sheet credit instruments	**259**	**84**	**-**	**343**
Total	**$ 1,832**	**$ 2,907**	**$ 789**	**$ 5,528**

	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 Interim Condensed Consolidated Statement of Financial Position as:				
Netted with members' loans and leases	1,262	2,119	1,090	4,471
Off balance sheet credit instruments	214	59	-	273
Total	$ 1,476	$ 2,178	$ 1,090	$ 4,744

(1) Stage transfers represent movement between stages

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

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

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

(Canadian $ thousands)

5. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

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

	Performing		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at October 31, 2022	**$ 6,229**	**$ 1,684**	**$ 19,613**	**$ 27,526**
Acquisition, June 1, 2023	**205**	**9**	**195**	**409**
Transfers				
Stage 1 (1)	**493**	**(342)**	**(151)**	**-**
Stage 2 (1)	**(168)**	**225**	**(57)**	**-**
Stage 3 (1)	**(24)**	**(572)**	**596**	**-**
New originations (2)	**1,476**	**390**	**165**	**2,031**
Repayments (3)	**(383)**	**(51)**	**(84)**	**(518)**
Remeasurements (4)	**(1,003)**	**1,900**	**22,429**	**23,326**
Loans written off	**-**	**-**	**(3,246)**	**(3,246)**
Recoveries	**-**	**-**	**121**	**121**
As at July 31, 2023	**$ 6,825**	**$ 3,243**	**$ 39,581**	**$ 49,649**
Presented on Interim Condensed Consolidated Statement of Financial Position as:				
Netted with members' loans and leases	**5,025**	**3,103**	**39,568**	**47,696**
Off balance sheet credit instruments	**1,800**	**140**	**13**	**1,953**
Total	**$ 6,825**	**$ 3,243**	**$ 39,581**	**$ 49,649**

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

(1) *Stage transfers represent movement between stages*
(2) *New originations relate to new loans 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)

5. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Allowance for credit losses – Consumer Loans and Credit Card

	Performing		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at October 31, 2022	**$ 3,842**	**$ 6,251**	**$ 1,335**	**$ 11,428**
Transfers				
Stage 1 (1)	**1,619**	**(1,560)**	**(59)**	**-**
Stage 2 (1)	**(308)**	**528**	**(220)**	**-**
Stage 3 (1)	**(9)**	**(80)**	**89**	**-**
New originations (2)	**824**	**762**	**18**	**1,604**
Repayments (3)	**(221)**	**(339)**	**(89)**	**(649)**
Remeasurements (4)	**(1,225)**	**1,412**	**4,097**	**4,284**
Loans written off	**-**	**-**	**(7,240)**	**(7,240)**
Recoveries	**-**	**-**	**3,289**	**3,289**
As at July 31, 2023	**$ 4,522**	**$ 6,974**	**$ 1,220**	**$ 12,716**
Presented on Interim Condensed Consolidated Statement of Financial Position as:				
Netted with members' loans and leases	**2,771**	**5,688**	**1,219**	**9,678**
Off balance sheet credit instruments	**1,751**	**1,286**	**1**	**3,038**
Total	**$ 4,522**	**$ 6,974**	**$ 1,220**	**$ 12,716**

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

(1) *Stage transfers represent movement between stages*

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

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

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

(Canadian $ thousands)

6. CREDIT QUALITY OF MEMBERS' LOANS AND LEASES

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

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

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

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

As at July 31, 2023	**Residential Mortgages**	**Commercial** [1]	**Consumer** [2]	**Total**
Risk Categories				
Very low risk	$ **3,664,961**	$ **18,168**	$ **409,607**	$ **4,092,736**
Low risk	**3,271,209**	**3,057,057**	**499,598**	**6,827,864**
Medium risk	**1,560,042**	**4,127,541**	**198,770**	**5,886,353**
High risk	**611,648**	**194,687**	**114,736**	**921,071**
Impaired	**16,014**	**98,810**	**4,494**	**119,318**
Total members' loans and leases	$ **9,123,874**	$ **7,496,263**	$ **1,227,205**	$ **17,847,342**

