2023 Annual Report

alberta central™

Message From the President & CEO

2023 was marked by continued economic turmoil and an ongoing cost of living challenge, with central banks pushing policy rates to new heights to combat record inflation levels. In Alberta, the credit union system had to be agile in response to rising rates and member concerns in the face of affordability challenges, while also remaining on top of evolving payments and technology requirements, ever-growing cyber threats, and continuous shifts in the financial services marketplace. Closer to home, 2023 was a transformative year for Alberta's credit unions. The announcement from Servus Credit Union and connectFirst Credit Union of their intent to merge in March and the approval vote from their members by December indicates that change is an ongoing state for the system.

In my role as Alberta Central's CEO over the past year, I continued to engage with system partners, listen to their thoughts and concerns, and provide leadership in the face of market uncertainty. As I see it, this is one of the most vital roles that Alberta Central plays: to strategically respond to system and environmental factors in the ever-changing world of financial services. Throughout 2023, our organization worked hard to be leaders in the face of change, continuously striving to add value to credit unions in all that we do and to ensure a strong and vibrant Alberta system.

Each year, Alberta Central consults with credit union CEOs to better understand their goals, expectations and objectives. And at the end of 2023, they shared that they are feeling generally optimistic about their performance and reasonably positive considering market conditions. They did identify some concerns, such as interest rates, tight margins and decreasing growth across business segments, as well as worries about responding to open banking, operating within the existing regulatory framework, and staying on top of the technology and digital offerings that members expect. And, as expected, the consolidation of the Alberta credit union system certainly has all stakeholders paying close attention to what comes next.

In response to this feedback, I believe our 2024-26 Strategic Plan has done an excellent job of outlining the long-term goals of Alberta Central and the desired future state of the credit union system. In our strategy, we identify three distinct but interconnected roles for Alberta Central: System Services Provider, Payments Connector and System Leadership and Governance. Complimented by our Mission and Values, the strategy envisions a future where the system is thriving and growing and where Alberta Central is a hub of financial services innovation and a strategic system leader. To achieve this, we will need to continue to meet the varied needs of credit unions big and small, while transforming as an organization. I believe that if we fully embrace our three roles, we will thrive in a future system that is very different than the one we operate in today.

By remaining focused on the value and leadership we provide to the credit union system, we can successfully evolve into the Alberta Central of the future.

2024 will be a year of change for our organization, but I see this change as an opportunity. Throughout our transformation, Alberta Central will continue to provide the products, services, knowledge and partnerships credit unions need to be successful and grow and maintain the security and reliability of our core services. Our financial products and services including, liquidity management, commercial syndicated lending, derivatives and capital markets products and services will continue to be offered. We will stay focused on advocating to government for the priorities of the system, increasing awareness of credit unions among Albertans, and sharing expertise and insights from The Intelligence Centre. And we will maintain our support of payments modernization efforts and ensure credit unions have access to critical payment, clearing and settlement infrastructure.

In 2024, we will work to increase understanding of the future direction of the Alberta credit union system. We will continue to provide system leadership and governance across the many boards, committees and working groups we participate in. All the while, we will focus on improving internal processes, enhancing our technology platform, evolving our corporate culture, and responsibly managing our finances. There is much to be done, but I am confident Alberta Central is set-up for success.

At the start of 2023, the leadership team and I knew that we would need to refine the role of Alberta Central in the changing financial services landscape. I believe that our 2024-26 Strategic Plan represents the best path forward to achieve our vision of a vibrant and growing credit union system where Alberta Central is a hub of financial services innovation and strategic system leadership. I see plenty of opportunities for us to work with credit unions to achieve our collective goals and I look forward to helping guide the organization towards these opportunities.

On behalf of everyone at Alberta Central, I want to thank our credit unions for their support in 2023. I look forward to continuing to connect credit unions to what they need to be successful and grow in 2024 and beyond.

Benjamin Chappell
President and CEO

Message From the Board Chair

In my first year as board chair for Alberta Central, it has been a privilege to lead the organization as we continue our journey to evolve and meet the changing needs of the system. In 2023, Alberta Central demonstrated system leadership not only in response to ongoing economic pressures, but also in the face of significant change, including the announcement of the intent to merge by the two largest credit unions in the province. Alberta Central continued to be agile, nimble and responsive in the face of system transformation, and the board worked side-by-side with management to provide support, insights and expertise on how to proceed.

Providing objective and balanced insights remains our primary goal as a board. We were committed to being steadfast and acting in the spirit of good governance throughout 2023 and I believe that we not only fulfilled our duty, but helped the organization navigate towards transformation and growth. Over the past year, the board worked to ensure the organization remains focused on its long-term vision to be a strategic leader and hub of financial services innovation in the vibrant and growing credit union system of the future.

In 2023, the board took steps to review our own structure, policies and procedures to ensure we were adequately set-up to support Alberta Central's long-term objectives.

We continued to strive to support Diverse, Equitable and Inclusive (DEI) practices at Alberta Central.

In 2023, there were a few key areas we focused on to add value.

- The board reviewed and approved Alberta Central's 2024-26 Strategic Plan including the three roles identified for Alberta Central to best serve the system of the future.
- To support the payments modernization efforts of the Prairie Payments Joint Venture (PPJV) and best serve the payments needs of the Alberta system, the board continued to oversee the operations and performance of PPJV.
- The board approved a Board Cyber Incident RACI (responsible, accountable, consulted and informed) document that outlines the board's roles, responsibilities, and defined authority levels in the event of a cyber incident.
- The board approved the composition, mandate and Terms of Reference for the Dues Governance Task Force (DGTF), with a special focus on a review of Alberta Central's overall governance model.
- To support clarity and clear governance following the announcement of the intent to amalgamate from Servus Credit Union and connectFirst Credit Union, the board approved bylaw amendments to avoid post-amalgamation ambiguity.

Our focus in 2024 will continue to be the promotion of a vibrant and growing credit union system through our role as a hub of financial services innovation and a strategic system leader.

In closing, I wish to thank my fellow members of the board of directors for their support, expertise and guidance throughout 2023. It has been a pleasure serving you as Chair and I look forward to another exciting and engaging year ahead.

On behalf of the board of directors, I want to congratulate Alberta Central's executive team and employees for all their hard work as well as say a heartfelt thank you to our member credit unions for your support over the past year. I look forward to a 2024 full of opportunity, growth, and achievement for all.

John Veldkamp
Chair

An Overview of the System Numbers and Initiatives

Our System

For 2023, credit union system assets and equity continued to grow compared to the 2022 figures.

13
Credit Unions in Alberta

As of October 31, 2023

198
Branch Locations

3,432
Full-Time Employees

641,127
System Members

$33.37
System Assets in Billions

$3.09
System Equity in Billions

$208.40*
System Earnings in Millions*

**Net income before tax and patronage bonus. Data as of October 31, 2023*

In 2023, Alberta Central continued to focus on delivering value to our credit unions and putting them first in everything we do:

$50
Thousand
Big Future Innovation Grants

$30
Thousand
Future Leader scholarship program

Over
$12
Thousand
Donated to community groups and local charities

4 **Local organizations supported by employee volunteering initiatives**

Highlights

In 2023, Alberta Central continued to advance our strategic plan and work to connect credit unions to the products, services and partnerships they need to be successful.

In 2023, as part of our goal around enhancing our organizational effectiveness and culture, we worked to align our culture to our new Vision, Mission and Values to ensure we are focused on innovation and performance.

Vision

In a vibrant and growing credit union system, Alberta Central is a hub of financial services innovation and a strategic system leader.

Mission

We connect credit unions to the products, services, knowledge and partnerships they need to be successful and to grow.

Ensuring credit unions are innovation ready:

- Launched The Intelligence Centre to boost internal market intelligence, research and data capabilities, developing exclusive materials for credit unions that provide insight and analysis on topics relevant to the system.
- Developed a CU Exchange Program to offer a more structured approach and regular touchpoints for credit unions to share their feedback.
- Provided Alberta system representation on the PPJV board through Alberta Central's board seat and supported the PPJV team by providing accounting, risk, and human resource services.

Advocating for and building awareness of credit unions:

- Rebranded the Credit Unions of Alberta Impact Report to more effectively share stories of impact and highlight examples of how credit unions support the communities they operate in.
- Lobbied on behalf of the system to government on a range of advocacy priorities including enhancing credit union competitiveness, ensuring competitive neutrality between credit unions and provincially owned financial institutions, enabling a fair legislative and regulatory playing field, and facilitating open banking and digital identity.
- Shared system priorities with Treasury Board and Finance and provincial government representatives around innovation, red tape reduction and amendments to the Credit Union Act.
- Continued to build awareness of credit unions as part of a new "Good Neighbour" marketing campaign that focused on how credit unions support Albertans.

Building increased alignment and system coordination:

- Kicked off consultative measures around the DGTF to ensure we are prepared for any governance or dues changes, including around a potential merger between Servus Credit Union and connectFirst Credit Union.
- Established a Lending Forms Working Group to address regulatory challenges and user issues with current forms.
- Facilitated a legal/privacy review and system consultation process to enable credit unions to enter a new three-year term with National Consulting Limited to access their account opening form suite.
- Continued in our role as the Central Credit Facility Administrator for Canada Emergency Business Account (CEBA), working to provide credit unions with the knowledge needed to facilitate CEBA loan repayment.
- Advanced work on Project Evolution to optimize the ownership strategy of Celero and Everlink.

Looking Ahead

In 2024, Alberta Central will continue to evolve as a service provider and system leader to ensure we can strategically respond to the system and environmental factors that surround us. Our strategy for 2024 to 2026 looks to specifically enhance and elevate three distinct but interconnected roles we wish to play in the system of the future. These roles are focused on leadership and collaboration within a complex ecosystem that includes a growing network of vendors and partners and an ever-changing environment.

Our roles include: System Services Provider, Payments Connector and System Leadership and Governance. As part of our strategic plan, each role has specific objectives and related strategies, with specific initiatives to be identified in our annual operating plan to ensure we are successful in evolving our organization.

In 2024, Alberta Central will be focused on taking steps to progress our three roles. We will move beyond our traditional role as a trade services provider and expand the financial products, trade services and professional expertise we offer. We will ensure credit unions have ongoing access to critical payment, clearing and settlement infrastructure and provide leadership to ensure that payment modernization activities continue to advance. We will work to ensure that the system is ready for real-time payments and other payments innovations still to come. We will maintain our role as a system and governance leader and help develop a shared understanding of the long-term direction of the credit union system and the future-state of the PPJV within the payments industry. And most of all, we will focus on ensuring the Alberta credit union system is successful and growing and that our organization and partner credit unions are ready for the future.

Our Roles:

Role 1: System Services Provider

As a system services provider, Alberta Central offers financial, trade and ancillary services to credit unions and system affiliates.

Role 2: Payments Connector

Alberta Central is the direct clearing agent for credit unions and plays a fundamental role as a payments connector between credit unions and other entities in the system. This includes direct responsibilities with respect to clearing and settlement, and the overall coordination of the system payments and settlement ecosystem.

Role 3: System Leadership and Governance

Alberta Central plays a significant role as it relates to ownership, governance and subject expertise roles on various boards, committees and working groups.

Financial Review

Management's Discussion and Analysis
Financial Statements
For the year ended December 31, 2023

Corporate Governance

Alberta Central's board of directors (board) is comprised of 12 directors, 10 of whom are elected or appointed from three credit union regions. The board must also include at least two directors not related to credit unions that are members of Alberta Central. Unaffiliated directors currently comprise two positions on the board, and are appointed by the board.

Directors appointed from credit union regions must be directors or management of credit unions within those regions. Regions A and B are comprised of the largest credit unions in Alberta (Servus Credit Union and connectFirst Credit Union), respectively and Region C encompasses the remaining 11 credit unions from across the province.

REGION	DIRECTOR ENTITLEMENT	CREDIT UNION			
A	**5**	Servus			
B	**2**	connectFirst			
C	**3**	1st Choice Christian TransCanada	ABCU Khalsa Vermilion	Bow Valley Lakeland Vision	Calgary Police Rocky
Unaffiliated	**2**	N/A			

Table as of December 31, 2023.

GOVERNANCE FRAMEWORK

Board Mandate, Roles and Responsibilities

The *Board Mandate* sets out the accountabilities and responsibilities of each director and the board as a whole, including:

- an articulation of the fiduciary duty owed by each director to Alberta Central;
- responsibility for the strategic oversight and risk appetite of Alberta Central; and
- responsibility for governance to ensure Alberta Central is effectively managed for the ultimate benefit of its members.

The *Board Mandate* is reviewed and approved by the board every three years.

The board is also responsible for the oversight of the President & Chief Executive Officer (President & CEO), who is responsible for directing and overseeing the operations of Alberta Central and for ensuring adequate internal controls are in place. Subject to Alberta Central's bylaws, the Credit Union Act (the Act) of Alberta and other applicable legislation, the board fulfills its responsibilities both directly and by delegating certain duties to the committees of the board (discussed below) and to management. The specific duties delegated to each committee are outlined in committee terms of reference which are subject to review and approval by the board on a regular basis.

As part of the *Board Mandate*, directors annually complete an *Oath of Office*, which outlines their obligation to observe the confidentiality of Alberta Central's business matters. The oath also affirms compliance with the *Code of Conduct* and the requirement to disclose conflicts of interest under the *Conflict of Interest Policy*.

The board is comprised entirely of independent, non-Alberta Central employee directors and meets independently of management as part of every scheduled meeting. The board is empowered by Alberta Central's bylaws to independently engage outside professional advisors.

Alberta Central's Governance Committee has provided oversight to the development of an annually reviewed 'evergreen' list of 'candidates in waiting' that could be called upon to serve as an unaffiliated director on an interim basis to ensure compliance with the Act while a search for a permanent candidate is conducted. Volunteers currently serving as candidates in waiting are Pierre Amyotte, Ian Glassford and Alison Starke.

Tenure

A director may serve a maximum of three consecutive three-year terms plus any additional partial term related to a vacancy they may have filled at the outset of their tenure. In order to be eligible to stand for election or appointment following completion of this maximum term, that director shall not have served on the board for at least two years since the expiry of their last term. Alberta Central has no maximum director age policy.

Recruitment and Diversity

Ten of Alberta Central's 12 directors are elected or appointed by its Alberta credit union members, per the regional distribution described above. Annual calls for nomination are sent to the regions identifying desirable skills and characteristics based on the board's most recent self-assessment, *Board Gender Diversity Policy*, and the skills and competencies of retiring directors.

Alberta Central's bylaws set out basic qualification criteria for directors. The Board Mandate sets out additional criteria and expectations, including core competencies, behavioral skills and expectations for continuous improvement.

Core competencies required of directors in the Board Mandate include knowledge of and experience in:

- Financial services industry
- Asset liability management
- Accounting and financial reporting
- Commercial credit management
- Investment management
- Risk management
- Legal and regulatory compliance
- Communications and advocacy
- Corporate governance
- Strategic planning
- Information technology
- Human resources/compensation

In accordance with governance best practice, Alberta Central seeks to encourage diversity in its board recruitment efforts and requests in its calls for nominations that diversity of gender, age, geography, background and ethnicity be considered in nominations from the regions.

In December 2022, Alberta Central's board approved a *Board Gender Diversity Policy* based on relevant leading standards, intended to communicate Alberta Central's commitment to increasing gender diversity on the board and to support the advancement of gender diverse individuals within the Alberta credit union system. To advance its board gender diversity goals, and recognizing the limited control it has in nominating and appointing members to the board, Alberta Central established the following aspirational target board composition expectations:

- 33% women by conclusion of Alberta Central's 2023 annual general meeting;
- 50/50 gender balance by 2025; and
- 50/50 gender balance within the nominating pool of Region C by 2025.

As of December 31, 2023, 25% of Alberta Central's board, 40% of its executives and 54% of its director and vice president level employees are female.

Key Policies

Alberta Central has policies and procedures that outline the standards of conduct to which all employees and directors must adhere in performing their duties for the organization. Alberta Central has a whistleblower program in place that allows employees to report instances of serious and deliberate acts of unethical behaviour related to the workplace and provides assurance that they will be protected from harassment, retaliation or adverse employment consequences provided the report was made in good faith and was not frivolous or malicious.

Enterprise Risk Management Policy

Among its responsibilities, the board must ensure that Alberta Central has the capability and demonstrates behaviours that support its risk appetite. The *Enterprise Risk Management (ERM) Policy* sets the direction for governing and managing risks generally. Responsibility for monitoring the overall risk framework remains with the board of directors as a whole but responsibility for monitoring adherence to the *ERM Policy* is delegated to the Audit, Finance & Risk Committee (AFRC), which supports the board in its oversight function. A

Management Risk Committee (MRC), comprised of the executive management team, regularly assesses the key risks Alberta Central faces and updates the board on its risk assessments and any mitigating action plans.

Conflict of Interest Policy

Alberta Central's *Conflict of Interest Policy* provides that directors must annually provide a declaration of all private interests they are aware of that could reasonably have the potential to give rise to a conflict of interest, as defined in the policy. Board agendas contain a standing declaration of conflict of interest items, and directors with an actual, potential or perceived conflict of interest on a board agenda item must disclose their conflict at or in advance of the board meeting, and must recuse themselves accordingly.

Code of Conduct

Directors annually attest to their compliance with a Code of Conduct as part of their Oath of Office. The Code of Conduct articulates Alberta Central's values and standards, and among other things, requires directors to act with integrity, maintain confidentiality, impartiality and demonstrate environmental and social responsibility.

Environmental, Social and Governance, and Diversity, Equity and Inclusion Considerations

Environmental, Social and Governance (ESG) and Diversity, Equity and Inclusion (DEI) considerations are embedded in many of Alberta Central's corporate policies. In fulfilling its role within the Alberta credit union system, Alberta Central is responsible and accountable for the social and economic effects of its business actions and decisions. The board's composition promotes alignment of interests across the Alberta credit union system and reduces the risk of undue influence being exerted by any single stakeholder of Alberta Central. Through its regular meetings with the credit union system, Alberta Central communicates and models high standards of business ethics and processes.

Board Committees

Alberta Central's board has three standing committees responsible for both legislated and delegated functions. The committees are comprised of Alberta Central directors, with management acting as a resource for the committees. Each committee meets regularly throughout the year and is required to provide timely and regular reports to the board of directors. The board may convene special committees from time to time to address specific matters. In each of 2022 and 2023, a special committee was formed to make a recommendation to the board for the nomination of an individual to the board of the Credit Union Deposit Guarantee Corporation (CUDGC). In addition, a Transaction Oversight Committee (TOC) was formed in 2023 to act on behalf of the board in matters related to the review of Alberta Central's affiliate ownership.

Governance Committee

The Governance Committee is comprised of five directors and the chair of the board as an ex officio voting member of the committee. The committee has oversight responsibility for Alberta Central's corporate policies and governance practices and oversees Alberta Central's corporate governance framework. The Governance Committee also oversees the succession planning, performance review process and compensation of the President & CEO. This committee remains informed of best practices in corporate governance and makes recommendations to the board to continually improve Alberta Central's governance. The committee oversees the board self-assessment and director skills peer and self-assessment processes undertaken annually. The committee also oversees director education and development plans, the recruitment of board appointed directors and oversight of Alberta Central's ESG and DEI efforts. In 2022, the Governance Committee oversaw a detailed compensation review project and recommended to the board approval of an updated Compensation Philosophy for Alberta Central.

Audit, Finance & Risk Committee

The AFRC is comprised of six directors and the chair of the board as an ex officio voting member of the committee. The committee has oversight and responsibility for policies relating to investment, lending, capital management and risk management, and provides direct oversight of Alberta Central's internal audit function to ensure appropriate internal controls are in place and are functioning as intended. The committee is also responsible for reviewing the internal audit mandate and internal/external annual audit plans, as well as Alberta Central's annual budget and financial, risk management, regulatory compliance, lending and treasury reporting.

The committee ensures independence of both the internal and external auditors is protected and regularly reviews the external auditor's performance and reports the results to the board of directors. The internal auditor has direct access to the AFRC and meets with the committee without management present. The external auditor attends all AFRC meetings and meets with the committee without management present. The committee also meets separately with the Chief Risk & Compliance Officer, the Chief Financial & Governance Officer and the President & CEO.

Conduct Review Committee

The Conduct Review Committee is comprised of the same six directors and chair as the AFRC. The committee has oversight and responsibility for managing compliance with related party transaction provisions as required by the regulator.

Director Orientation and Education

Management provides an annual board orientation for new directors. Directors are provided with an annual education and development budget and prepare an annual development plan with short- and medium-term professional and personal goals related to key trends in governance, and board/peer self-assessment on core skills. The Governance Committee chair oversees director development plans.

Management also provides directors with a schedule of upcoming educational events which are anticipated to be relevant.

Board Evaluation

The board undertakes an annual self-assessment process to evaluate the effectiveness of both individual directors and the board as a whole. At the invitation of the board, Alberta Central's executive management team participates in the board assessment process to provide input and recommendations on board effectiveness and process. The data received from this report is used by the Governance Committee to assess skill gaps at the board level and assist the committee in making recommendations with respect to board recruitment. The feedback is also used by individual directors in planning their professional development activities.

Internal Controls

Alberta Central's internal auditor, under the direction of the AFRC, periodically assesses the effectiveness of internal controls. The findings and recommendations of internal audit are reported to Alberta Central management and the AFRC to ensure appropriate internal controls are in place and actions are undertaken by management as appropriate to address any findings.

Management Role in Board Function

Management and the board follow clearly defined processes in the execution of their relative governance roles. Management supports the board through preparation of materials, conducting of research and facilitation of board activities. The board chair and President & CEO meet regularly to evaluate progress on Alberta Central's objectives and to consider emerging issues of strategic relevance.

BOARD OF DIRECTORS BIOGRAPHICAL INFORMATION

Randy Allarie

Director

Randy joined the Alberta Central board to support the success of the Alberta credit union system. He feels that the strength of credit unions comes from their member-owner structure: while banks benefit shareholders, credit unions benefit members.

With his 25 years of experience in banking and finance, Randy brings a diverse background to the board that has included member-facing roles, management at large accounting firms, enterprise risk management leadership, governance, compliance, and internal and external audit expertise. A collaborative leader, he is the Senior Vice President of Risk and Audit at Servus Credit Union. Randy has worked in Canada and the United Kingdom in both customer-facing and leadership roles in banking, and as a Chartered Accountant.

Randy holds a Bachelor of Arts in Economics from the University of Alberta as well as his Chartered Professional Accountant (CPA, CA) designation in Canada and Chartered Accountant designation in England, as well as his ICD.D designation from the Institute of Corporate Directors. He also has a master's certificate in Risk Management and Business Performance from York University.

Michelle Belland

Director

Michelle joined Servus in 2010 and has been instrumental in transforming Servus into a modern, sustainable financial co-operative that is well-positioned to thrive in the fast-moving financial services sector.

Prior to joining Servus, she held executive roles in a number of different industries that have experienced significant disruption including telecommunications, media, transportation and real estate development. As a Board Director, she served the Alberta Motor Association for six years and currently sits on the board of Alberta Central since 2021. She earned her ICD.D designation from the Institute of Corporate Directors in 2016.

Michelle leads a number of Servus teams that are focused on fueling Servus' growth strategy. These include Data Analytics, Digital Sales & Banking, Product & Rewards, People & Culture, Strategy & Transformation, Marketing, and Communications.

Robert Bhatia

Board Vice Chair, Governance Committee Chair

Robert Bhatia joined the board of Alberta Central in 2019 because he believes in the importance of community-based financial institutions like credit unions. He has extensive financial leadership experience and is known for asking thoughtful questions and working collaboratively to solve problems.

Inquisitive and analytical, Robert is a professional executive coach and consultant. A Deputy Minister for more than ten years with the government of Alberta, he led four major portfolios: Finance and Enterprise, Revenue, Seniors and Community Supports and Government Services. He has a strong interest in supporting the Alberta financial sector and has experience as a member of the CUDGC board, the Alberta General Insurance Council and the City of Edmonton Audit Committee. He is also a member of the Local Authorities Pension Plan Corporation board.

Robert has a Bachelor of Arts in Economics from the University of Alberta, a Master of Arts in Economics from Queens University, and his ICD.D designation from the Institute of Corporate Directors.

Kelso Brennan

Board Secretary

Kelso has been a credit union member for more than 25 years, after obtaining his first business start-up loan at the age of 14. As a lifelong entrepreneur, he firmly believes in co-operative principles and how credit unions can add value to the small business community. Passionate about the system and its long-term success, Kelso was on the board of Lakeland Credit Union from 2013 to 2017 and is a current board member of Servus Credit Union.

Kelso holds a master's degree in business administration (MBA) from the University of Alberta, a Professional Project Management (PMP) designation, and was named valedictorian of his institute of Corporate Directors Education Program when he received his ICD.D designation. He also studied Computer Systems Technology at the Northern Alberta Institute of Technology, where he received Lean Six Sigma certification.

Kelso lives in Edmonton, Alberta with his wife Ashley and three children. He and his wife have started several businesses over the past 15 years and successfully divested in recent years. Kelso enjoys investing in real estate, and spending time at Pigeon Lake, Alberta with his family.

Darlene Harris

Director

A credit union member for more than 30 years, Darlene believes in giving back to the system and that is why she has joined Alberta Central's board as a director. Presently a director on the board at connectFirst Credit Union and Topaz Energy Corporation, she also has prior director experience with SPARK The Energy Credit Union and as Co-Chair of the Shell Canada Pension Plan. Her work experience includes more than 30 years with Shell Canada Limited, with positions of growing responsibility including Assistant Treasurer, Pension Manager, and finally as the Senior Manager of Mergers, Acquisitions and Corporate Finance. She believes in the values-based approach of credit unions that keeps members top-of-mind in all decisions and activities.

With extensive merger and acquisition experience and expertise identifying value and managing risk, Darlene brings an open mind and results-oriented approach to her role with the board. She isn't afraid to tackle tough issues, but always aims to be approachable and respectful in all she does. She understands the importance of being transparent and practicing good governance and is looking forward to adding value to the Alberta system.

Darlene has her Business Administration degree with Honours from Mount Royal College, Chartered Professional Accountant (CPA, CA) designation and Managing Mergers, Acquisitions and Divestments training from INSEAD Business School. She's also completed her Level A and B training with the Credit Union Director Achievement Program. A resident of Calgary, she enjoys gardening and biking, and volunteering as a financial coach in her community.

Kendra Holland

Director

Kendra currently serves as Interim CEO with connectFirst Credit Union. Kendra brings over twenty-five years of progressive experience in financial services encompassing sales, credit, risk, strategy and executive leadership roles across chartered banks, credit unions, and federal crown corporations.

Recognized as a collaborative, innovative and future-focused leader, Kendra is deeply passionate about the co-operative financial services sector. She believes in the transformative power of co-operative principles, particularly in values-driven approaches, local support, and community engagement, which she considers pivotal differentiators for the credit union system. Kendra emphasizes the importance of sector-wide collaboration to achieve shared objectives and fuel the growth and prosperity of Albertans.

In her leadership capacity, Kendra prioritizes mentorship and team empowerment, fostering proactive and results-oriented environments. She is known for her inclination to pose challenging questions to shift the status quo. As a risk management expert, Kendra is dedicated to converting risks into opportunities for optimization and enablement.

Kendra considers herself a life-long learner and holds multiple degrees and designations, including an Agriculture Business degree with a major in Finance from Olds College, a Certified Chief Executive (CCE) designation and a master's certificate in Risk Management and Business Leadership from the Schulich School of Business. She lives in Airdrie and enjoys curling, hiking, and biking.

Jon Holt

AFRC and Conduct Review Committee Vice Chair

Jon is very familiar with the credit union system and with Alberta Central and its Board. Having served as a board member with Servus Credit Union since 2011, and before that in 2008, Jon also served as a member of Alberta Central's board from 2013 to 2018 and was a delegate with the Canadian Cooperative Association from 2014 to 2015. Currently the CEO of SurgeROI Loyalty, Jon recognizes that the credit union system is in a state of transformation and wants to provide his valuable experience to the Alberta Central board to help guide the way forward.

Jon is a firm believer in the value of seeing the system as a whole and understands that by working together in a coordinated fashion, all credit unions benefit. He is a collaborative and thoughtful individual who brings active listening skills and high emotional intelligence to his role. He is very experienced at working on boards for organizations ranging from other co-operatives to private organizations to clubs in the community. His expertise as a leader running a software-as-a-service technology company also ensures that he will approach the unique challenges and opportunities faced by the Alberta credit union system with an eye on how to be innovative, creative and forward-thinking. Jon believes in the power of effective communication and will look to bring new perspectives to the board table.

Jon holds a Bachelor of Arts in Film Studies and Computing Science with Distinction from the University of Alberta. A resident of Okotoks, he is a three-time finisher of the Ironman triathlon.

Ron Pilger

Governance Committee Vice Chair

Ron Pilger was elected to Alberta Central's board of directors in 2015. Ron is no stranger to the credit union system, both as a life-long member in Camrose and by serving on the board of Vision Credit Union since 1993. He has held key roles including Audit & Finance Chair and Risk & Governance Chair. Dating back to the days of Battle River Credit Union, Ron served on multiple merger committees for this prosperous credit union.

Ron is a graduate of the Mouser School of Advertising in Crewe, Virginia. Throughout his 45-year career in publishing, Ron has earned an impressive variety of honors and awards in advertising, marketing, and photography. Ron is the Associate Publisher for Camrose Booster Ltd. and has moved the company in a variety of new directions for growth and sustainability.

As part of his on-going commitment of giving back to his community, Ron served on the board of St. Mary's Hospital for 11 years. As board chair, he was a driving force in locally raising $1 million to purchase the first CT scanner for the rural hospital.

He is active in song-bird conservation. In his limited spare time, he restores and maintains a fleet of early Ford automobiles and vintage Honda and Suzuki motorbikes.

Kellen Snelgrove

Director

Kellen became a member of Alberta Central's board in 2022. He is a vocal advocate for smaller and rural-based credit unions and wanted to join the board to ensure their needs are heard. Currently a manager at R. Snelgrove & Sons construction and member of the Board for Vermilion Credit Union for the past five years, Kellen brings a common-sense perspective to all that he does and is interested in learning more about the credit union system. He sees the value of the services offered by Alberta Central and wants to work with the board to ensure these services continue.

Kellen brings a wide skill set to the board, with previous work experience with Natural Resources Canada and a background in research focused on natural resources, energy and the environment. He believes in the importance of recognizing the strengths of those around him and always aims to listen, gather information and work with the team to determine the best plan forward.

Kellen has his Master of Business Administration and Bachelor of Commerce focused on Business Economics and Law, both from the University of Alberta. He is an active volunteer with the Vermilion Agricultural Society and lives in Vermilion.

Atul Varde

Director

Atul is an accomplished technology leader who has worked with some of the largest co-operative financial institutions in Canada. Currently with Servus Credit Union as the Chief Information and Payments Officer, Atul has expertise leveraging technology to drive outcomes, implementing risk management solutions, and developing strategic plans to successfully lead change. Elected to the Alberta Central board in 2023, Atul looks forward to bringing his skills to the role and continuing to grow and learn.

Driven by a desire to improve the experience of members, Atul is focused on developing the products and features that users want. With a focus on innovation in all that he does, he has a long track record of bringing new systems, programs and services to credit unions and intends to bring this same focus on growth and transformation to the board. His previous board experience includes CUCC (a national organization responsible for managing contracts with payments suppliers and managing payments strategies and compliance on behalf of credit unions), as well as advisory roles for the Interac and the Prairie Payments Joint Venture (PPJV) boards. Atul brings balanced insights and a focus on good governance to his board work with a goal to make a difference for Alberta's credit union system.

Atul has a Master of Science in Electrical Engineering from the University of Saskatchewan and a Bachelor of Engineering in Electronics and Telecommunications from the University of Poona in India. He also holds additional certifications from the University of California Berkeley, The Wharton School of Executive Education and the THNK School of Creative Leadership. A resident of Edmonton, Atul is an avid volunteer and frequent speaker at conferences and events.

John Veldkamp

Board Chair

John joined the board of Alberta Central in 2017. From 2019 to 2023, he was Chair of the Audit, Finance and Risk Committee and Conduct Review Committee, and was elected Chair in 2023. As the CEO of Christian Credit Union since 2008, John's experience makes him aware of the past, present and future challenges facing credit unions. Striving to be a servant leader, John uses his analytical skills to understand all sides of an issue before taking a position and strives to ensure that any decision he makes has a positive impact on the people involved.

John believes his role on the board is an opportunity to learn from and collaborate with an exceptionally qualified group of directors and to lead Alberta Central in the promotion and support of credit unions in Alberta. He believes that the co-operative model is still the best way to ensure that Albertans get fair and competitive financial services and that this model will also allow us to meet the opportunities and challenges of the future.

John has a Bachelor of Commerce with Distinction and a Bachelor of Laws from the University of Alberta, and recently obtained his ICD.D designation from the Institute of Corporate Directors. His focus is on encouraging excellence and motivating those around him to develop their potential. John enjoys spending time with his wife and their five boys and volunteering at various non-profit organizations.

Mark Wiltzen

AFRC and Conduct Review Committee Chair

Mark joined Alberta Central's board because he believes in supporting a vibrant credit union system. For Mark, it's the co-operative, member-ownership model and commitment to giving back to the community that positively differentiates credit unions from other financial services organizations.

With more than 35 years' business experience, Mark was Senior Vice President and Chief Financial Officer of EPCOR Utilities Inc. from 2001 to 2013. He brings to the board expertise in finance, governance and the financial services industry as well as risk and people management skills. His board and committee work includes time leading multiple executive committees while at EPCOR and serving on corporate boards.

Mark holds a Bachelor of Commerce degree from the University of Alberta and has his Chartered Professional Accountant (CPA, CA) designation and a member in good standing of CPA Alberta. Mark is a member of the Institute of Corporate Directors and holds his ICD.D designation. He has completed the ICD-Rotman Directors Development Program and is a graduate of the Queen's University Executive Development Program.

Board and Committee Meetings

Directors are expected to attend all board and committee meetings. A calendar of board meetings is maintained a year in advance, but the board or committees may meet on shorter notice to address time-sensitive matters.

7 Total Board meetings
5 Total Governance Committee meetings
4 Total Audit, Finance & Risk Committee meetings
3 Total Conduct Review Committee meetings
8 Total Special Committee meetings – CUDGC Nominating Committee and Transaction Oversight Committee

	BOARD	GOVERNANCE COMMITTEE	AUDIT, FINANCE & RISK COMMITTEE	CONDUCT REVIEW COMMITTEE	TOTAL SPECIAL COMMITTEE	PERCENTAGE OF MEETINGS ATTENDED
Randy Allarie	7/7		4/4	3/3		100
Michelle Belland	7/7	6/6				100
Robert Bhatia	7/7	6/6			2/2	100
Kelso Brennan (from April 2023)	5/5	3/3				100
Doug Bristow (to April 2023)	2/2		1/1	1/1		100
Perry Dooley (to April 2023)	2/2	3/3	1/1	1/1		100
Darlene Harris (from April 2023)	5/5		3/3	2/2	6/6	100
Kendra Holland (from April 2023)	5/5	3/3				100
Jon Holt (from April 2023)	5/5		3/3	2/2		100
Bob Petryk (to April 2023)	2/2		1/1	1/1		100
Ron Pilger	6/7	5/6			2/2	87
Matthew Protti (to April 2023)	2/2		1/1	1/1		100
Cindy Skrukwa (to April 2023)	2/2	3/3				100
Kellen Snelgrove	7/7	3/3	3/3	2/2	8/8	100
Atul Varde (from April 2023)	5/5		3/3	2/2	6/6	100
John Veldkamp*	7/7	3/3	3/3	2/2	8/8	100
Mark Wiltzen	7/7		4/4	2/3		93

* *The board chair is an ex officio member of each committee.*

DIRECTOR REMUNERATION

Directors receive remuneration in the form of bi-weekly honoraria, per diem fees for attendance at board meetings and compensation for travel time and expenses. As part of their biennial review of the Board Remuneration Policy, the board approved increases to director honorariums effective May 1, 2022. The total remuneration and expenses paid to Alberta Central directors is disclosed in note 17 of the Financial Statements, Related Party Transactions.

Management's Discussion and Analysis

OVERVIEW

This section of the annual report, which provides management's discussion and analysis (MD&A), reviews and analyzes the results of operations and financial condition of Alberta Central for the year ended December 31, 2023 and enables readers to assess material changes in the financial condition and operating results of the central. This MD&A is effective February 29, 2024. The financial information within this MD&A should be read in conjunction with Alberta Central's audited financial statements for the year ended December 31, 2023, which were approved by the Board of Directors (the board) on February 29, 2024. The results presented in this MD&A, and in the financial statements, are reported in Canadian dollars. The financial statements, and financial statement extracts included in the MD&A, have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). This MD&A provides comments regarding Alberta Central's core business, joint ventures, economic outlook, financial performance, liquidity and capital management, and risk management.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that include, but are not limited to, financial performance objectives, economic review and outlook for the Alberta and Canadian economies, vision and strategic goals. Such statements require management to make assumptions and involve inherent risks and uncertainties, general and specific. Undue reliance should not be placed on forward-looking statements as actual results may differ materially from expectations due to a number of factors including but not limited to legislative or regulatory changes and general economic conditions in Alberta and Canada. Alberta Central does not undertake to update any forward-looking statements contained in this annual report.

WHO WE ARE

Alberta Central is the central banking facility and trade association for Alberta's credit unions. We offer credit unions in Alberta innovative products and services, thought leadership, research and analytics, advocacy on priority issues, leading lending and liquidity management products. We also support increasing awareness of the credit union difference with the Credit Unions of Alberta brand.

Alberta Central is committed to acting as a service provider and connector for credit unions.

- As a system services provider, Alberta Central offers financial, trade and ancillary services to credit unions to help them be successful.
- Alberta Central is the direct clearing agent for Alberta credit unions, and it plays a fundamental role as a payments connector between credit unions and other entities in the system.
- Alberta Central plays a significant role in system leadership and governance.

CORE BUSINESS

Reflecting its cooperative business model and ownership by members, Alberta Central is not primarily profit driven.

As liquidity manager for the Alberta credit union system, Alberta Central's earning capacity is influenced by the large proportion of high quality and liquid, but lower yielding assets in its securities portfolio to adhere to risk appetites and regulatory considerations of both the central and credit unions.

Alberta Central has minority interest positions in various joint ventures that provide payments processing and information technology (IT) services.