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

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

(1) Includes commercial loans, credit card, and agriculture loans
(2) Includes consumer loans and credit card

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

As at July 31, 2023	**Residential Mortgages**	**Commercial** [1]	**Consumer** [2]	**Total**
Risk Categories				
Very low risk	$ **1,096,548**	$ **202,373**	$ **655,276**	$ **1,954,197**
Low risk	**1,051,286**	**1,196,028**	**315,668**	**2,562,982**
Medium risk	**68,521**	**340,514**	**70,366**	**479,401**
High risk	**29,651**	**15,916**	**30,392**	**75,959**
Impaired	**3**	**160**	**249**	**412**
Total off balance sheet credit instruments	$ **2,246,009**	$ **1,754,991**	$ **1,071,951**	$ **5,072,951**

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

(Canadian $ thousands)

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

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

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

[2] *Includes consumer loans and credit card*

Loans Past Due, as at July 31, 2023	**Up to 30 Days**	**31 to 59 Days**	**60 to 89 Days**	**Over 90 Days**	**Total**
Stage 1					
Residential mortgages	**$ 70,959**	**$ -**	**$ -**	**$ -**	**$ 70,959**
Commercial [1]	**39,413**	**-**	**-**	**-**	**39,413**
Consumer [2]	**13,900**	**-**	**-**	**-**	**13,900**
Stage 2					
Residential mortgages	**27,652**	**40,475**	**9,332**	**6,901**	**84,360**
Commercial [1]	**12,409**	**49,015**	**28,887**	**23,152**	**113,463**
Consumer [2]	**6,791**	**7,850**	**2,014**	**63**	**16,718**
Stage3					
Residential mortgages	**-**	**-**	**-**	**15,802**	**15,802**
Commercial [1]	**59**	**454**	**448**	**92,294**	**93,255**
Consumer [2]	**-**	**-**	**-**	**4,410**	**4,410**
Total	**$ 171,183**	**$ 97,794**	**$ 40,681**	**$ 142,622**	**$ 452,280**

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

[2] *Includes consumer loans and credit card*

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

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

The Credit Union has documented policies and procedures in place for the valuation of financial and non-financial collateral. For impaired loans, 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.

(Canadian $ thousands)

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

Loans by Security		**As at July 31 2023**		As at October 31 2022
Insured loans and mortgages	**$**	**3,151,044**	$	3,068,313
Secured by mortgage		**12,848,338**		11,820,006
Secured by other		**1,223,121**		917,007
Unsecured loans		**375,657**		341,161
Unsecured credit card		**249,182**		236,743
Total	**$**	**17,847,342**	$	16,383,230

7. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at July 31, 2023			As at October 31, 2022		
	Gross Financial Assets	**Gross Financial Liabilities**	**Net**	Gross Financial Assets	Gross Financial Liabilities	Net
Equity-linked options	**$ 7,733**	**$ (7,608)**	**$ 125**	$ 8,792	$ (8,674)	$ 118
Interest rate swaps	**-**	**(27,141)**	**(27,141)**	-	(39,922)	(39,922)
Total	**$ 7,733**	**$ (34,749)**	**$ (27,016)**	$ 8,792	$ (48,596)	$ (39,804)

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

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

	1 to 3 Months	**3 to 12 Months**	**1 to 5 Years**	**As at July 31 2023**	As at October 31 2022
Interest rate swaps					
receive fixed, pay floating	**$ -**	**$ 300,000**	**$ 300,000**	**$ 600,000**	$ 850,000
Equity-linked options	**-**	**32,300**	**83,225**	**115,525**	116,400
Total	**$ -**	**$ 332,300**	**$ 383,225**	**$ 715,525**	$ 966,400

Equity-linked Options

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

Interest Rate Swaps

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

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

(Canadian $ thousands)