Supporting the financial needs of credit unions, Alberta Central promotes system growth by providing credit union lending, foreign exchange, derivative and loan syndication programs, allowing credit unions to take advantage of Alberta Central's industry expertise and strong financial rating. Alberta Central's commercial paper program, which carries an R-1 (low) credit rating by DBRS, also provides access to capital markets.

Alberta Central is governed under the *Credit Union Act* of Alberta (the Act) and is regulated, at the date of this MD&A, by CUDGC.

JOINT VENTURES

Payments

The three Prairie Centrals, Alberta Central, Credit Union Central of Saskatchewan, and Credit Union Central of Manitoba, formed PPJV, each with a 33.3 percent interest, to transform and modernize credit union payment services by providing an efficient, cost-effective, modernized payments processing infrastructure that delivers innovation and new payment product offerings for members. This strategic partnership supports credit unions by leveraging economies of scale, provides risk mitigation and accelerates development of processing technology solutions.

Transition to the PPJV platform from four legacy payment streams is scheduled to be primarily completed by the end of 2024.

Alberta Central has one of six seats on PPJV's board.

Alberta Central's financial statements include its proportionate share of revenue and expenses of the PPJV joint arrangement.

Information Technology Services

Alberta Central has a 33.3 percent interest in Celero Solutions (Celero), and through Celero, a 16.3 percent interest in Everlink Payment Services Inc. (Everlink).

About Celero

Celero is a leading provider of digital technology and integration solutions to credit unions and financial institutions across Canada.

Alberta Central has one of six seats on Celero's board.

2023 OVERVIEW & HIGHLIGHTS

In 2023, Celero made significant progress towards achieving its goal of operational excellence through ongoing implementations of critical activities related to cloud migrations, risk remediation and process improvements.

The organization continued its multi-year objective to become one of the first financial technology service providers with a Zero Data Centre environment in 2024. This objective is in pursuit of delivering ongoing service performance, innovation and stability and is evidenced by the completion of DNA core banking to Oracle Exadata CS initiative and starting the migrations of both its Integration Services (formerly known as Celero Xchange) and Celero Xpress platform to the cloud-based Azure Kubernetes Platform. In 2023, significant progress was also achieved on its Zero Trust Initiative (ZTI) to remediate the risk within the infrastructure it shares with its clients.

Ongoing client initiatives were also a focal point for Celero in 2023 as it onboarded a large Ontario-based credit union, Caisse Alliance, to Celero's network and core banking and digital banking services. Celero also initiated, co-hosted and organized the first annual Credit Union Technology Forum, which involved other system partners and credit unions from coast to coast. Other notable initiatives include successful client pilots for both Unblu and Interac Sign-In Services (SecureKey) functionality in Celero Xpress.

Celero was also recognized as a Top 100 service provider in the 2023 IDC Fintech Rankings, which is the seventh consecutive year Celero has appeared on the prestigious list.

Everlink

Everlink is a leading provider of comprehensive, innovative and integrated payments solutions and services for credit unions, banks, and small/medium enterprises across Canada. Everlink offers a diversified range of integrated payments solutions. These include Automated Teller Machine (ATM) managed services, card issuance and management, fraud management systems and mobile payments, and payment network connectivity via the payment network gateway.

2023 ECONOMIC ENVIRONMENT

The year 2023 will likely be remembered for the global easing of inflation from levels not seen in decades and central banks pushing their policy rates to levels not seen since before the the global financial crisis. While interest rates remain low by historical standards, there are concerns regarding their impact on the economy.

The reduction in global inflation was the result of a decline in commodity prices, especially energy prices, a reduction in labour shortages, and a normalization in the global supply chain, reducing the production delays and scarcity of many inputs. Nevertheless, inflation remains too high for comfort in many countries.

Many central banks continued to tighten monetary policy in 2023, including the Bank of Canada (BoC), who increased their policy rates over the course of the year. In addition to the monetary tightening measures of central banks, global financial conditions also tightened as interest rates increased.

Although economic activity slowed in many countries, it has been more resilient in many countries than initially thought, with many of the main economies avoiding a recession and the associated deterioration in the labour market.

In Canada, growth has been weak for most of 2023, with gross domestic product (GDP) barely increasing over the period, as higher interest rates continue to put strains on households and businesses. The housing market continued to underperform, as affordability reaches lows not seen since the early 1980s. In addition, the strong increase in population also hides the extent of the underlying weakness in the economy. As such, real GDP per capita declined in four of the past five quarters and is currently about 2.5 percent lower than pre-pandemic, meaning that the average Canadian is somewhat poorer now compared to before the pandemic.

In Alberta, economic activity was relatively strong compared to the rest of the country throughout 2023. Despite the moderation in oil prices, the energy sector remains a solid tailwind to the economy, with production volumes reaching new highs, and high revenues in the sector contributing to high level of fiscal revenues. Strong population growth also boosted growth, especially consumer spending, but the labour market was strong enough to absorb the newcomers, leading to only a marginal increase in the unemployment rate. In addition, the strong influx of immigrants has meant that housing activity in province, especially in Calgary, both in terms of transaction and prices, was better than in most of the rest of the country.

2024 ECONOMIC OUTLOOK

In Canada, growth is expected to be 0.3 percent in 2024 and a recession is possible given the sluggish growth expected in the coming quarters. Moreover, as the population continues to grow rapidly, GDP per capita will likely continue to contract in the first half of the year.

Inflation is expected to moderate further in 2024, with headline inflation expected to reach 2.0 percent in the second half of the year. However, measures of core inflation are expected to take longer to return to the BoC target, towards the end of the year. The combined effects of reduced inflationary pressures, slower growth, a rise in the unemployment rate and slack within the economy should provide the desired conditions for the BoC to start cutting interest rates around mid-year, ending 2024 at 4.0 percent.

Households are expected to remain the main drag on growth in 2024, as they remain under financial pressures, mainly due to the impact of higher interest rates on debt payments, forcing a reduction in discretionary spending. The housing market is remaining healthy so far and lower interest rates in 2024 could support activity further.

However, rising consumer insolvencies are a concern. So far, the increase has been manageable, mainly in a rise in proposals (i.e., a renegotiation of terms). This dynamic could change rapidly if the labour market deteriorates, leading to significant layoffs. Whether the economy goes through a soft or a hard landing depends on whether we only see a hiring freeze or broad-based layoffs in 2024.

In Alberta, continued strong population growth and tailwinds from robust energy prices mean that the province is expected to grow faster than its counterparts. Nevertheless, growth will slow in 2024, reaching 1.8 percent. Investment is expected to remain solid in 2024, especially in the oil and gas sector and in residential investment in reaction to the high prices and low inventories. Households in Alberta are also facing challenges due to higher interest rates and a more significant decline in purchasing power in recent years. Already, insolvencies in the province are at their highest level on record.

Canadian Dollar

The Canadian dollar (CAD) stayed in a range against the US dollar (USD) for most of 2023, as the USD was also relatively unchanged. CAD was also resilient against other currencies, supported by high commodity prices and interest rates. With the Federal Reserve likely to start cutting interest rates around mid-year while commodity prices remain strong, CAD is expected to appreciate slightly against USD in 2024. We expect CAD to end the year at a level of $0.78 relative to the USD.

2023 FINANCIAL PERFORMANCE OF THE ALBERTA CREDIT UNION SYSTEM [1]

During 2023, growth in GDP in Alberta was estimated at 2.2 percent. Despite heightened uncertainty, business sentiment remained positive, driving investment intentions across many sectors. Alberta's Credit unions continued to experience high levels of deposits and loan growth. Despite increases in asset and loan growth, profitability of the system decreased year over year due to an increase in loan impairment charges in 2023 compared to 2022.

Growth

Based on the 2023 year-end figures (October 31, 2023), annual total asset growth among Alberta's credit unions was 7.8 percent (2022 – 6.6 percent). Growth was above the five-year annual average of 4.7 percent and the 10-year annual average of 4.4 percent.

Annual loan growth was 7.6 percent (2022 – 8.1 percent), above the five-year annual average of 4.7 percent and the 10-year annual average of 4.5 percent. Annual deposit growth was 7.3 percent (2022 – 6.6 percent), higher than the five-year and 10-year annual averages of 5.0 percent and 3.6 percent respectively.

ALBERTA CREDIT UNION SYSTEM – BALANCE SHEET GROWTH (SOURCE: CUDGC)	2023		2022	
($ millions)	$	GROWTH	$	GROWTH
Total loans	**28,735**	**7.5%**	**26,721**	**8.0%**
Residential	14,339	4.0%	13,793	4.0%
Commercial	10,358	13.0%	9,167	11.6%
Consumer	2,152	7.6%	2.000	16.2%
Agricultural & other	1,886	7.1%	1,761	14.7%
Total assets	**33,372**	**7.8%**	**30,966**	**6.6%**
Member deposits	**27,972**	**7.3%**	**26.072**	**6.6%**

The system increased its market share in loans to 7.4 percent (2022 – 7.2 percent), while also increasing deposit market share at 8.9 percent (2022 – 8.7 percent).

Profitability

Net income before taxes and patronage dividends totaled $208.4 million (2022 – $213.3 million), or 0.74 percent of average assets (2022 – 0.71 percent). This is in line with the five-year annual average of 0.72 percent and slightly lower than the 10-year annual average of 0.76 percent. The decrease in net income was primarily driven by an increase in loan impairment charges in 2023 compared to 2022.

Credit union members received patronage and share dividends totaling $127.5 million, 61.2 percent of net income before taxes, during 2023 (2022 - 108.8 million, 51.0 percent of net income before taxes).

[1] *Alberta credit union system financial information has been provided by CUDGC, the regulator of the provincial credit union system. Alberta Central has not verified the accuracy or completeness of this information. All financial information is based on a fiscal October 31 year end.*

With Alberta Central's role as liquidity manager and a requirement for Alberta credit unions to maintain statutory liquidity deposits with the provincial central, the outlook for growth in Alberta Central's yielding asset base is naturally tied to the performance of the Alberta credit union system, including the generation of deposits and growth in loans.

Credit Quality and Loan Provisioning

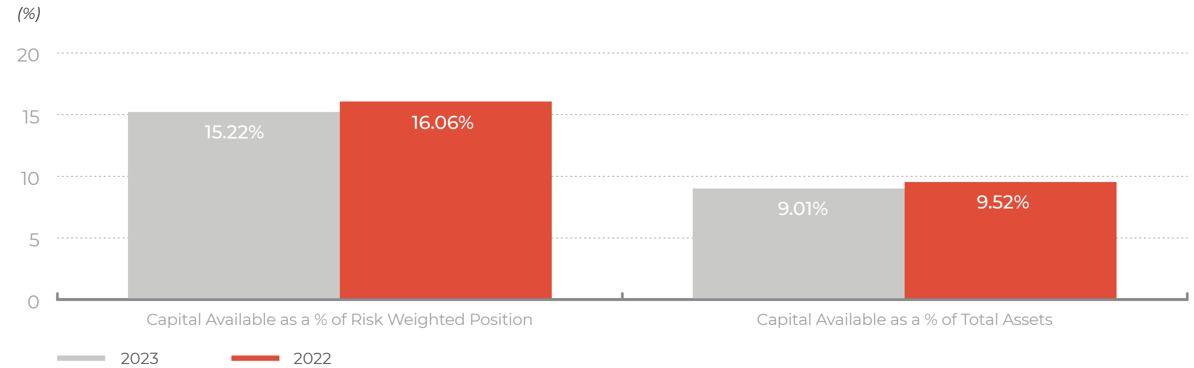
Year-over-year, loan delinquencies (60 days and over) increased from 0.57 percent of loans to 1.05 percent. This figure is below the high of 1.29 percent experienced in 2010 during the financial crisis credit cycle.

Net loan impairment charges (defined as impairment charges net of impairment reversals) increased from $27.7 million in 2022 (0.11 percent of average net loans), to $56.8 million in 2023 (0.20 percent of average net loans).

Capital

The system maintains strong capital ratios in support of its activities with the 2023 capital to risk weighted asset ratio and the capital to total assets ratio marginally behind 2022 levels. Given the system's reliance on internally generated capital, periods of slower growth, as experienced during the pandemic years of 2020 and 2021, typically provide an opportunity for credit unions to strengthen their capital ratios due to the favourable capital effects associated with lower loan and asset growth. Periods of higher loan and asset growth, as experienced during 2022 and 2023, will typically see capital ratios decline slightly in comparison, for the opposite reasons.

System Capital Ratios



Membership

For the 19th consecutive year, Canada's credit unions were awarded the Customer Service Excellence Award in the 2023 Ipsos Financial Service Excellence Awards. The annual program recognizes Canadian financial institutions for excellence in customer experience. Canadian credit unions were recognized in a total of six categories in 2023, four of them as the sole winner.

Based on data from the Alberta government, in 2023 Alberta's population grew by 4.4 percent from 4.6 million to 4.8 million people and the member base for credit unions also grew over the same period, from 622,825 members in 2022 to 641,127 in 2023. This membership growth represents an increase of 2.85 percent year-over-year, indicating membership is growing at a steady pace relative to population growth in Alberta.

2023 FINANCIAL PERFORMANCE OF ALBERTA CENTRAL

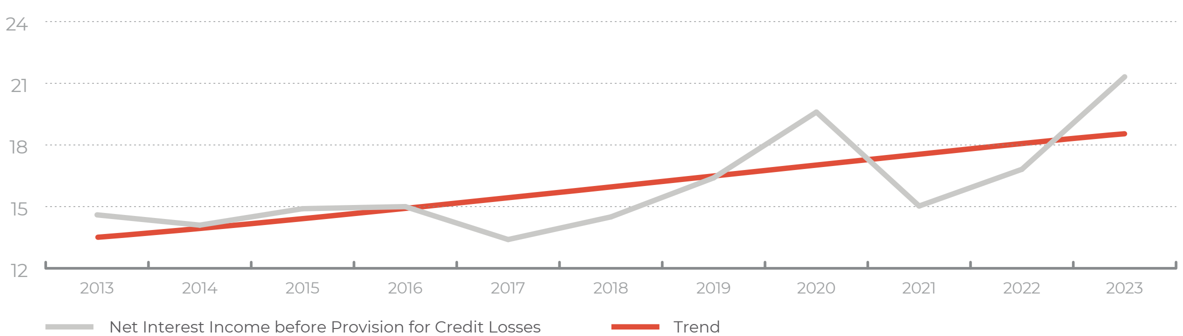
Financial Overview

Alberta Central's 2023 loss before tax of $22 thousand (2022 – $4.2 million) continues to reflect the significant investment in the transition to a modernized payments platform through PPJV during the year. Net interest income exceeded previous record levels during a period of elevated interest rates in 2023. Provision for credit losses increased year-over-year.

Net Interest Income

Alberta Central's 2023 net interest income before provisions for credit losses was $21.3 million (2022 – $16.8 million), exceeding the previous record level seen in 2020 during a period of rapidly falling rates as a result of the economic impacts of the COVID pandemic. As liquidity manager for the Alberta credit union system, Alberta Central's earning capacity is influenced by the large proportion of high quality and liquid, but lower yielding assets in its securities portfolio to address risk appetite and regulatory considerations of both the central and credit unions.

Net Interest Income before Provision for Credit Losses



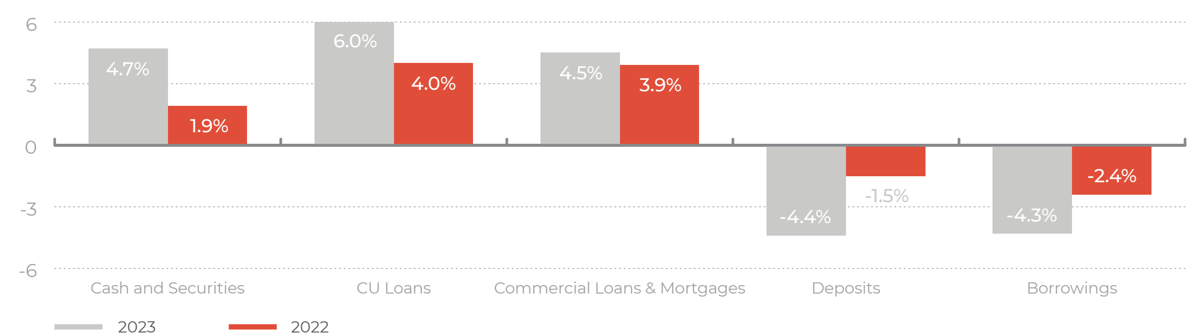
Monitoring exposures to interest rate fluctuations and their potential impacts on interest margins is accomplished through interest rate scenario testing of assets, liabilities and equity against the effects of multiple possible interest rate increases and decreases. Alberta Central's *Investment Policy* defines specific tolerances for changes in net interest income and net economic value. Gap analysis and simulation modeling is used to analyze the effects of interest rate fluctuations on net interest income. This forecasting is used in developing defensive strategies, where appropriate, to ensure any variations are managed within established tolerance limits. All policy limits and targets associated with interest rate risk were met throughout 2023.

After increasing its policy rate 10 times between March 2022 and July 2023, bringing its policy rate to 5.0 percent from 0.25 percent, one of the most aggressive monetary policy tightening campaigns on record, the BoC is expected to reduce its policy rate later this year.

The following chart highlights Alberta Central's percentage interest yields and interest expense:

Percentage Interest Yields (Expense)

(%)



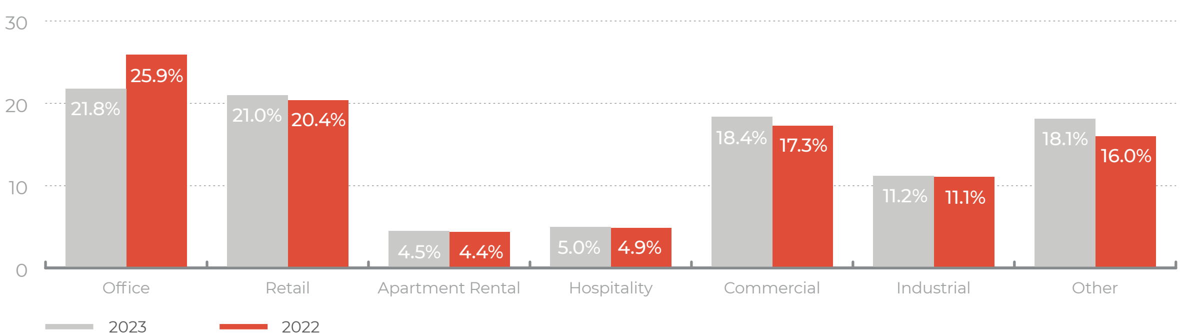
Provision for Credit Losses

As a financial institution, Alberta Central is exposed to credit risk, primarily through its investment and lending activities. Although Alberta Central's non-credit union (commercial) lending portfolio is concentrated in Alberta, credit risk exposure remains diversified across industry sectors.

Alberta Central remains committed to its loan syndication program to redistribute liquidity within the system and provide participating credit unions with higher yielding assets.