8. INVESTMENT INCOME

	Three months ended July 31 2023	Three months ended July 31 2022	Nine months ended July 31 2023	Nine months ended July 31 2022
Investment income on term deposits and other	$ **15,394**	$ 4,593	$ **39,892**	$ 8,009
Unrealized gain (loss) on derivative instruments	**1,777**	1,821	**11,249**	(11,242)
Realized (loss) gain on derivative instruments	**(6,605)**	(2,487)	**(18,423)**	(2,345)
Total	$ **10,566**	$ 3,927	$ **32,718**	$ (5,578)

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

As at July 31, 2023	Note	Carrying Value	Fair Value	Fair Value Difference
Financial Instrument Assets				
Cash and cash equivalents	a	$ 88,538	$ 88,538	$ -
Interest bearing deposits with financial institutions	c,e	1,402,671	1,394,999	(7,672)
Assets at fair value through profit or loss	d	7,819	7,819	-
Members' loans and leases	b,c,e	17,784,783	17,269,610	(515,173)
Other	a	19,699	19,699	-
Total financial instrument assets		19,303,510	18,780,665	(522,845)
Financial Instrument Liabilities				
Members' deposits	b,c	16,462,491	16,420,115	(42,376)
Liabilities at fair value through profit or loss	d	34,749	34,749	-
Borrowings	b	15,927	15,927	-
Securitization liabilities	c	1,179,549	1,143,977	(35,572)
Payables and other financial liabilities	a	206,934	206,934	-
Total financial instrument liabilities		$ 17,899,650	$ 17,821,702	$ (77,948)

(Canadian $ thousands)

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at October 31, 2022	Note		Carrying Value		Fair Value		Fair Value Difference
Financial Instrument Assets							
Cash and cash equivalents	a	$	80,810	$	80,810	$	-
Interest bearing deposits with financial institutions	c,e		1,396,474		1,389,575		(6,899)
Assets at fair value through profit or loss	d		10,314		10,314		-
Members' loans and leases	b,c,e		16,344,134		15,640,214		(703,920)
Other	a		13,944		13,944		-
Total financial instrument assets			17,845,676		17,134,857		(710,819)
Financial Instrument Liabilities							
Members' deposits	b,c		15,262,118		15,183,673		(78,445)
Liabilities at fair value through profit or loss	d		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		223,388		223,388		-
Total financial instrument liabilities		$	16,424,976	$	16,327,490	$	(97,486)

(a) The fair values of cash, other financial assets, borrowings and other liabilities are assumed to approximate book values, due to their short-term nature. Refer also to note 11 with respect to payables and other financial liabilities.
(b) The estimated fair values of floating rate member loans, member deposits and borrowings are assumed to equal their book values since the interest rates reprice when market rates change.
(c) The estimated fair values of interest-bearing deposits with financial institutions, fixed-rate member loans, fixed-rate member deposits and securitization liabilities are determined by discounting the expected future cash flows of these loans and deposits based on yield curves of financial assets and liabilities with similar terms.
(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.
(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:

(Canadian $ thousands)

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at July 31, 2023		**Level 1**		**Level 2**		**Level 3**		**Total**
Financial Assets								
Derivative assets	**$**	**-**	**$**	**7,733**	**$**	**-**	**$**	**7,733**
Investment shares in entities [(1)]		**-**		**-**		**86**		**86**
Total	**$**	**-**	**$**	**7,733**	**$**	**86**	**$**	**7,819**
Financial Liabilities								
Member shares - Series E		**-**		**451**		**-**		**451**
Derivative liabilities		**-**		**34,749**		**-**		**34,749**
Contingent consideration (note 11)		**-**		**-**		**2,110**		**2,110**
Total	**$**	**-**	**$**	**35,200**	**$**	**2,110**	**$**	**37,310**

Financial assets fair value measurements using Level 3 inputs		
Balance at October 31, 2022	$	1,522
Purchases		10
Sales		(1,446)
Balance at July 31, 2023	**$**	**86**

Financial liabilities fair value measurements using Level 3 inputs		
Balance at October 31, 2022	$	-
Contingent consideration (note 11)	$	2,110
Balance at July 31, 2023	**$**	**2,110**

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

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

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

10. COMPARATIVE FIGURES

Certain comparative figures in the interim condensed consolidated statement of financial position, interim condensed consolidated income statement, interim condensed consolidated statement of cash flows, members' loans and leases (note 4), allowance for credit losses (note 5), credit quality of members' loans and leases (note 6), and fair value of financial instruments (note 9) have been adjusted to conform to the current year’s presentation.