Non-Credit Union Lending

(%)



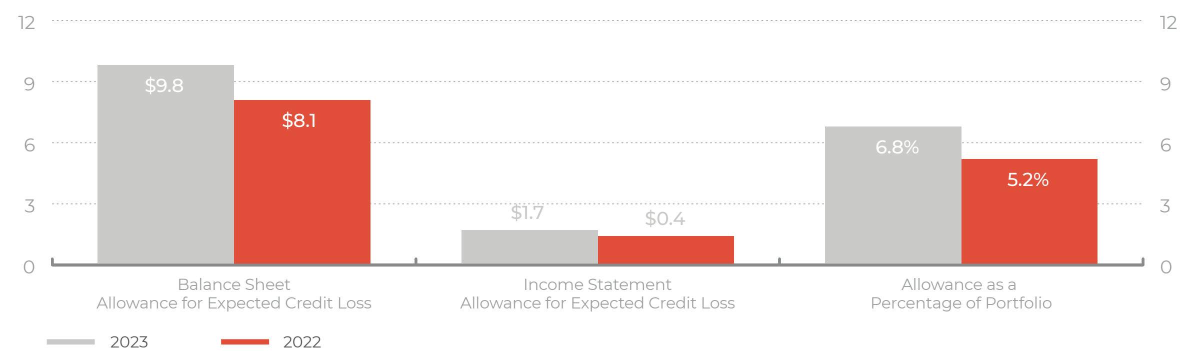
As an asset class, the commercial portfolio presents a higher risk profile than the other asset classes on Alberta Central's balance sheet. Alberta Central management regularly reviews its commercial loan portfolio to assess whether there has been a significant increase in credit risk since initial recognition. Loan loss provisions are calculated in accordance with IFRS 9 Financial Instruments, on a loan-by-loan basis, taking into account considerations such as collateral value and future cash flows to be realized relative to the outstanding loan balance. The provision for impaired loans is measured by evaluating multiple scenarios and the probability of each scenario.

One new loan delinquency surfaced in 2023, offset by an existing stage 3 loan that is now assessed as a performing loan. In aggregate, the balance sheet provision for credit losses increased by $1.7 million to a total provision of $9.8 million (2022 – $8.1 million). The carrying value of credit impaired commercial loans, net of specific provisions, is $3.0 million (2022 – $5.3 million). The year over year decrease in net impaired loans is largely due to the derecognition of one existing stage three loan during 2023. Actual realization on the remaining carrying value of the loans could vary significantly, either positively or negatively, from these estimates.

Notes 2(d), 3(c), 9, and 19(a) to the financial statements provide further details regarding 12 month and lifetime credit provisions. The provision for credit losses as a percentage of the commercial portfolio has increased 1.6 percent over 2022.

Provisions on Commercial Loans and Mortgages

($ millions) *(%)*



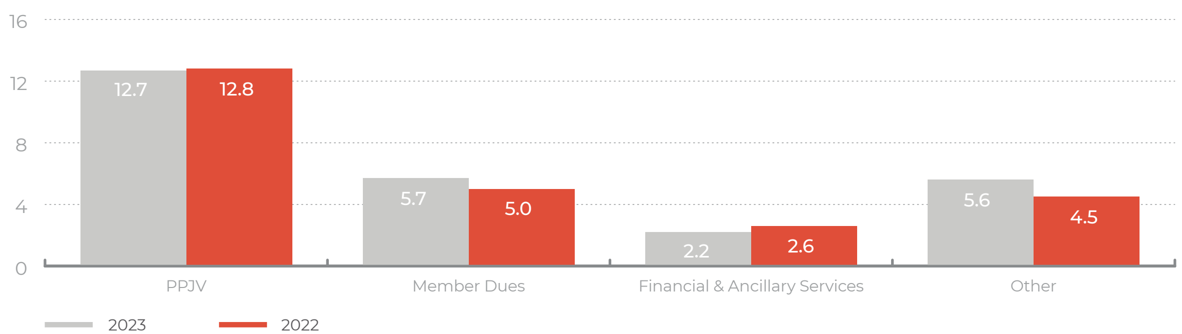
The securities portfolio consists of high quality, highly liquid assets in which the credit risk is considered to be very low. Alberta Central manages credit exposure on investment activities by adhering to an *Investment Policy* that identifies a basic standard of investment quality. The IFRS 9 balance sheet allowance for credit losses in the securities portfolio remained unchanged (2022 – reduction of $0.1 million) related to improved DBRS Morningstar probability of default credit ratings and overall mix of the securities portfolio.

Operating Revenues

In addition to its net interest income, Alberta Central earns operating revenue from its interest in payment services through PPJV, credit union member dues, complementary financial services, ancillary services provided on a fee for service basis and other operating revenues from various facilities, human resources and accounting services provided to its joint ventures. Operating revenues increased in 2023 to $26.2 million (2022 – $24.9 million).

Operating Revenues

($ millions)



Alberta Central's share of both PPJV's total income and total expenses are recorded through Alberta Central's operating revenues and operating expenses. Alberta Central's share of PPJV's revenue from payment services was in line with 2022 revenues.

Alberta Central has prioritized spending within its trade function to support its commitment to bring value and expertise to credit unions. Program eligibility for dues funding also includes matters related to governance, credit union system advocacy, credit union collaboration, co-operative citizenship and applicable legal requirements, market intelligence, thought leadership, and the dissemination of data to credit unions. As trade activities are undertaken for the benefit of all Alberta credit unions, the costs are allocated amongst the credit unions as dues.

Alberta Central also passes through costs from 189286 Canada Inc. (operating as "CUCC") for Alberta's share of costs incurred to support oversight of Interac services, as well as other system costs. This dues revenue is netted against the amounts paid to CUCC with no net impact on Alberta Central's results.

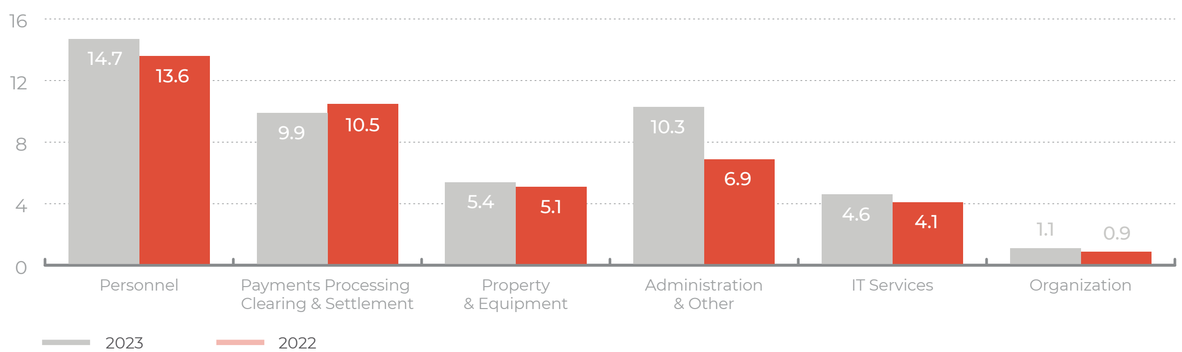
Financial services operating revenues include revenue from complementary activities in the treasury and lending areas, such as foreign exchange, asset/liability management and commercial loan application fees. Also included is revenue from ancillary services and purchasing which are offered on a direct cost, fee-for-service basis. Current year revenues earned by Alberta Central's financial and ancillary services decreased slightly over 2022 by $0.4 million.

Other operating revenues, consisting primarily of fees for services provided to Alberta Central's joint ventures, increased year over year by $1.1 million.

Operating Expenses

Operating expenses include those relating directly to Alberta Central and also include Alberta Central's share of operating and transition expenses in PPJV. Operating expenses including personnel, payments processing, clearing and settlement, property and equipment, administration and other, information technology services, and organization costs, increased by $4.9 million to $46.0 million (2022 – $41.1 million).

Operating Expenses
($ millions)



Earnings from Equity Method Investments

Alberta Central's 33.3 percent interest in Celero is equity accounted within the statement of income and includes Celero's 49.0 percent equity interest in Everlink. Alberta Central has not recognized losses in Celero of $1.8 million in 2023 bringing total accumulated unrecognized losses to $5.2 million (2022 – $3.4 million), primarily driven by the impairment of certain assets. Under International Accounting Standard 28 "Investments in Associates and Joint Ventures", losses over and above the carrying amount of an investment can only be recognized to the extent that there is an obligation related to those losses. Alberta Central concluded that there is no obligation owing to third parties as of December 31, 2023.

Alberta Central's 8.71 percent interest in CU CUMIS Wealth Holdings (CU CUMIS) is equity accounted within the statement of income and includes CU CUMIS' 50 percent interest in Aviso Wealth. A significant portion of CU CUMIS' share of income from Aviso Wealth is distributed to credit unions as limited partnership unitholders. Such distributions are recorded as an expense within CU CUMIS.

Accumulated Other Comprehensive Income (AOCI)

The majority of the balance of AOCI at December 31, 2023 and prior year relates to estimates of fair value in Interac Corporation ($5.2 million net of deferred tax), and CU CUMIS ($18.8 million net of deferred tax). Other AOCI amounts relate to changes in realized and unrealized gains and losses on securities and remeasurements of net defined benefit pension asset or liability. AOCI is excluded from regulatory capital and net income.

Critical Accounting Estimates and Assumptions

The accompanying financial statements have been prepared in compliance with IFRS. The significant accounting policies used in preparation of the audited financial statements are described in Note 3. These accounting policies require management to make judgements, estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates. Significant areas of estimation uncertainty as described in Note 2(d) include those relating to provisions for credit losses, assessment of the business model within which assets are held and whether contractual terms of cash flows are solely payments of principal and interest, fair value of financial instruments, intangible asset impairment assessment, and judgements relating to equity accounted investees.

Events After the Reporting Date

On November 9, 2023 members of connectFirst and Servus have approved the proposed merger of their two credit unions. At connectFirst Credit Union's Special General Meeting, held on November 9, 2023, members voted 85 percent in favour of the merger. This follows Servus Credit Union's Special General Meeting, held on September 19, 2023, where more than 84 percent of members who cast votes approved the merger. As of February 29, 2024 the merger is pending regulatory approval.

Internal Control over Financial Reporting

There have been no changes in Alberta Central's design of internal controls and procedures over financial reporting during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, Alberta Central's internal control over financial reporting during the period covered by this MD&A.

Adoption of New Accounting Standards

Alberta Central adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

LIQUIDITY MANAGEMENT

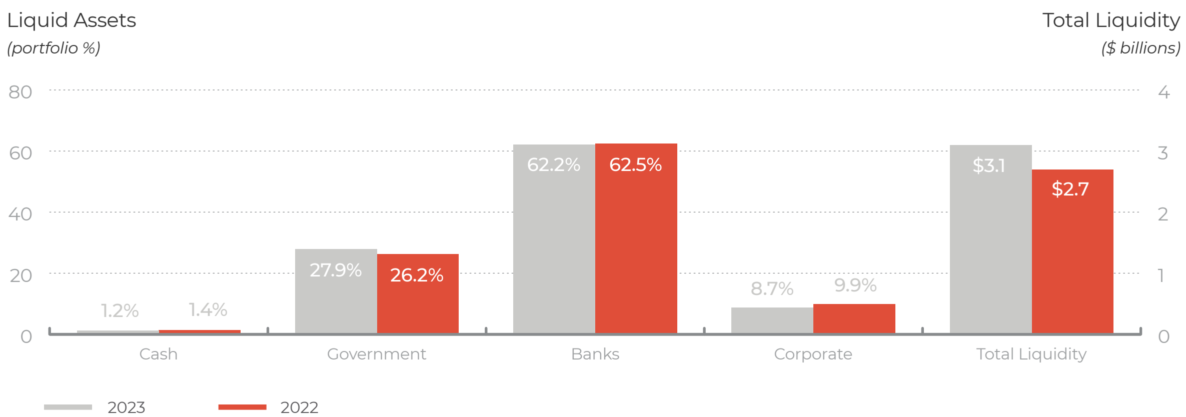
Alberta Central plays two key roles in the liquidity framework of the Alberta credit union system – as the direct clearing agent and prescribed liquidity manager for Alberta's credit unions.

Direct clearing is the process through which Canada's major financial institutions settle payments among themselves. Alberta Central participates with other Canadian credit union centrals in a group clearing arrangement under the terms of the *Credit Union System Group Clearing Joint Venture Agreement*. The Group Clearer is a member of Payments Canada that exchanges payment items and effects clearing and settlement. Central 1 functions as the administrator of the joint venture, maintaining the joint venture's group clearing account with the Bank of Canada. Alberta Central and the other provincial centrals maintain accounts with Central 1.

As liquidity manager, Alberta Central is responsible for managing the statutory deposits of Alberta's credit unions. Alberta Central's bylaws require Alberta credit unions to maintain a minimum of one percent of their assets as share capital in Alberta Central. Alberta credit unions are also required to maintain liquidity deposits at Alberta Central such that their total liquidity deposits and share capital held with Alberta Central comprise no less than nine percent of each credit union's liabilities. These deposits serve as a liquidity reserve for the system in the event of a sudden and unexpected withdrawal of system member deposits. Credit unions may also elect to deposit any additional funds with Alberta Central that they may hold over and above the statutory requirements.

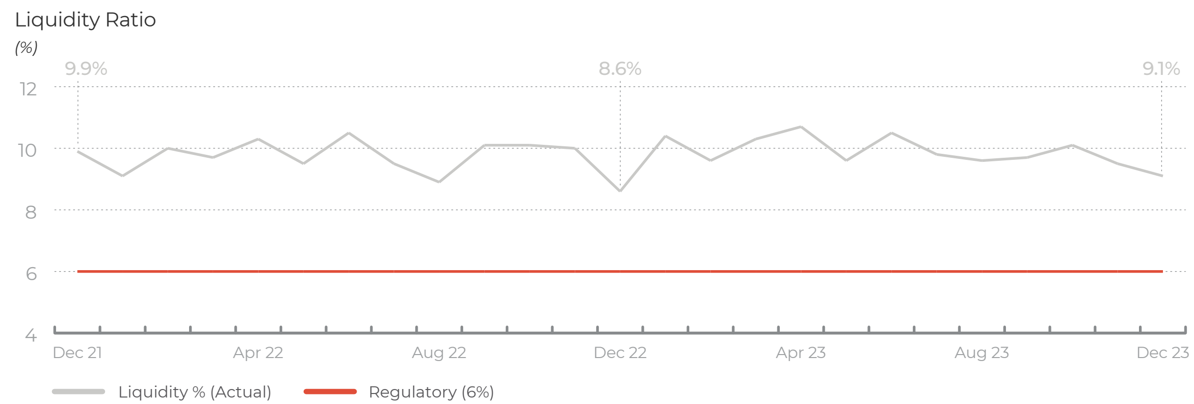
Alberta Central's investment portfolio continues to be comprised primarily of very low risk, highly liquid assets. Provincial legislation requires Alberta Central to maintain six percent of Alberta credit union system assets in government securities or certain other qualifying liquid assets maturing within one year. As of December 31, 2023, all investments within the portfolio carried a rating of at least R-1 (low) or A, and approximately 88 percent of the portfolio carried a remaining term to maturity of under one year.

The qualifying liquidity portfolio composition is outlined in the following chart.



The required balance in qualifying liquid assets at December 31, 2023 was $2.0 billion (2022 – $1.85 billion). One third of qualifying liquid assets must mature within 90 days. Alberta Central's liquidity reserves, when measured by year-end balances and throughout the year, were in excess of the requirements under provincial legislation, and were comparable year-over-year.

The following chart plots the relationship of Alberta Central's actual to required liquidity over the past two years, as represented by total Alberta Central liquid assets as a percentage of total system assets.



CAPITAL MANAGEMENT

Alberta Central maintains strong capital ratios to support the risks and activities of the business. Alberta Central's board-approved *Capital Policy* outlines capital management objectives, responsibilities and reporting. The capital management objectives are to:

- Balance member credit unions' desire for a return on capital with the capital requirements of Alberta Central to fulfill its liquidity mandate;
- Maintain a strong capital base to support the continued growth and changing circumstances of the credit union system through the development of Alberta Central's business;
- Maintain a consistently strong credit rating and investor confidence; and
- Comply with the capital requirements set by its regulator (CUDGC).

Alberta Central's capital levels are regulated under guidelines issued by CUDGC and require Alberta Central to maintain a prescribed borrowing multiple, the ratio of borrowings to regulatory capital, of 15:1 or less. Alberta Central is required to complete an Internal Capital Adequacy Assessment Process (ICAAP), which forms part of the regulatory framework established by CUDGC that applies to Alberta Central.

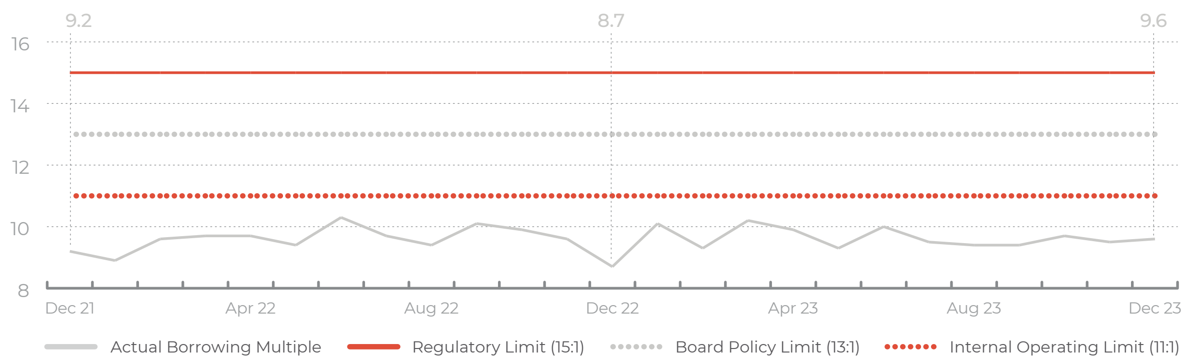
Alberta Central's ICAAP is a key component of Alberta Central's enterprise risk management program and determines the level of capital that should be maintained to support the nature and level of Alberta Central's risk profile, specifically defining capital risk appetite (internal operating limit (IOL)) and risk tolerance (board policy limit (BPL)).

Alberta credit unions are required under Alberta Central's bylaws to maintain an amount equal to one percent of their assets in share capital at Alberta Central. This requirement ensures the additional injection of share capital into Alberta Central as the credit union system and Alberta Central's balance sheet continues to grow. The share capital requirement for credit unions is a component of their overall requirement to hold nine percent of their deposit liabilities as liquidity in Alberta Central.

Alberta Central's bylaws also provide the ability for Alberta Central to call for capital in the event that capital levels fall below specified risk tolerance levels.

Alberta Central's leverage ratio remained below both its regulatory capital and internal capital maximums, ranging between 9.3:1 and 10.1:1 in 2023 as presented in the following chart. Alberta Central's capital position remained stable.

Borrowing Multiple Leverage



Alberta Central also prepares a *Capital Plan*, which serves as a tool for the board in assessing the adequacy of Alberta Central's forward looking capital position in fulfilling its capital management objectives. Once approved by the board, both the ICAAP and *Capital Plan* are provided to CUDGC.

The *Capital Plan* forecasts the expected organic growth of Alberta Central's capital over a three-year period assuming annual income budgets are achieved and a share dividend is paid according to policy. The current plan also considers the impact of PPJV's transition to the new payment platform on Alberta Central's capital adequacy, which is forecast to remain within risk appetite through the three year capital-planning horizon.

The payment of share capital dividends and the timing and amount of such dividends is subject to the discretion of the board of directors after consideration of Alberta Central's capital adequacy risk appetite, as determined through the ICAAP, its *Capital Plan*, and after a review of year-end results.

Share capital dividends of $4.1 million were paid in the first quarter of 2023 (2022 – $3.9 million).

RISK MANAGEMENT

Risk is inherent in business and when managed appropriately is a source of growth and sustainability. Alberta Central's objective is to optimize risk for the protection and creation of member value. Optimizing risk means striking a balance between risk and reward and at the same time ensuring that Alberta Central's risk-taking is consistent with its strategic plan and board approved risk appetites. To meet risk management objectives, risks must be identified, understood, measured, assessed, and managed on an enterprise-wide basis.

ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

Alberta Central's ERM framework integrates its risk management process into the overall strategic management and governance structure of the organization. It also provides the policies and structure to allow it to identify, assess, and respond to risks in accordance with its risk appetite and tolerance. Quarterly risk assessments are completed with the MRC and key subject matter experts (SME) within the organization. Key results are shared with the AFRC and the board. This process ensures that Alberta Central is cognizant of the material risks that it faces and mitigates them, as necessary, until they reach an acceptable level. It also ensures Alberta Central continues to monitor risks that are within an acceptable level to proactively identify and respond to adverse changes. Ongoing review and approval of risk appetite and tolerance statements by the board is integral to the ERM framework and will continue through 2024.

Alberta Central has determined that the following risk categories are most applicable to its business operations:

Capital Adequacy Risk

Capital adequacy risk is the risk of financial loss and/or regulatory intervention due to the failure of Alberta Central to maintain the prescribed capital base to meet regulatory requirements and/or the capital base necessary to support its business plans. Alberta Central's capital management processes anticipate the capital requirements and the sources that will be drawn upon to maintain the necessary level of capital throughout the year. Management regularly monitors and reports the levels and quality of the company's capital to the AFRC and the board.

Annually, the board approves Alberta Central's ICAAP and Capital Plan.

The board has approved risk appetite and tolerance statements pertaining to capital adequacy risk.

Liquidity Risk

Liquidity risk is the inability to meet financial commitments through regular cash flows which could lead to losses as the organization may need to raise funds at higher costs or sell assets at reduced prices. For Alberta Central, this means ensuring that liquid assets are available to meet the needs of Alberta credit unions, as well as its own needs. The board has a conservative appetite for liquidity risk and has established an internal liquidity target level of greater than eight percent of system assets in eligible liquid assets.

Alberta Central is the liquidity manager for the Alberta credit union system. Alberta Central has established investment and lending policies and procedures to comply with the Act and Regulations, guidelines and board approved risk appetite and tolerance statements and to ensure it is able to generate sufficient funds to meet all its financial commitments as they occur. These policies are annually approved by the board.

The internal Asset Liability Committee (ALCO) and AFRC review, on a regular basis, reports on Alberta Central's current and forecasted liquidity position as well as the composition and amount of liquid assets held within the investment portfolio. Stress testing is undertaken on an annual basis to ensure that the organization maintains an adequate cushion of unencumbered high quality liquid assets held as insurance against a range of liquidity stress scenarios. Stress testing is performed to assess the amount by which the level of liquid assets could decrease while continuing to meet regulatory requirements. The results of these stress tests are reported to the ALCO and AFRC on a regular basis. This stress testing is also an important component in assessing Alberta Central's formal liquidity contingency plans.

Alberta Central ensures there is sound management of liquidity and funding risk and has a liquidity management plan in the case of a liquidity event where Alberta Central is at risk of breaching its regulatory requirements. Alberta Central is willing to accept liquidity risks that carry a low probability of triggering reliance on contingent sources of liquidity and increased cost of funds. Alberta Central's *Investment Policy,* approved by the board annually, specifies that Alberta Central's investments are to be of high-grade credit quality that can be pledged or sold to provide liquidity as needed, even under stressed market conditions. As a further risk management strategy, Alberta Central maintains a well-diversified funding structure and develops external sources of liquidity outside the credit union system. Cash flow forecasting, liquidity stress testing and contingency planning are key elements of the liquidity risk management framework. Alberta Central's Liquidity Management Plan is subject to biennial review and approval by the board and forms an important component of Alberta Central's liquidity management framework.

The board has approved risk appetite and tolerance statements pertaining to liquidity risk.

Market Risk

Market risk is comprised of interest rate risk, foreign exchange risk and other price risk.

Interest Rate Risk

Interest rate risk is the risk that interest rate fluctuations may erode Alberta Central's earnings or economic value. Alberta Central's statement of financial position is comprised of interest-bearing assets and liabilities with different maturity dates, which expose Alberta Central to interest rate risk. Monitoring exposures to interest rate fluctuations and their potential impacts on interest margins is accomplished through interest rate scenario testing of assets, liabilities and equity against the effects of multiple possible interest rate increases and decreases. Alberta Central's *Investment Policy,* approved annually by the board, defines specific appetites and tolerances for changes in net interest income and net economic value. Gap analysis and simulation modeling is used to analyze the effects of interest rate fluctuations on net interest income. This forecasting is then used in developing defensive strategies, where appropriate, to ensure any variations are managed within established appetite and tolerance limits. The board has approved risk appetite and tolerance statements pertaining to interest rate risk.

Foreign Exchange Risk

Foreign exchange risk is the risk that Alberta Central's earnings will be negatively affected by currency fluctuations. Alberta Central's foreign exchange policies and procedures specifically identify the types of transactions permitted, authorizations, limits, monitoring and reporting requirements. Alberta Central's exposure to foreign exchange fluctuations is monitored on a daily basis. The board has approved risk appetite and tolerance statements pertaining to foreign exchange risk.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Alberta Central's qualifying liquidity portfolio consists primarily of short-term, highly liquid, high investment grade credit quality securities. Business is restricted to activities that are understood and that can be accurately valued. Strong risk management is applied as it is expected by stakeholders, including regulators and rating agencies, to support investment risk. The board, on the recommendation of the AFRC, approves written policies to ensure prudent investment standards are applied. Alberta Central's *Investment Policy* is reviewed and approved by Alberta Central's board annually and by CUDGC when there are material changes. Asset liability management is the responsibility of qualified treasury personnel with management oversight from an internal management committee, the ALCO, which reviews risk exposure at quarterly meetings.

The board has approved risk appetite and tolerance statements pertaining to other price risk.

Credit Risk – Commercial Lending

Credit risk is the potential for loss due to the failure of a borrower or counterparty to meet its financial or contractual obligations. Alberta Central is exposed to credit risk in its lending operations. Annually, the board approves Alberta Central's *Lending Policy* to establish prudent lending procedures and limits. Additionally, management regularly reviews credit procedures to ensure they provide relevant, appropriate guidance for the underwriting and administration of all types of loans. Alberta Central's lending activity is predominantly to serve the needs of Alberta credit unions and their members. Alberta Central's commercial lending activity is usually as a secondary syndication partner with credit unions; however, loans must meet Alberta Central's lending criteria without reliance on the due diligence process of any syndication partner. Commercial lending credit decisions are the responsibility of qualified commercial lending personnel in conjunction with the internal Management Credit Committee (MCC).

The board has approved risk appetite and tolerance statements pertaining to commercial lending credit risk.

Credit Risk – Investments

Credit risk is the potential for loss due to the failure of a borrower or counterparty to meet its financial or contractual obligations. Alberta Central is exposed to credit risk in its investment activities. As per Alberta Central's *Investment Policy,* approved by the board annually, Alberta Central maintains high financial stewardship standards, ensuring that the investment portfolio consists of highly liquid, high investment grade credit quality that meets Alberta Central's standards for quality including being recognized by credit rating agencies. Risk within the investment portfolio is managed by diversifying counterparty risk in the derivative portfolio and individual investments. Investments are restricted to securities that are understood and that can be accurately valued. Strong risk management is applied as it is expected by stakeholders, regulators and rating agencies to support investment risk. In the *Investment Policy,* the board sets out key requirements for ensuring appropriate risk limits in the investment portfolio. These include investment types, minimum quality standards, authority levels, and reporting requirements.

The board has approved risk appetite and tolerance statements pertaining to investment credit risk.

Operational Risk

Operational risk includes the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It encompasses cyber security, fraud and all internal control activities including the management of third parties. Its impact can be financial loss, loss of reputation, loss of competitive position or regulatory censure. In setting its risk appetite and tolerance, the board recognizes that operational risk is an inevitable consequence of being in business; the risk(s) may be outside the control of management and acceptance of some risk is necessary to foster innovation and efficiencies within business practices. Therefore, the board expects management to build a culture which promotes awareness of operational risk, to implement a formal due diligence and review process for material third parties, monitor key operational risk indicators, continuously strive to improve working processes, and invest in employees/resources, training, risk management practices, insurance protection, disaster recovery and business continuity planning to a level that balances the level of risk undertaken with the pursuit of objectives to ensure the level of risk remains within appetite. Alberta Central manages operational risk through established policies and procedures and systems of internal controls.

The board has approved risk appetite and tolerance statements pertaining to operational risk.

Strategic Risk

Strategic risks are internal or external uncertainties, whether event or trend driven, which could impact Alberta Central's ability to implement and achieve its strategic objectives. This risk is a function of the compatibility between the organization's strategic goals, the business initiatives developed to achieve those goals, the resources deployed against these goals and the quality of implementation. Alberta Central employs a number of means in order to ensure that its strategic plans are appropriate and relevant.

The board has approved risk appetite and tolerance statements pertaining to strategic risk.

Legal and Regulatory Compliance Risk

Legal risk is the risk of financial or reputational loss that can result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to, the way law and regulation apply to an organization, its relationships, processes, products and services. In particular, litigation risk and contract risk are the primary legal risks that financial institutions must manage in the achievement of their objectives. Alberta Central's internal legal counsel ensures there are controls and processes in place and are operating effectively to appropriately mitigate and protect Alberta Central from legal risk.

Regulatory compliance risk is the risk of a financial institution's potential non-conformance with laws, rules, regulations, and prescribed practices ("regulatory requirements") in any jurisdiction in which it operates. It does not include risk arising from non-conformance with ethical standards. Alberta Central's activities have been subject to reviews and periodic on-site regulatory examinations. Alberta Central's Chief Compliance Officer maintains a legislative and regulatory compliance management system through which legislative and regulatory requirements are annually reviewed and reported. New policies and procedures are developed to address legislative and regulatory requirements as appropriate. The board receives an annual compliance report in which any deficiencies and corresponding action plans are identified.

The board has approved risk appetite and tolerance statements pertaining to legal and regulatory risk.

Corporate Governance Risk

Corporate governance risk is the risk of financial and/or reputational impairment caused by lack of effectiveness of the board and executive management. Alberta Central's organizational structures, policies and controls are designed to provide effective corporate governance. Effective corporate governance is attained through the diligence of knowledgeable and competent directors and senior management and through ongoing succession planning for management leadership roles. Governance activities ensure that critical information reaching executive management and the board is sufficiently complete, accurate and timely to enable appropriate decision-making, and provide the control mechanisms to ensure that strategies, directions and instructions from the board and management are carried out systematically and effectively. The composition, roles and responsibilities, and practices of the board and executive management include having appropriate skills for their roles, high standards of ethics which sets the right tone at the top, diversified skills among board members and board independence. Alberta Central is committed to practicing good governance through full disclosure of corporate governance practices, proper and efficient management of resources and maintaining accountability of the board, management, and employees.

The board has approved risk appetite and tolerance statements pertaining to corporate governance risk.

Management's Responsibility for Financial Reporting

MANAGEMENT OF CREDIT UNION CENTRAL ALBERTA LIMITED (ALBERTA CENTRAL) is responsible for the integrity and fair presentation of the financial information contained in this annual report. The financial statements have been prepared in accordance with International Financial Reporting Standards and, where necessary, include amounts which are based on the best estimates and judgment of management. Financial information appearing throughout this annual report is consistent with the financial statements.

Alberta Central's accounting and related financial controls are designed, and supporting procedures maintained, to provide reasonable assurance of the timely production of reliable and accurate financial information, the promotion of operational efficiency, that assets are safeguarded against loss from unauthorized use or disposition and liabilities are recognized. These supporting procedures include the careful selection and training of qualified staff, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines of business conduct and risk management throughout Alberta Central. The system of internal controls is further supported by a professional staff of internal auditors who conduct periodic inspections of all major aspects of Alberta Central's operations. The internal auditors have full access to, and meet regularly with, the Audit, Finance and Risk Committee (the committee) of the board of directors to review and discuss the results of their work.

Regulators conduct examinations and make such enquiries into the business affairs of Alberta Central as they may deem necessary to satisfy themselves that the provisions of the appropriate legislation are being duly observed and that Alberta Central is in sound financial condition.

The committee, composed entirely of external directors, reviews the financial statements, including key management estimates and judgments material to the financial results before such financial statements are approved by the board of directors and submitted to the members of Alberta Central. The committee reviews the audit plans of the internal and external auditors, the results of their audits and management's response to any identified recommendations for improvements in internal control. The committee is also responsible for recommending the appointment of the external auditors to the board of directors.

KPMG LLP, the independent auditors, have audited the financial statements of Alberta Central in accordance with Canadian generally accepted auditing standards and have expressed their opinion in the following report to the members. The auditors have full and unrestricted access to, and meet periodically with, the committee both in the presence and absence of management to discuss their audit and related findings.

Benjamin Chappell
President & CEO
February 23, 2024

Jason Anderson
Chief Financial & Governance Officer

Independant Auditors' Report

TO THE MEMBERS OF CREDIT UNION CENTRAL ALBERTA LIMITED

Opinion

We have audited the accompanying financial statements of Credit Union Central Alberta Limited (the Entity), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of income (loss) and comprehensive income (loss) for the year then ended
- the statement of members' equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditor's Responsibilities for the Audit of the Financial Statements"* section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 IFRS Accounting Standards as Issued by the International Accounting Standards Board and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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

Calgary, Canada

February 29, 2024

Statement of Income (Loss) and Comprehensive Income (Loss)

YEAR ENDED DECEMBER 31	2023	2022
(thousands of dollars)		
Financial income		
Interest on securities	158,129	61,412
Interest on loans	8,028	6,879
	166,157	68,291
Financial expenses		
Interest on members' deposits	133,415	43,418
Interest on loans and notes payable	11,426	8,056
	144,841	51,474
Net interest income	21,316	16,817
Provision for credit losses (Note 9)	(1,682)	(426)
Net interest income after provision for credit losses	19,634	16,391
Operating revenues (Note 4)	26,208	24,896
Operating expenses (Note 4)	(45,960)	(41,121)
Earnings (loss) from equity method investments (Note 8)	96	(4,388)
Income (loss) before income taxes	**(22)**	**(4,222)**
Current income taxes (Note 6)	–	–
Deferred income tax expense (recovery) (Note 6)	(893)	(1,829)
	(893)	(1,829)
Net income (loss)	**871**	**(2,393)**

YEAR ENDED DECEMBER 31	2023	2022
Other comprehensive income (loss)		
Items that will never be reclassified to net income:		
Remeasurements of net defined benefit pension asset or liability (net of income tax (recovery) of $64; 2022 – $178) (Note 5)	196	499
Change in unrealized gain on equity securities at FVOCI (net of income tax (recovery) of $71; 2022 – ($2,768)) (Note 7)	1,119	2,570
Items that are or may be reclassified to net income:		
Change in unrealized gains (losses) on debt securities at FVOCI (net of income tax (recovery) of $2,356; 2022 – ($4,188)) (Note 7)	7,705	(13,695)
Reclassification adjustments for realized gains on debt securities at FVOCI (net of income tax (recovery) of $nil; 2022 – ($101)) (Note 7)	–	(329)
	9,020	(10,955)
Comprehensive income (loss)	**9,891**	**(13,348)**

The accompanying notes are an integral part of these financial statements.

Statement of Financial Position

DECEMBER 31	2023	2022
(thousands of dollars)		
Assets		
Cash (Note 19)	37,411	37,433
Securities (Note 7)	3,290,380	3,004,686
Loans (Note 9)	334,199	163,138
Derivative financial assets (Note 19)	27,367	49,617
Other assets (Note 10)	143,004	142,862
	3,832,361	3,397,736
Liabilities		
Accounts payable and accrued liabilities	20,767	23,528
Members' deposits (Note 12)	3,191,152	2,625,041
Notes payable and other liabilities (Note 13)	210,649	340,607
Derivative financial liabilities (Note 19)	28,879	49,635
	3,451,447	3,038,811
Members' Equity		
Common share capital (Note 14)	300,865	285,643
Retained earnings	64,066	66,319
Accumulated other comprehensive income	15,983	6,963
	380,914	358,925
	3,832,361	3,397,736

Commitments (Note 21)

Events after the reporting date (Note 22)

The accompanying notes are an integral part of these financial statements.

Approved by the board of directors

John Veldkamp
Chair, Board of Directors

Mark Wiltzen
Chair, Audit, Finance & Risk Committee

Statement of Members' Equity

(thousands of dollars)	SHARE CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL EQUITY
Balance as at January 1, 2022	**274,484**	**60,321**	**29,300**	**364,105**
Net income (loss)	–	(2,393)	–	(2,393)
Change in realized and unrealized gains and losses on securities at FVOCI (net of income tax of ($7,057))	–	–	(11,454)	(11,454)
Reclassification of AOCI to retained earnings (net of income tax of $172) (Note 20)	–	11,382	(11,382)	–
Remeasurements of net defined benefit pension asset or liability (net of income tax of $178) (Note 5)	–	–	499	499
Issue of share capital, net (Note 14)	11,159	–	–	11,159
Share capital dividends (net of deferred income tax (recovery) of ($915)) (Note 15)	–	(2,991)	–	(2,991)
Balance as at December 31, 2022	**285,643**	**66,319**	**6,963**	**358,925**
Net income (loss)	–	871	–	871
Change in realized and unrealized gains and losses on securities at FVOCI (net of income tax of $2,427) (Note 7)	–	–	8,824	8,824
Remeasurements of net defined benefit pension asset or liability (net of income tax of $64) (Note 5)	–	–	196	196
Issue of share capital, net (Note 14)	15,222	–	–	15,222
Share capital dividends (net of deferred income tax (recovery) of ($956)) (Note 15)	–	(3,124)	–	(3,124)
Balance as at December 31, 2023	**300,865**	**64,066**	**15,983**	**380,914**

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

YEAR ENDED DECEMBER 31	2023	2022
(thousands of dollars)		
Cash resources provided by (used in):		
Operating activities		
Net income (loss)	871	(2,393)
Adjustments for:		
Depreciation and amortization (Note 11, Note 16)	2,996	3,459
Provision for credit losses (Note 9)	1,682	426
Deferred income tax (recovery)	(893)	(1,829)
Net interest income	(21,316)	(16,817)
Interest received	165,790	69,602
Interest paid on deposits	(125,825)	(30,617)
(Earnings) losses from equity method investments (Note 8)	(96)	4,388
	23,209	26,219
Changes in non-cash operating components		
Cash in transit and other assets	2,804	(50,195)
Derivative financial assets and liabilities	1,494	(1,320)
Accounts payable and accrued liabilities	(1,713)	12,128
Net increase (decrease) in members' deposits	558,521	(139,739)
Net (increase) decrease in loans	(172,327)	(2,131)
	411,988	(155,038)

YEAR ENDED DECEMBER 31	2023	2022
Financing activities		
Increase (decrease) in notes payable	(131,194)	62,505
Interest paid on loans and notes payable	(10,554)	(8,476)
Payment of lease liabilities	(1,628)	(481)
Lease incentives received	–	4,750
Issuance of share capital, net of redemptions	15,222	11,159
Payment of share capital dividends	(4,080)	(3,906)
	(132,234)	65,551
Investing activities		
Sale (purchase) of securities	(274,525)	105,429
Lease payments received	852	364
Distribution from equity method investments	1,540	1,300
Acquisition of capital and intangible assets	(7,008)	(6,647)
Accounts payable and accrued liabilities	(635)	(735)
	(279,776)	99,711
Increase (decrease) in cash resources	(22)	10,224
Cash, beginning of year	37,433	27,209
Cash, end of year [1]	37,411	37,433

[1] *Cash includes $11,756 (2022 – $10,226) held in US denominations ($15,568 CDN equivalent (2022 – $13,860))*

The comparative period has been recast resulting in a change in cash from operating activities of $7,057 and an offsetting change in cash from investing of ($7,057).