(Canadian $ thousands)

11. ACQUISITIONS

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

From the date of acquisition, Stride contributed $1,280 to consolidated net interest income and other income and a loss of $(178) to consolidated net income for the period ended July 31, 2023. If the acquisition had occurred on November 1, 2022, it is estimated that the consolidated net interest income and other income would have been $460,389 and consolidated net income would have been $47,678 for the nine months ended July 31, 2023. In determining these amounts, it has been assumed that all fair values and discount rates would not have been materially different had the acquisition been completed on November 1, 2022.

Due to the proximity of the acquisition to period end, the allocation of the purchase price has been prepared on a provisional basis and changes to the allocation may occur as additional information becomes available concerning the fair value of the assets acquired and the liabilities assumed. The Credit Union expects to continue obtaining information to assist it with determining the fair values of the net assets acquired during the measurement period. Any adjustments to the purchase price allocation will be made as soon as practicable but no later than one year from the acquisition date.

Assets acquired and liabilities assumed

Provisional fair value as of the acquisition date are as follows:

Assets		**As at Jun 1, 2023**
Cash	$	193
Restricted cash		9,217
Accounts receivable		900
Deposits and prepaid expenses		43
Net lease receivable [(1)]		120,589
Assets held for sale		2,123
Property and equipment		33
Customer relationships		3,540
Goodwill		21,225
Total assets		**157,863**
Liabilities		
Bank indebtedness		1,714
Accounts payable and accrued liabilities		284
Deposits and prepaid leases		220
Subordinate debt		17,863
Secured borrowing		123,999
Total liabilities		**144,080**
Total identifable net assets at fair value	**$**	**13,783**

[(1)]Net lease receivable includes the estimated credit loss on lease receivable of $(409).

The goodwill of $21,225 represents the value of expected synergies between Servus and Stride, with Stride having access to capital provided by the Credit Union required to grow the leasing business. In turn, the Credit Union's commercial members benefit from greater access to competitively priced credit for equipment leasing, thereby achieving greater levels of financial fitness. The goodwill recognized is separate from customer relationships because the customer list is comprised of Stride customers as at the acquisition date, while goodwill represents future synergies. The goodwill recognized is not tax deductible upfront, however is eligible for tax cost recovery.

(Canadian $ thousands)

11. ACQUISITIONS (CONTINUED)

Consideration transferred:

As at June 1, 2023	Note		Fair Value
Cash		$	11,061
Note payable			612
Contingent consideration	a		2,110
Total consideration transferred		**$**	**13,783**

(a) Contingent consideration

Servus has agreed to pay Stride additional consideration contingent on Stride meeting a revenue target after acquisition. The revenue target is $228,867 in newly originated leasing revenue for the period between June 1, 2023 and May 31, 2025.

The contingent consideration is a non-interest bearing promissory note payable by Servus issued at June 1, 2023 for a principal amount of $2,500. The present value of the note is $2,110. Bank of Canada bond yield rates were used in determining an appropriate discount rate. The contingent consideration has been estimated based on the forecasted revenue, resulting in the assumption that the full amount will be paid. This estimate is a level 3 input into the fair value and is reassessed at each reporting period.

The final value of the note payable is contingent on meeting the revenue target. The amount payable may be $nil if Stride's newly originated leasing revenue between June 1, 2023 and May 31, 2025 is less than $106,450. The principal amount payable becomes $1,250 if new originations for the stated period are greater than $106,450 but less than $228,867. If newly originated leasing revenue is greater than or equal to $228,867, the full $2,500 becomes payable.

The note payable and contingent consideration are included in Trade payables and other liabilities in the interim condensed consolidated statement of financial position.

Acquisitions costs

The Credit Union incurred acquisition-related costs of $1,444. These have been included in General expenses on the Consolidated statement of income.

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