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

(thousands of dollars except where otherwise noted)

NOTE 1: GENERAL INFORMATION

Credit Union Central Alberta Limited (operating as Alberta Central) is a limited liability company and is incorporated and domiciled in Canada. Alberta Central is governed by the Credit Union Act of Alberta. Alberta Central is provincially regulated by the Credit Union Deposit Guarantee Corporation (CUDGC).

The address of its registered office is:
227 11 Avenue SW, Suite 500
Calgary, Alberta

Alberta Central is the liquidity and trade association for credit unions in Alberta. Alberta Central's financial statements comprise the accounts of Alberta Central and its proportionate share of the assets, liabilities, revenue and expenses of its joint arrangement, Prairie Payments Joint Venture (PPJV). The PPJV provides payment services and related support services to the members of its owners, Alberta Central (33.33 percent), Credit Union Central of Saskatchewan (SaskCentral) (33.33 percent) and Credit Union Central of Manitoba (Manitoba Central) (33.33 percent) as well as to other organizations. The financial statements also comprise Alberta Central's equity share of the income of its significantly influenced associates, Celero Solutions (Celero) and CU CUMIS Wealth Holdings LP (CU CUMIS). Celero provides information technology services to credit unions, its owners, Alberta Central (33.33 percent), SaskCentral (33.33 percent) and Manitoba Central (33.33 percent), and to other organizations. The registered place of business for both PPJV and Celero is Calgary, Alberta. CU CUMIS is a partnership of the CUMIS Group Limited and five provincial credit union centrals – Atlantic Central, Central 1 Credit Union (Central 1), Manitoba Central, SaskCentral and Alberta Central. CU CUMIS holds a 50.00 percent interest in Aviso Wealth Inc., a wealth management company. The registered place of business for CU CUMIS is Toronto, Ontario.

NOTE 2: BASIS OF PREPARATION

a) Statement of compliance

Alberta Central prepares its financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

These financial statements have been approved for issue by the board of directors on February 29, 2024.

b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for the following material items:

ITEMS	MEASUREMENT BASIS
Financial assets and liabilities at FVTPL	Fair value
Financial assets at FVOCI	Fair value
Assets held for sale	Lower of carrying amount and fair value less costs to sell
Net defined benefit pension plan asset (liability)	Fair value of plan assets less the present value of the defined benefit obligation, as explained in Note 5

c) Currency

The financial statements are presented in Canadian dollars, which is Alberta Central's functional currency.

d) Significant estimates and assumptions

The preparation of these financial statements in conformity with IFRS Accounting Standards requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates, judgments and assumptions. Estimates, judgments and assumptions are evaluated on a continuous basis and are based on past experiences and other factors, including expectations regarding future events. Revisions to accounting judgments and estimates are recognized in the period in which the judgments or estimates are revised and in any future periods affected. Areas of judgment and estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year are described below.

Equity accounted investees

IAS 28 requires losses from an equity accounted investee to be applied to the investment and to any other long-term interests with the investee. Management is therefore required to make judgments on whether loans to equity accounted investees are considered a long-term interest. Management has determined that as of the end of the reporting period, loans to equity accounted investees are not a long-term interest and remain accounted for in accordance with the requirements of IFRS 9, described below.

Provision for credit losses

IFRS 9 requires estimates and assumptions to be made by management in determining provisions for credit losses. Management must make assumptions regarding the creditworthiness of individual borrowers, the timing of receipt of future cash flows (repayment from the borrowers), and estimate the net realizable value and timing of the realization of the collateral underlying the loan. All lending activity is undertaken on a syndicated basis with credit unions where the credit union typically functions as the lead lender.

IFRS 9 requires a forward-looking expected credit loss (ECL) model. Assessment of whether there has been a significant increase in credit risk (SICR) since initial recognition, and the incorporation of forward-looking information in the measurement of ECL, requires considerable judgement (Note 3c).

Business model and solely payments of principal and interest assessment

To determine the classification of financial assets, management uses judgment to assess the business model within which the assets are held and whether contractual terms of the cash flows are solely payments of principal and interest on the principal amount outstanding (Note 3b).

Fair value of financial instruments

The fair value of financial instruments where no active market exists, or where quoted prices are not otherwise available, is determined using valuation techniques. In these cases, the fair value is estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions regarding credit risk, market liquidity and timing of future cash flows. The use of valuation techniques in calculating the fair value of Alberta Central's investments in equity securities in cooperative enterprises is discussed further in Note 20.

Intangible asset impairment assessment

Intangible assets are amortized over the useful economic life (Note 3h) and assessed for impairment on an annual basis while under development or whenever there is an indication that the intangible asset may be impaired. When carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount which is the higher of fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. In determining fair value less costs of disposal, recent market transactions are considered, or an appropriate valuation model is used.

e) Adoption of new accounting standards

Alberta Central adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Alberta Central reviewed the accounting policies and made updates to the information disclosed in Note 3 in certain instances in line with the amendments.

NOTE 3: MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these financial statements are summarized below and have been consistently applied to all years presented, except where otherwise noted.

a) Revenue recognition

Interest income on loans and securities is recognized in profit and loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to its net carrying amount. For credit-impaired financial assets, the effective interest rate is calculated based on the gross carrying amount of the financial asset less expected credit loss.

Revenues that fall within the requirements of IFRS 15 *"Revenue from contracts with customers"* are comprised primarily of payment processing, procurement services, and membership dues. Payment processing, procurement and cash services are sold at fixed unit prices over the term of the contract and the related performance obligations are satisfied at the point in time in which the services are rendered to the customer. Membership dues are provided at fixed prices established annually and the related performance obligations are satisfied over time.

b) Financial assets and liabilities

All financial assets are classified as FVTPL, FVOCI or amortized cost. All financial liabilities are classified as FVTPL or amortized cost. Financial assets and liabilities are recognized when Alberta Central becomes a party to the contractual provisions of the instrument. Alberta Central uses settlement date accounting for regular-way trades, which are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Business model and solely payments of principal and interest assessment

To determine the classification of financial assets, management completes an assessment whether contractual cash flows are solely payments of principal and interest. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and 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 profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, management considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Alberta Central makes an assessment of the objective of a business model in which an asset is held at a segmented portfolio level because this best reflects the way the business is managed and information is provided to management. Portfolio segments differ primarily in strategy and objective resulting in a requirement to treat certain security pools differently.

The information considered includes the stated policies and objectives for the portfolio segment and the operation of those policies in practice. In particular, it considers whether management's strategy focuses on earning contractual interest revenue, maintaining interest rate profile, maintaining a liquidity pool, matching the duration of financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of those assets.

Fair value through other comprehensive income (FVOCI)

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

Debt securities classified as FVOCI are initially and subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment are recognized in net income. Other net gains and losses are recognized in other comprehensive income (OCI). On derecognition, gains and losses accumulated in OCI related to debt securities are reclassified to net income.

Alberta Central's debt securities portfolio is held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets to meet liquidity needs as they arise. As the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest, these financial assets are measured at FVOCI. However, Alberta Central may designate any financial asset or liability as FVTPL if certain specified conditions are met.

On initial recognition of an equity investment that is not held for trading, Alberta Central may irrevocably elect to present subsequent changes in fair value through OCI. This election is made on an investment-by-investment basis. Alberta Central has made this election for equity securities held in cooperative entities (Note 7). Accordingly, gains and losses accumulated in OCI related to equity securities are not reclassified to net income.

Amortized cost

Financial assets classified as amortized cost are instruments which have contractual terms that give rise, on specified dates, to cash flows that are solely payments of principal and interest with fixed or determinable payments and fixed maturities that are held within a business model with the objective of collecting contractual cash flows. Financial liabilities are measured at amortized cost unless they are classified as FVTPL. Financial assets and liabilities classified as amortized cost are initially measured at fair value and subsequently measured at amortized cost using the effective interest method.

Alberta Central has classified cash, loans, accounts receivable, items in transit, certain debt securities, members' deposits, accounts payable and accrued liabilities, and notes payable and other liabilities, as amortized cost.

Fair value through profit or loss (FVTPL)

All financial assets or liabilities not classified as measured at FVOCI or amortized cost are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost, or at FVOCI, as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Derivative instruments must be classified as FVTPL unless they are designated as an effective hedging instrument. Alberta Central has classified derivative financial assets and derivative financial liabilities as FVTPL.

Determination of fair value

For financial instruments traded in an active market, fair value is determined by reference to quoted market prices or dealer price quotations. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. Where independent quoted market prices are not available, fair value is determined by reference to recent 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 other valuation techniques. For equity investments, fair value may be best represented by par value of the shares, if equal to redemption value, or cost, if cost represents the best estimate of fair value.

With the use of valuation techniques, fair value is estimated from observable data in respect to similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the date of the statement of financial position. Alberta Central uses valuation techniques primarily to value its derivatives and certain equity investments.

Derecognition

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or substantially all the risks and rewards of ownership of the assets have been transferred. Financial liabilities are derecognized when the obligation has been discharged, cancelled or expired.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss. Any cumulative gain/loss recognized in OCI with respect to equity investment securities designated as FVOCI are not recognized in profit or loss on derecognition.

c) Provision for credit losses

Impairment and provisions for expected credit losses

Alberta Central reviews its financial assets that are not measured at FVTPL for impairment on a quarterly and annual basis The expected loss impairment model is based on a forward-looking approach and contains a three-stage methodology to evaluate changes in credit risk since initial recognition. For assets where there has not been a significant increase in credit risk since initial recognition (stage one), a loss provision equal to 12 months expected credit losses is recognized. If credit risk increases significantly from initial recognition (stage two) or if a financial asset is considered credit impaired (stage three), a loss provision equal to the lifetime expected credit losses is recognized.

ECL is a probability-weighted estimate of credit losses. The key inputs into the measurement of ECL, regardless of the presence of SICR are the following variables:

- probability of default (PD)
- loss given default (LGD)
- exposure at default (EAD)

These parameters are derived from internally developed statistical models and other historical data, which are adjusted to reflect forward-looking information. Experienced credit judgement has been applied to reflect the impact of the highly uncertain economic environment on credit conditions.

PD estimates at the reporting date are calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures.

LGD is the magnitude of the likely loss if a default occurs. Alberta Central estimates LGD parameters based on the value of security held for each asset (if applicable) compared to the exposure at default as well as historic experience with distressed sale discounts and costs to sell upon security realization. LGD estimates are recalibrated for different economic scenarios to reflect possible changes in property prices.

EAD represents the expected exposure in the event of a default. Alberta Central derives the EAD from the current exposure to the counterparty.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, Alberta Central considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on Alberta Central's historical experience and credit risk assessment from qualified personnel, and from forward-looking information.

The objective of the assessment is to identify whether SICR has occurred for an exposure by comparing:

- remaining lifetime PD as at the reporting date; with
- remaining lifetime PD estimated at the time of initial recognition of the exposure.

The criteria for determining whether SICR has occurred include quantitative changes in PDs and qualitative factors, including payment delinquency. Using credit judgment and, where possible, relevant historical experience, Alberta Central may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

Alberta Central considers an asset to be credit impaired when an asset is more than 30 days past due, subject to other qualitative considerations, or is in default. Alberta Central considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations in full, without recourse by Alberta Central to actions such as realizing security.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

Alberta Central incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. External information includes economic data and forecasts published by government bodies and monetary authorities in Canada.

d) Income taxes

Deferred income taxes

Alberta Central follows the asset and liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are recognized on temporary differences arising between the financial statement carrying amounts of assets and liabilities and their respective tax bases. The deferred tax assets and liabilities are calculated using enacted or substantively enacted tax rates that are expected to be in effect when the differences are expected to reverse.

Deferred tax assets are recognized for unused tax losses, tax credits and other temporary differences when it is probable that future taxable income will be available against which these temporary differences can be utilized.

Any changes in deferred tax assets or liabilities during the year are reflected in income tax expense on the statement of income and comprehensive income unless they relate to items that are recognized in other comprehensive income or equity.

e) Cash

Cash includes bank accounts held and used by Alberta Central in the management of short-term commitments. Cash therefore excludes cash held for purposes of managing the liquidity portfolio, which is included as securities as disclosed in Note 7.

f) Equity method investments

Alberta Central uses the equity method to account for Celero and CU CUMIS over which it exercises significant influence. Significant influence is the power to participate in, but not control or jointly control, the financial and operating policy decisions of the investee. Under this method, the investment is initially recognized at cost and is adjusted for Alberta Central's share of income (loss) and distributions received from (contributions to) the investee. The investment is written down to recognize losses, if any, in its value. Alberta Central assesses impairment of its investments in Celero and CU CUMIS on an annual basis and losses, if any, are recognized in the statement of income and comprehensive income.

g) Investment in PPJV

Alberta Central has a 33.33 percent interest in the PPJV joint arrangement. As PPJV is legally structured as an unincorporated entity, its assets and liabilities are primarily those of the parties to the joint arrangement. Accordingly, Alberta Central accounts for its investment in PPJV as a joint operation, and its proportionate share of PPJV's assets, liabilities, revenues and expenses are combined with similar items, line by line, in its financial statements. Intercompany gains on transactions between Alberta Central and the joint operation are eliminated to the extent of Alberta Central's interest in the joint operation. Intercompany losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

h) Capital and intangible assets

Capital assets are recognized at historical cost less accumulated depreciation. Intangible assets consist of acquired operating software assets and development costs recognized at historical cost less accumulated amortization. Historical cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation and amortization are calculated using the straight-line method over the following estimated useful lives:

Computer hardware and equipment	3 years
Intangible assets	3-5 years
Development costs	10 years
Furniture	10 years
Leasehold improvements	Term of the lease
Right-of-use (ROU) assets	Term of the lease

Development costs relate to Alberta Central's proportionate share of expenditures incurred with the development of a cloud-based payments processing platform within the PPJV. Eligible development costs are expenditures that are directly attributable to building the platform and preparing the asset for its intended use and include fees associated with third party software development and architecture, testing and project management. Costs associated with training, maintenance and data conversion activities are expensed as incurred.

Depreciation/amortization commence on capital assets once the assets are available for use. The residual values and useful lives of the capital assets are reviewed, reassessed and adjusted, if appropriate, each reporting period.

Capital and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Intangible assets that are in development and not yet available for use are also reviewed for impairment annually. An asset is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's 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 the continuing use and ultimate disposal of an asset.

Leases

A contract contains a lease if there is a right to control the use of an identified asset over a period of time in exchange for consideration.

As lessee

Leases are recognized on the statement of financial position as ROU assets and lease liabilities. A depreciation charge and interest expense are recognized on the ROU assets and lease liabilities through the statement of income and comprehensive income.

Lease liabilities are measured at the present value of the remaining lease payments, discounted using Alberta Central's weighted incremental borrowing rate at initial recognition.

ROU assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

Subsequently, the lease liability is measured at amortized cost using the effective interest rate method. The ROU asset is subsequently depreciated using the straight-line method from commencement date to the end of the lease term, adjusted for any remeasurements of lease liabilities.

Leases of low-value items or short-term leases are expensed on a straight-line basis over the lease term.

As lessor

Leases that transfer substantially all of the risks and rewards incidental to ownership of the underlying asset are classified as finance leases. All other leases are classified as operating leases.

When assets are subject to a finance lease, a net investment in the lease is recognized within other assets on the statement of financial position. Interest income is recognized over the term of the lease using the implicit interest rate.

i) Derivative instruments

Alberta Central enters into various derivatives in the normal course of business, including interest rate swaps, index linked options, bond forwards and foreign-exchange swaps. Alberta Central uses such instruments to meet the needs of member credit unions and to assist in its own risk management program.

Derivative instruments are classified as FVTPL and measured at fair value in the statement of financial position with changes in fair value recognized in net income.

NOTE 4: OPERATING REVENUES AND OPERATING EXPENSES

	2023	2022
Operating revenues		
Prairie Payments Joint Venture (Note 3g)	12,726	12,763
Member dues	5,650	5,050
Revenue from affiliates and other	5,606	4,495
Financial and ancillary services	2,226	2,588
	26,208	**24,896**
Operating expenses		
Personnel	14,648	13,637
Payments processing, clearing and settlement (Note 21)	9,881	10,446
Administration and other	10,319	6,903
Property and equipment	5,398	5,078
Information technology services	4,626	4,111
Organization	1,088	946
	45,960	**41,121**

Included in financial and ancillary services is $nil (2022 – $559) of income associated with securities classified as FVTPL (Note 7) and $nil (2022 – $458) of losses associated with floating interest rate swaps (Note 19). Included within financial and ancillary services is $1,908 (2022 – $620 losses) of foreign exchange gains and $1,494 (2022 – $(861)) of related revaluation of foreign exchange derivative financial instruments.

Revenue from affiliates and other revenues includes administrative and facilities services charged to PPJV and Celero of $5,335 (2022 – $4,349). Operating expenses include $23,339 relating to Alberta Central's share of PPJV's operating and transition expenses (2022 – $22,412).

NOTE 5: PENSION PLANS

a) Defined contribution pension plan

Alberta Central contributes annually to a defined contribution pension plan for employees. The annual pension expense of $592 (2022 – $520) is included in personnel expense (Note 4).

b) Defined benefit pension plan

Alberta Central also contributed annually to a defined benefit pension plan for certain executive management which qualifies as a retirement compensation arrangement under the *Income Tax Act*. This plan is fully funded by Alberta Central and there are no active members in the plan. Concentra Trust is the custodian of the plan. An actuarial valuation of the defined benefit obligation was performed as of December 31, 2022. The fair value of plan assets and defined benefit obligation is as follows:

	2023	2022
Fair value of plan assets, consisting of government debt securities, end of year	6,350	6,447
Defined benefit obligation, end of year	3,011	3,516
Pension surplus (Note 10)	**3,339**	**2,931**

The amounts recognized in the statement of income and comprehensive income on a before-tax basis are as follows:

	2023	2022
Included in net income:		
Current service cost	–	(22)
Net interest income	150	74
	150	**52**
Included in other comprehensive income:		
Actuarial gains arising from experience adjustments and changes in financial assumptions	475	917
Remeasurements of defined benefit pension asset	(216)	(240)
	259	**677**

NOTE 6: INCOME TAXES

The combined federal and provincial substantively enacted income tax rate applicable to Alberta Central is 23.42 percent (2022 – 23.42 percent). Income taxes calculated at substantively enacted rates differ from the provision included in the statement of income and comprehensive income for the following reasons:

	2023	2022
Income tax expense (recovery) at substantively enacted rates	(5)	(989)
Increase (decrease) in income taxes resulting from:		
Impact of rate changes on temporary differences	105	10
Non-deductible items and permanent differences on equity investments	(877)	(758)
Other	(116)	(92)
Provision for income tax expense (recovery)	**(893)**	**(1,829)**

Deferred tax asset is comprised of the following:

	DECEMBER 31, 2022	RECOGNIZED IN EARNINGS	RECOGNIZED IN OCI	RECOGNIZED IN EQUITY	DECEMBER 31, 2023
Deferred tax assets					
Capital assets	1,497	(1,221)	–	–	276
Loan impairment	384	78	–	–	462
Non-capital losses	11,517	1,729	(2,356)	956	11,846
Other	252	334	–	–	586
Deferred tax liabilities					
Pension	(694)	(27)	(64)	–	(785)
Fair value adjustments	(2,896)	–	(71)	–	(2,967)
	10,060	**893**	**(2,491)**	**956**	**9,418**

NOTE 7: SECURITIES

	2023	2022
Securities at FVOCI		
Government:		
Provincial	653,002	423,131
Federal	330,886	419,657
Corporate:		
Banks	1,245,769	1,269,332
Other	265,154	262,368
Other:		
Deposits with financial institutions (including $152,342 (2022 – $144,573) with government guaranteed financial institutions)	780,250	609,131
Equity investments in cooperative entities (Note 20)	10,475	9,161
Total securities at FVOCI	3,285,536	2,992,780
Securities at Amortized Cost		
Central 1 subordinated debt	–	7,000
Total securities at amortized cost	–	7,000
	3,285,536	2,999,780
Accrued interest receivable	4,844	4,906
	3,290,380	**3,004,686**

As at December 31, 2023, $254,505 (2022 – $249,291) of securities were pledged to Central 1 under the terms of the *Credit Union System Group Clearing Agreement* (Note 13) and are restricted from Alberta Central's use.

Alberta Central is party to a *Credit Support Annex*, which requires Alberta Central to pledge collateral to the extent that the net value of swaps with a certain major Canadian financial institution decreases below a specified level. Securities on the statement of financial position includes $29,210 (2022 – $37,201) pledged with the financial institution.

NOTE 8: EQUITY METHOD INVESTMENTS

Celero Solutions

Alberta Central has a 33.33 percent interest in Celero. Based on the governance structure, Alberta Central exercises significant influence over Celero and accounts for the investment using the equity method.

Summarized financial information of Celero is as follows:

	2023	2022
Current assets	25,517	22,271
Non-current assets	25,457	21,895
Current liabilities	53,161	34,882
Non-current liabilities	17,488	19,364
Revenue	96,097	86,722
Income (loss) before equity income in Everlink	(12,069)	(23,960)
Net income (loss) and comprehensive income (loss)	(5,390)	(20,197)

The movement in Alberta Central's interest in Celero during the year was as follows:

	2023	2022
Carrying value at January 1	–	5,857
Share of Celero's net income (loss) and comprehensive income (loss)	–	(4,632)
Share of distribution of Celero's prior year net income and comprehensive income	–	(1,225)
Carrying value as at December 31	**–**	**–**

Alberta Central has not recognized losses totaling $5,157 (2022 – $3,360) in relation to its interest in Celero because Alberta Central has no obligation in respect of those losses. In addition, as the loans to Celero (Note 9 and 17) are not considered part of the net investment, the unrecognized losses have not been attributed to those loans.

Although Alberta Central is liable in proportion to its ownership interest in Celero, for all of Celero's covenants and obligations, these losses do not reflect an obligation to Alberta Central at the end of the reporting period and have therefore not been recognized.

During 2023, Alberta Central received a $1,389 distribution from Celero associated with dividend income received from Everlink Payment Services Inc. (Everlink), a corporation in which Celero holds 49.00 percent interest. The distribution was recognized as deferred revenue (Note 13) and will be offset against future income in Celero once the carrying value of the joint venture becomes positive.

CU CUMIS Wealth Holdings LP

Alberta Central has an 8.71 percent interest in CU CUMIS. Based on the governance structure, Alberta Central exercises significant influence over CU CUMIS and accounts for the investment using the equity method (Note 10).

Summarized financial information of CU CUMIS is as follows:

	2023	2022
Current assets	31,451	16,793
Non-current assets	131,064	133,387
Current liabilities	31,585	16,946
Share of Aviso Wealth net income	35,976	30,727
Net income	7,383	25,820
Comprehensive income	32,310	20,544

The movement in Alberta Central's interest in CU CUMIS during the year was as follows:

	2023	2022
Carrying value at January 1	23,777	24,043
Share of CU CUMIS' net income [2]	96	244
Share of CU CUMIS' other comprehensive income (loss)	252	(435)
Share of distributions	(151)	(75)
Carrying value as at December 31	**23,974**	**23,777**

[2] *The difference between the carrying value of $23,974 (2022 – $23,777) and Alberta Central's share of CU CUMIS' net assets of $11,404 (2022 – $11,605) is attributable to intangible assets. Alberta Central's share of CU CUMIS' net income is net of $436 (2022 – $436) amortization of fair value allocation to limited life intangible assets acquired in the 2018 acquisition transaction.*

NOTE 9: LOANS

	2023	2022
Commercial loans and mortgages	126,095	142,214
Credit unions	198,394	15,011
Celero loan (Note 17)	461	4,911
Employee mortgages	7,646	4,800
Celero line of credit (Note 17)	10,000	3,333
	342,596	170,269
Accrued interest receivable	1,442	1,013
	344,038	171,282
Less ECL allowances on commercial loans and mortgages	(9,839)	(8,144)
	334,199	**163,138**

Alberta Central's loans include $11,769 (2022 – $12,573) in credit-impaired, stage 3 loans, $38,395 (2022 – $75,181) in non-credit impaired, stage 2 loans for which a lifetime ECL is calculated (Note 3c) and $292,432 (2022 – $82,515) stage 1 loans for which a 12-month ECL is calculated (Note 3c).

	12-MONTH ECL (STAGE 1)	LIFETIME ECL NOT CREDIT-IMPAIRED (STAGE 2)	LIFETIME ECL CREDIT-IMPAIRED (STAGE 3)	TOTAL
Balance as at January 1, 2022	**9**	**1,041**	**10,358**	**11,408**
Transfers	–	–	–	–
Originations	–	–	–	–
Repayments	–	(148)	(280)	(428)
Remeasurements	13	(15)	1,032	1,030
Provision for credit losses	13	(163)	752	602
Derecognition	–	–	(3,866)	(3,866)
Balance as at December 31, 2022	**22**	**878**	**7,244**	**8,144**
Transfers	196	42	(238)	–
Originations	–	–	–	–
Repayments	–	(230)	–	(230)
Remeasurements	(183)	376	1,732	1,925
Provision for credit losses	13	188	1,494	1,695
Balance as at December 31, 2023	**35**	**1,066**	**8,738**	**9,839**

	2023	2022
Provision for credit losses recognized in the statement of income and comprehensive income:		
Loans	1,695	602
Recovery of previously written-off loan	(33)	–
Asset held for sale	–	(31)
Securities	20	(145)
Total provision for credit losses	**1,682**	**426**

Alberta Central considers probability weighted scenarios to estimate the impact of forward-looking factors on ECL's. The December 31, 2023 weighting for downside scenarios was 40.00 percent (2022 – 40.00 percent). The downside scenario weighting considered economic factors including the interest rate environment, inflation and uncertainty about future recession.

NOTE 10: OTHER ASSETS

	2023	2022
Items in transit	38,427	28,642
Accounts receivable and prepaid expenses	29,963	43,173
Capital and intangible assets (Note 11)	32,322	28,096
Investment in CU CUMIS – equity method (Note 8)	23,974	23,777
Deferred income tax asset (Note 6)	9,418	10,060
Net investment in subleases (Note 16)	4,745	5,299
Pension surplus (Note 5)	3,339	2,931
Right-of-use asset (Note 16)	816	884
	143,004	**142,862**

NOTE 11: CAPITAL AND INTANGIBLE ASSETS

	COMPUTER HARDWARE AND EQUIPMENT	DEVELOP-MENT COSTS	OTHER INTANGIBLE ASSETS	FURNITURE	LEASEHOLD IMPROVE-MENTS	TOTAL
Cost						
Balance as at December 31, 2021	1,012	22,518	2,132	1,386	11,117	38,165
Total additions	192	6,234	–	158	63	6,647
Total disposals	(15)	–	(58)	–	(6,904)	(6,977)
Transfers	–	(5)	5	–	(226)	(226)
Balance as at December 31, 2022	1,189	28,747	2,079	1,544	4,050	37,609
Total additions	48	6,901	–	–	59	7,008
Total disposals	(226)	–	–	(60)	–	(286)
Transfers	–	–	–	–	–	–
Balance as at December 31, 2023	**1,011**	**35,648**	**2,079**	**1,484**	**4,109**	**44,331**
Accumulated depreciation/amortization						
Balance as at December 31, 2021	(582)	(2,683)	(2,094)	(897)	(6,967)	(13,223)
Total depreciation	(133)	(2,559)	(5)	(147)	(423)	(3,267)
Total disposals	15	–	58	–	6,904	6,977
Balance as at December 31, 2022	(700)	(5,242)	(2,041)	(1,044)	(486)	(9,513)
Total depreciation	(169)	(2,061)	(3)	(139)	(400)	(2,772)
Total disposals	216	–	–	60	–	276
Balance as at December 31, 2023	**(653)**	**(7,303)**	**(2,044)**	**(1,123)**	**(886)**	**(12,009)**
Net book value						
At December 31, 2022	489	23,505	38	500	3,564	28,096
At December 31, 2023	**358**	**28,345**	**35**	**361**	**3,223**	**32,322**

Depreciation/amortization expense is included in property and equipment expense (Note 4). During the year, previously capitalized development costs of $708 (2022 – $1,402) were recorded to amortization expense due to changes in management's development plans resulting in these costs no longer meeting the criteria to be recognized as an asset. Development costs not yet available for use were tested for impairment at December 31, 2023. The assessment resulted in no impairment loss recognized.

NOTE 12: MEMBERS' DEPOSITS

	2023	2022
Statutory liquidity deposits	2,496,311	2,036,015
Money market deposits	543,990	415,209
Current accounts and demand deposits	129,819	160,375
	3,170,120	2,611,599
Accrued interest payable	21,032	13,442
	3,191,152	**2,625,041**

Alberta credit unions are required by Alberta Central's bylaws to maintain nine percent of their liabilities in statutory liquidity deposits and common share capital (Note 14) of Alberta Central.

NOTE 13: NOTES PAYABLE AND OTHER LIABILITIES

	2023	2022
Commercial paper	198,769	329,091
Lease liabilities (Note 16)	10,491	11,516
Deferred revenue (Note 8)	1,389	–
	210,649	**340,607**

Alberta Central is authorized to issue commercial paper to a maximum of $600,000 (2022 – $600,000). Amounts bear interest at a weighted-average rate of 5.37 percent (2022 – 3.41 percent) and have a weighted average term of 86 days (2022 – 25 days).

Under an agreement with Central 1, Alberta Central has a line of credit to a maximum of $100,000. Pursuant to the terms of the *Credit Union System Group Clearing Agreement* (Note 19b), Alberta Central is obliged to pledge securities to Central 1 as the group clearer with a Bank of Canada collateral value based on clearing activity levels (Note 7).

Amounts are due on demand and bear interest at the Bank of Canada overnight rate, or such other rate charged by the Bank of Canada, for Canadian dollar advances. For US dollar advances, amounts bear interest at the rate charged to Central 1 by the correspondent US bank.

Lease liabilities consist of non-cancellable premises lease agreements (Note 16).

NOTE 14: COMMON SHARE CAPITAL

Authorized:

Common shares held by Class A voting members – unlimited number at five dollars per share

Common shares held by Class B non-voting members – unlimited number at five dollars per share

Issued and outstanding:

Common shares held by Class A voting members – 60,032,154 shares (2022 – 56,987,827)

Common shares held by Class B non-voting members – 140,703 shares (2022 – 140,703)

Common shares are held by Alberta credit unions (Class A members) and other non-credit union organizations (Class B members).

	2023	2022
Common shares held by Class A members:		
Balance, beginning of year	284,939	273,780
Issued, for cash (3,044,327 shares; 2022 – 2,231,710 shares)	15,222	11,159
Balance as at December 31	300,161	284,939
Common shares held by Class B members:		
Balance, beginning of year	704	704
Issued, for cash (nil shares; 2022 – nil shares)	–	–
Balance as at December 31	704	704
Total common shares	**300,865**	**285,643**

Alberta Central's bylaws require member credit unions to maintain a minimum of one percent of their assets as common share capital in Alberta Central.

Alberta Central's bylaws require that Class B members maintain common shares in Alberta Central, the total par value of which is not less than $100 dollars.

All requests for redemption of common share capital require approval from Alberta Central's board of directors. The redemption price of all common shares is their par value of five dollars per share.

NOTE 15: DIVIDENDS

Share capital dividends of $4,080 (2022 – $3,906) were declared and paid based on Alberta Central's prior year results. Both Class A and B members are eligible to participate in the receipt of share capital dividends from Alberta Central.

NOTE 16: LEASES

RIGHT-OF-USE ASSET	2023	2022
Cost		
Opening balance	1,401	4,920
Total additions	156	86
Total disposals	–	(3,605)
Balance as at December 31	**1,557**	**1,401**
Accumulated depreciation/amortization		
Opening balance	(517)	(3,930)
Total depreciation	(224)	(192)
Total disposals	–	3,605
Balance as at December 31	(741)	(517)
Net book value	**816**	**884**

Alberta Central and PPJV are party to non-cancellable premises lease agreements. The future minimum lease payments for base rent under the non-cancellable operating leases are as follows:

	2023	2022
Less than 1 year	1,500	1,547
1 to 5 years	5,751	5,540
Greater than 5 years	4,640	6,152
Total undiscounted lease liabilities	11,891	13,239
Discounted lease liabilities included in the statement of financial position at December 31 (Note 13)	10,491	11,516

Interest accretion on lease liabilities of $349 (2022 – $516) and variable lease operating expenses of $1,442 (2022 – $565) are recognized within property and equipment expense (Note 4).

Alberta Central subleases premises space to PPJV and Celero. The subleases are classified as finance leases. The future undiscounted lease payments to be received are as follows:

	2023	2022
Less than 1 year	684	813
1 to 5 years	2,584	2,479
Greater than 5 years	2,109	2,795
Total undiscounted lease payments receivable	5,377	6,087
Unearned finance income	632	788
Net investment in subleases (Note 10)	4,745	5,299

Income of $157 (2022 – $162) was recorded in the statement of income and comprehensive income from subleases.

NOTE 17: RELATED PARTY TRANSACTIONS

Alberta Central has transactions with various related parties throughout the normal course of business. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a) Transactions with PPJV

During the year, Alberta Central charged PPJV various administrative, facilities services, interest and float fees totaling $8,171 (2022 – $5,590). During the year, PPJV charged Alberta Central various interest, distribution and administrative fees totaling $3,141 (2022 – $1,407). As at December 31, 2023, Alberta Central had a net receivable of $960 (2022 – $427) from PPJV in respect of operating activities. As at December 31, 2023, PPJV had a balance of cash held with Alberta Central of $10,541 (2022 – $8,460).

b) Transactions with Celero

During the year, Alberta Central charged Celero $4,403 (2022 – $2,767) for interest and various administrative and facilities services. Celero charged Alberta Central $985 (2022 – $1,240) for information technology services. As at December 31, 2023, Alberta Central had a net receivable of $688 (2022 – $33) to Celero in respect of operating activities. As at December 31, 2023, Celero had a balance of cash held with Alberta Central of $6,002 CDN and $17 US ($22 CDN equivalent) (2022 – $5,845 CDN and $47 US ($64 CDN equivalent)).

Under a *Joint Venture Lender Agreement,* Celero has a line of credit facility to a maximum of $30,000 and a $5,000 overdraft facility both with interest payable monthly at the Canadian prime business rate. Alberta Central is the lead lender of the above-noted loan facilities; however, SaskCentral and Manitoba Central, as joint venture partners, share in the provision and repayment of funds for these facilities in proportion to their ownership interest. As at December 31, 2023, Celero had drawn $nil (2022 – $nil) against the authorized overdraft facility and $30,000 (2022 – $10,000) against the line of credit facility, of which $10,000 is funded by Alberta Central (Note 9). The facilities are secured by a *General Security Agreement* over all assets of Celero.

Loans of $461 (2022 – $4,911) (Note 9) are repayable from Celero to Alberta Central. Interest is payable on the principal balance at the Canadian prime business rate.

In 2022, under an unsecured promissory note, Alberta Central committed to lend up to $4,000 to Celero. Amounts advanced on the promissory note have been repaid during 2023 and bore interest at the Canadian prime business rate, payable annually on December 31 and at maturity date.

No provision for expected credit losses have been recorded on the amounts outstanding as of December 31, 2023 (2022 – $nil).

Everlink has entered into agreements with Alberta Central, consisting of a line of credit to a maximum of $2,000 and authorized overdraft facilities to a maximum of $3,000. Celero has provided a guarantee on these agreements in proportion to its 49.00 percent shareholding in Everlink. As at December 31, 2023, Everlink had drawn $nil (2022 – $ nil) against the line of credit or the authorized overdraft facility.

c) Transactions with Servus

As at December 31, 2023, Servus Credit Union Ltd. (Servus) owned 58.03 percent (2022 – 57.69 percent) of the total outstanding common shares held by Class A members of Alberta Central. Although Servus holds over 50.00 percent of the common shares in Alberta Central; it is limited, by the bylaws, to five positions out of a possible 12 board members, resulting in significant influence, but not control. Servus has a credit facility agreement with Alberta Central in the aggregate amount of $1,450,000,000 comprising a revolving demand operating line of credit and revolving term loan. These facilities are secured through a pledge agreement and a general security agreement between Servus and Alberta Central. The outstanding balances with Servus included in Alberta Central's statement of financial position and statement of income and comprehensive income are as follows:

	2023	2022
Loans	51,053	–
Members' deposits	1,552,435	1,135,352
Membership dues rebate accrual [3]	436	507
Common share capital	174,175	164,379
Interest income on loans	445	207
Interest expense on members' deposits	58,670	13,378
Member dues – Alberta Central	3,156	2,798
Other operating revenues	2,213	2,390
Share capital dividends	2,349	2,239

[3] *Included in accounts payable and accrued liabilities*

d) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Alberta Central and include 11 (2022 – 8) executive and senior management positions. Their aggregate compensation for the year included:

	2023	2022
Salaries and other short-term employee benefits	3,337	2,447
Long-term employee benefits	457	471
Post-employment benefits	153	137
	3,947	**3,055**

Mortgage loans to Alberta Central key management personnel bear interest at 3.70 to 5.32 percent (2022 – 1.00 to 1.35 percent) and are secured by property of the respective borrowers. The table below presents the outstanding balances and transactions with key management personnel related to mortgage loans:

	2023	2022
Balance, beginning of year	1,648	1,142
Advances	824	764
Repayments	(117)	(258)
Balance as at December 31	**2,355**	**1,648**

e) Transactions with directors

	2023	2022
Remuneration paid to directors	328	329
Expenses paid on behalf of directors	104	85
	432	**414**

Directors are entitled to receive remuneration for participating in Alberta Central and affiliate organization related business. Remuneration to directors' ranges from $7 to $44 (2022 – $6 to $46), with an average of $20 (2022 – $27) per annum.

Commercial loans of $nil as at December 31, 2023 (2022 – $6,654) are due from entities controlled by directors of Alberta Central.

NOTE 18: CAPITAL MANAGEMENT

Alberta Central's objectives when managing capital are:

- To balance member credit unions' desire for a return on capital with the capital requirements of Alberta Central to fulfill its liquidity mandate
- To maintain a strong capital base to support the continued growth and changing circumstances of the credit union system through the development of Alberta Central's business
- To maintain a consistently strong credit rating and investor confidence
- To comply with the capital requirements set by its regulator

Alberta Central's capital levels are regulated under guidelines issued by CUDGC and require Alberta Central to maintain a prescribed borrowing multiple, the ratio of borrowings to regulatory capital, of 15:1 or less.

As an integral component of its capital management, Alberta Central has established internal operating capital targets above the regulatory minimum to ensure it has appropriate buffers to absorb increases in member deposits or notes payable and other liabilities and/or reductions in its capital. Establishing internal operating capital targets allows Alberta Central to practice prudent capital management. Alberta Central's bylaws provide the ability for Alberta Central to call for capital in the event that capital levels fall below specified risk tolerance levels.

As at December 31, 2023 and 2022, Alberta Central's capital levels exceeded both regulatory and internal minimum capital requirements. The table below summarizes the composition of regulatory capital:

	2023	2022
Common shares (Note 14)	300,865	285,643
Retained earnings	64,066	66,319
Less:		
Prepaid expenses	1,392	1,098
Deferred income tax asset	7,295	5,581
Pension surplus, net of tax	2,557	2,244
Total regulatory capital	**353,687**	**343,039**
Total regulatory borrowings	**3,404,940**	**2,999,472**
Excess capital over regulatory requirements	**126,692**	**143,073**

Deferred income tax asset deducted in the calculation of regulatory capital excludes $2,123 (2022 – $4,479) of deferred income tax on unrecognized losses on available for sale debt securities accounted as FVOCI.

NOTE 19 FINANCIAL RISK MANAGEMENT

Alberta Central's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Alberta Central's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the company's financial performance according to the risk appetite and tolerance as approved by Alberta Central's board of directors.

a) Credit risk

Alberta Central takes on exposure to credit risk, which is the potential for loss due to the failure of a borrower or counterparty to meet its financial or contractual obligations. Credit exposures arise from investment activities that bring debt securities and derivatives into Alberta Central's securities and derivatives portfolios, lending activities that lead to loans, and deposits held with third party financial institutions. Alberta Central is party to financial instruments with off-balance sheet credit risk that, in the normal course of operations, are used to meet its own and credit union members' financial needs. These instruments include commitments to extend credit, standby letters of credit and financial guarantees. The average term of commitments is one year. In the normal course of operations, these commitments may expire without being utilized.

Alberta Central's maximum exposure to credit risk, including undrawn commitments, without taking account of any collateral held or other credit enhancements is:

	2023	2022
Cash at other financial institutions	37,411	37,433
Securities (Note 7)	3,290,380	3,004,686
Loans outstanding and undrawn commitments	2,603,164	2,253,920
Items in transit (Note 10)	38,427	28,642
Derivative financial assets	27,367	49,617
Standby letters of credit and financial guarantees	11,088	10,804
Accounts receivable	28,353	41,878
	6,036,190	**5,426,980**

Alberta Central, as the manager of the Alberta credit union system liquidity pool, is responsible to develop an earning asset base while providing for borrowing needs of Alberta credit unions and their members. Alberta Central manages credit exposure on investment activities by adhering to an *Investment Policy* which identifies a basic standard of investment quality. The securities portfolio consists of high quality, highly liquid assets in which the credit risk is considered very low. Industry concentrations are disclosed in Note 7. There have been no significant changes in credit risk in securities from the prior year.

Alberta Central's lending function focuses on the provision of loans to member credit unions and is closely integrated and coordinated with Alberta Central's liquidity management role. In addition, all of Alberta Central's commercial lending is provided on a syndicated basis with credit unions. Although Alberta Central or an individual credit union approved by Alberta Central may function as the lead lender for any commercial loan, Alberta Central typically participates as a secondary syndication partner rather than the lead lender. Approval for all syndicated loans over $1,000 is obtained from CUDGC. Alberta Central's credit risk exposure related to its commercial lending function is mitigated where it is not the lead lender, as management performs its own monitoring of its commercial loan portfolio. In addition, under regulation, total commercial loans, leases, interests in pooling funds, other loans held and guarantees given by Alberta Central shall not exceed 150.00 percent of Alberta Central's members' equity as at the end of the previous fiscal year.

Alberta Central employs and is committed to a number of important principles to manage credit exposures, which include:

- a board approved *Lending Policy*
- a management Credit Committee whose duties include review of lending policies and approval of larger credits
- delegated lending authorities, which are clearly communicated to personnel engaged in the credit granting process, a defined approval process for loans in excess of those limits and the review of larger credits by senior management personnel prior to recommendation to the management Credit Committee
- use of a credit risk classification system, which assigns a risk rating from 1 to 9, where 1 is excellent risk and 9 is impaired risk – non-performing, to all syndicated commercial loans that are reviewed on a regular basis
- employment of personnel engaged in credit granting who are qualified and experienced in lending
- lending policies which are communicated to employees whose activities and responsibilities include credit granting and risk assessment
- board approved quantified risk appetites and tolerances for borrower, industry, portfolio quality and geographic segments in the commercial loan and mortgage portfolio, as well as total exposure to commercial loans relative to members' equity
- annual reviews of loans
- independent reviews by Alberta Central's internal audit function, which includes reporting the results to the management Credit Committee and Alberta Central's Audit, Finance & Risk Committee

The following tables disclose Alberta Central's maximum lending exposure to credit risk, by industry and by portfolio, without taking account of any collateral held or other credit enhancements. Alberta Central's commercial loans and mortgages portfolio is concentrated in Alberta.

CREDIT RISK EXPOSURE BY INDUSTRY

			2023	2022
	OUTSTANDING	UNDRAWN COMMITMENTS	TOTAL EXPOSURE	TOTAL EXPOSURE
System, affiliates & other	216,500	2,253,788	2,470,288	2,104,781
Real estate – office	31,400	–	31,400	40,228
Real estate – retail	30,400	–	30,400	31,740
Commercial	26,634	272	26,906	28,389
Real estate – industrial	16,095	–	16,095	17,163
Construction	3,504	6,508	10,012	12,730
Hospitality	7,156	–	7,156	7,542
Real estate – apartment rental	6,543	–	6,543	6,796
Educational services	4,364	–	4,364	4,551
	342,596	**2,260,568**	**2,603,164**	**2,253,920**

CREDIT RISK EXPOSURE BY PORTFOLIO

			2023	2022
	OUTSTANDING	UNDRAWN COMMITMENTS	TOTAL EXPOSURE	TOTAL EXPOSURE
Credit unions	198,394	2,243,788	2,442,182	2,078,737
Commercial loans and mortgages	126,095	6,780	132,875	152,139
Celero and Everlink	10,461	10,000	20,461	18,244
Employee mortgages	7,646	–	7,646	4,800
	342,596	**2,260,568**	**2,603,164**	**2,253,920**

Collateral for the lending portfolio generally is as follows:

- Credit unions: first fixed and floating general security agreements, as well as pledge agreements over deposits held at Alberta Central
- Commercial loans and mortgages: secured primarily by real estate, as well as a general security agreement, with a loan to value ratio of less than 75.00 percent at origination of the loan
- Celero and Everlink: general security agreement, unsecured promissory note
- Employee mortgages: secured by a first charge mortgage over the residence

All loans more than 30 days in arrears are considered to be past due. As at December 31, 2023 there were $nil (2022 – $nil) loans outstanding that were past due but not impaired.

The credit quality of the securities can be assessed by reference to the rating system of DBRS Morningstar, Moody's Corporation or Standard & Poor's Corporation. Alberta Central's *Investment Policy* states that the statutory investments held must be rated at least R-1 or P-1 for commercial paper and A for bonds. The credit risk related to equity investments in affiliates and cooperatives is limited as the *Credit Union Act of Alberta* restricts Alberta Central's investment in such entities to ten percent of members' equity without prior approval from CUDGC.

Alberta Central enters into various derivative contracts in the normal course of its business, including interest rate swaps, call options, index options, bond forwards and foreign exchange forwards. The instruments are primarily used to meet the needs of member credit unions and to assist in Alberta Central's risk management program. Other than credit risk, Alberta Central does not accept any net market risk exposure to derivative contracts entered into on behalf of member credit unions or for own use as it enters into offsetting contracts with other financial institution counterparties. Derivative assets and liabilities are marked to market with net changes in value recorded in net income (loss). All non-credit union derivative counterparties are with major Canadian financial institutions rated AA or higher (as rated by DBRS Morningstar). Under its *Investment Policy*, Alberta Central has established trading limits for each institution.

The following tables present details of Alberta Central's derivative financial instruments:

FAVOURABLE CONTRACTS

	2023		2022	
	NOTIONAL AMOUNT	FAIR VALUE	NOTIONAL AMOUNT	FAIR VALUE
Credit unions:				
Index options	79,305	6,590	93,586	9,009
Bond Forwards	47,000	68	–	–
Interest rate swaps	545,000	20,709	680,000	40,608
Own use:				
Foreign exchange swaps	–	–	–	–
	671,305	**27,367**	**773,586**	**49,617**

UNFAVOURABLE CONTRACTS

	2023		2022	
	NOTIONAL AMOUNT	FAIR VALUE	NOTIONAL AMOUNT	FAIR VALUE
Credit unions:				
Index options	79,305	6,590	93,586	9,009
Bond Forwards	47,000	68	–	–
Interest rate swaps	545,000	20,709	680,000	40,608
Own use:				
Foreign exchange swaps	54,817	1,512	7,446	18
	726,122	**28,879**	**781,032**	**49,635**

The weighted-average interest rate paid on interest rate swaps with credit unions was 2.87 percent (2022 – 1.57 percent). The weighted-average interest rate received on interest rate swaps with credit unions was 0.40 percent (2022 – 0.36 percent). The net exposure is offset through interest rate swaps entered into with other financial institution counterparties.

b) Liquidity risk

Liquidity risk is the risk that Alberta Central will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. To mitigate this risk, management has arranged diversified funding sources, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. Alberta Central's sources of funding are deposits from member credit unions, its commercial paper program and a line of credit with Central 1.

The majority of deposits from member credit unions are required by regulation as Alberta Central is the prescribed liquidity manager for Alberta's credit unions. Alberta Central's bylaws require Alberta credit unions to maintain a minimum of one percent of their assets as share capital in Alberta Central. Credit unions are also required to maintain liquidity deposits at Alberta Central such that the total liquidity deposits and share capital with Alberta Central comprise nine percent of the credit union's liabilities.

Alberta Central is contractually responsible for its share of the liabilities of PPJV and for funding its share of ongoing expenses (Note 21). Funding of PPJV expenses has not had a significant impact on Alberta Central's liquidity risk. Further, the remaining committed lending amounts to the PPJV have been considered in Alberta Central's liquidity management plan and are not expected to significantly impact liquidity risk.

As discussed in Note 13, Alberta Central, Central 1, SaskCentral and Manitoba Central are parties to a group clearing arrangement under the terms of the *Credit Union System Group Clearing Agreement.*

Provincial legislation requires Alberta Central to maintain six percent of Alberta credit union system assets in government securities or certain other qualifying liquid assets maturing within one year. One third of this amount must mature within 90 days. The balance in qualifying liquid assets as required under provincial legislation as at December 31, 2023 was $2,005,680 (2022 – $1,864,796). Alberta Central's liquidity reserves, when measured by year-end balances, were in excess of this requirement.

Contractual maturities for financial liabilities are presented in the table below:

	WITHIN 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	GREATER THAN 5 YEARS	TOTAL
Members' deposits	2,677,651	410,909	102,592	–	3,191,152
Accounts payable and accrued liabilities	20,767	–	–	–	20,767
Notes payable and other liabilities	200,479	880	4,941	4,349	210,649
Derivative financial liabilities	4,034	13,033	11,812	–	28,879
December 31, 2023	**2,902,931**	**424,822**	**119,345**	**4,349**	**3,451,447**
December 31, 2022	**2,281,319**	**552,455**	**196,932**	**8,105**	**3,038,811**

c) **Market risk**

Market risk is comprised of three types of risk: foreign exchange risk, interest rate risk and other price risk.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows 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 Alberta Central's *Investment Policy,* which limits net exposures that can be maintained in various currencies. Foreign exchange derivative contracts are utilized to lessen the impact of on-balance sheet positions.

Interest rate risk

Interest rate risk is the risk that net interest income will be adversely impacted by changes in market interest rates. This risk occurs as a result of disparity in the re-pricing dates and basis (e.g., the benchmark interest rate) of interest rate sensitive financial assets, derivatives and financial liabilities. Alberta Central uses simulation modeling to monitor and manage interest rate risk. It also uses gap analysis to assess interest rate risk by measuring the difference between the amount of financial assets and financial liabilities that re-price in a particular time period.

Alberta Central's interest rate sensitivity position as at December 31, 2023, as presented in the following tables, is based upon the contractual re-pricing and maturity dates of assets and liabilities. The table presents the cumulative gaps at various intervals.

	WITHIN 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	GREATER THAN 5 YEARS	NON-INTEREST SENSITIVE[4]	TOTAL
Assets						
Cash	37,411	–	–	–	–	37,411
Securities	2,068,242	818,558	388,419	–	15,161	3,290,380
Loans	168,521	42,651	70,465	211	52,351	334,199
Derivative financial assets	2,522	13,033	11,812	–	–	27,367
Other assets	–	–	–	–	143,004	143,004
	2,276,696	874,242	470,696	211	210,516	3,832,361
Weighted average interest rate	4.96%	4.27%	3.42%	3.70%		
Liabilities and Members' Equity						
Accounts payable and accrued liabilities	–	–	–	–	20,767	20,767
Members' deposits	2,656,619	410,909	102,592	–	21,032	3,191,152
Notes payable and other liabilities	197,462	–	–	–	13,187	210,649
Derivative financial liabilities	4,034	13,033	11,812	–	–	28,879
Members' equity	–	–	–	–	380,914	380,914
	2,858,115	423,942	114,404	–	435,900	3,832,361
Weighted average interest rate	4.75%	3.99%	2.20%	–	–	–
Total interest rate sensitivity gap	(581,419)	450,300	356,292	211	(225,384)	–
Cumulative interest rate sensitivity gap:						
December 31, 2023	**(581,419)**	**(131,119)**	**225,173**	**225,384**	**–**	**–**
December 31, 2022	**(389,701)**	**(1,922)**	**258,270**	**258,270**	**–**	**–**

[4] *Provisions and fair value adjustments are included as non-interest sensitive.*

The following represents Alberta Central's interest rate risk position:

	2023	2022
Impact on members' equity from:		
Increase in interest rates of 100 basis points	(4,645)	(4,513)
Decrease in interest rates of 100 basis points	4,783	4,636
Impact on net income (loss) from:		
Increase in interest rates of 100 basis points	(178)	(662)
Decrease in interest rates of 100 basis points	174	506

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument, including derivatives, will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Alberta Central manages its other price risk by adhering to an *Investment Policy*.

NOTE 20: FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of Alberta Central's financial instruments is determined as follows:

FINANCIAL INSTRUMENT	DETERMINATION
Floating rate notes and bonds	Based on broker quoted market prices
Commercial paper, bankers' acceptances and bearer deposit notes	Based on discounted cash flow model using market interest rates or prices for similar instruments (interest rate curve)
Treasury bills	Based on discounted cash flow model using treasury bill interest rates (T-bill curve)
Equity investments in cooperative entities	Based on most recent reliable estimate of fair value as calculated by a third-party valuation firm using the discounted cash flow method as the primary valuation approach
Derivative financial instruments	Based on third-party models (including variations of Black Scholes and Discounted Cashflow Models) and utilizing the details of the specific derivatives and current market conditions.

The fair value of cash, accounts receivable, accounts payable and accrued liabilities, and notes payable and other liabilities approximates their carrying value due to their short-term nature.

The fair value and related carrying value of all financial instruments, excluding those whose carrying value approximates fair value or are presented at fair value in the financial statements, have been summarized below:

	2023		2022	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets				
Loans	334,199	330,994	163,138	158,932
Financial liabilities				
Members' deposits	3,191,152	3,187,293	2,625,041	2,614,920

The estimated fair value of loans and members' deposits 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 and credit risks, these are considered level 3 inputs.

Financial instruments measured at fair value on the statement of financial position must be classified within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of the hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
- Level 3 – Inputs that are not based on observable market data

Financial assets at fair value as at December 31:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Securities	88,541	3,191,364	10,475	3,290,380
Derivative financial assets	–	27,367	–	27,367
December 31, 2023	**88,541**	**3,218,731**	**10,475**	**3,317,747**
December 31, 2022	**–**	**3,038,142**	**9,161**	**3,047,303**

Financial liabilities at fair value as at December 31:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Derivative financial liabilities	–	28,879	–	28,879
December 31, 2023	**–**	**28,879**	**–**	**28,879**
December 31, 2022	**–**	**49,635**	**–**	**49,635**

Alberta Central holds FVOCI equity securities in cooperative entities which do not have a quoted market price in an active market; however, they are recorded at an aggregate fair value of $10,475 (2022 – $9,161) based on the most recent reliable estimate of fair value available as calculated by a third-party valuation firm using the discounted cash flow method as the primary valuation approach.

Changes in fair value measurements using Level 3 inputs during the year:

	2023	2022
Balance, beginning of year	9,161	21,023
Capital contribution to 189286 Canada Inc.	385	2,150
Unrealized gain in OCI	929	420
Disposition of Concentra Bank	–	(14,432)
Balance as at December 31	**10,475**	**9,161**

Alberta Central measures its level 3 investments based on discounted cash flow analyses and/or comparable market transactions where available.

The sale of Concentra Bank closed on November 1, 2022 for consideration of $14,432. The cumulative gain of $11,554, before tax, was reclassified from AOCI to retained earnings as of December 31, 2022.

NOTE 21: COMMITMENTS

Under the terms of the *Amended and Restated Prairie Payments Joint Venture Agreement*, the revenues, expenses, income, losses and costs of capital projects of PPJV belong to and are borne exclusively and in equal share by the joint venturers. Each joint venturer is contractually responsible for its share of the liabilities of the PPJV and for funding its share of ongoing expenses. The PPJV has contractual agreements until 2030 for the operation of a payments processing platform. Alberta Central's proportionate share of these commitments is $44,994 (2022 – $49,045).

NOTE 22: EVENTS AFTER THE REPORTING DATE

On November 9, 2023 members of connectFirst and Servus have approved the proposed merger of their two credit unions. At connectFirst Credit Union's Special General Meeting, held on November 9, 2023, members voted 85% in favour of the merger. This follows Servus Credit Union's Special General Meeting, held on September 19, 2023, where more than 84% of members who cast votes approved the merger. As of February 29, 2024 the merger is pending regulatory approval.