2024 Annual Report

Message From the President and CEO

For the credit union system in Alberta, 2024 was a historic year. With the merger of the two largest credit unions in the province – connectFirst Credit Union and Servus Credit Union – the landscape of the provincial system has been forever changed. As of May 1, 2024, the newly merged credit union is not only Alberta's largest, but also one of the largest in Canada. With this change, it is clear that the credit union system continues to evolve at a rapid pace.

In another significant development in 2024, Alberta Central and its prairie central partners announced that Celero Solutions (Celero) was acquired by CGI. Celero provided a range of managed services, core banking, digital banking and related IT services to credit unions, and it had been part of the credit union system for over 20 years. The sale of Celero's business was seen as a means to provide a path forward for the credit unions that relied on Celero, while divesting the centrals of a business that no longer fit with the centrals' strategies and risk appetites.

These monumental occurrences were met with a mixture of emotions and reactions across the credit union system and within the halls and meeting rooms of Alberta Central. As with any change, there were feelings of excitement, uncertainty and, for some, concern about what this meant for the future of Alberta Central and the system. When you combine these sentiments with continued forces of economic and political volatility, and ongoing digital disruption within financial services, it is understandable why 2024 was a year of change for all.

Throughout this period of change, it is critical Alberta Central continue to engage and connect with system partners and credit union leaders, hearing their concerns, and demonstrating how we can help find the solutions needed. It means showing leadership as we review our services, affiliates and joint ventures and ensure all Alberta Central's activities add value to the system. This is the crux of the role of Alberta Central: to strategically respond to system and environmental factors and support the long-term success of Alberta credit unions. We exist for our credit unions, and we must help them get ready for the future that is already upon us.

In 2024, we again asked our credit union CEOs and General Managers to give us insight into what keeps them up at night. Many of their answers were the same as they have been for the past several years: our credit unions are thinking about how best to meet increasing regulatory burden, keep up with and invest in technology, and plan for the long-term in an evolving credit union system – all while finding ways to be financially sustainable. For Alberta Central's part, we have been continuously implementing our 2024-2026 Strategic Plan to help credit unions with these challenges and set Alberta Central up for success in an evolving system. It is a plan that is positioning us to reach our desired future state by the end of 2026, where Alberta Central will have enhanced its financial services, adapted to a more consolidated shareholder environment, brought stability to affiliate organizations, and built clarity about the future of the system and the role of Alberta Central.

2025 will be another year of change and evolution for Alberta Central, and our three distinct but inter-connected roles – System Services Provider, Payments Connector, and Affiliate Ownership and Governance – will continue to define where Alberta Central will focus on delivering value to the credit union system.

In 2025 we will work to ensure our services, operations and governance are meeting the needs of the system of the future. One of our main strategic objectives has been to build a shared understanding of the system's future. From our initial research and exploration, Project Future of the Credit Union System (FOCUS) was created in 2024. Through Project FOCUS, in 2025 we will work with credit unions and system stakeholders to understand the future direction of Alberta Central and the Alberta system. This work will inform what needs to be done to help us all achieve a future state where credit unions can collaborate and thrive across the province. I see Alberta Central as playing a vital role in the provincial and national conversation about the future of credit unions in Canada because of this important initiative.

Looking back on 2024, I am very proud of the hard work of all Alberta Central employees in the face of uncertainty and change. I feel we have done a commendable job in continuing to meet the needs of an evolving system, and I know this will carry forward into 2025.

On behalf of all of Alberta Central, let me say thank you to our credit unions for your support in 2024 as we aimed to put you first in all that we do. I am excited to continue to work beside you as we strive to shift our corporate culture towards being more market responsive, innovative and flexible while continuing to fulfill the current and future needs of the system. I know that together we can achieve our vision of a vibrant and growing credit union system where Alberta Central is a hub of financial services innovation and a strategic system leader.

Benjamin Chappell
President and CEO

Message From the Board Chair

2024 marked my second year as Board Chair for Alberta Central and it continues to be a privilege to lead the organization through another year of growth, evolution and change.

Over the course of the year, the entire Alberta Central team demonstrated their responsiveness, adaptability and perseverance in the face of many system changes. One of the most important changes was the merger of the two largest credit unions into one entity. Congratulations to connectFirst Credit Union and Servus Credit Union on this historic merger.

Other significant changes experienced in 2024 included the sale of Celero to CGI and the completion of a strategic reassessment at Prairie Payments Joint Venture (PPJV). The Alberta Central team played a pivotal role in these achievements, working together with Credit Union Central of Manitoba and Credit Union Central of Saskatchewan (SaskCentral) to ensure that credit unions across the prairies have access to the technology they need to serve their members.

Through all of these and other changes, the Board had to work through a number of complicated and challenging decisions. I am very thankful for the unique contributions from each Director. Your representatives were very engaged throughout the past year and performed very capably and professionally as we considered our decisions from all sides and took into account the interests of credit unions of all sizes. I can assure you that the credit unions in Alberta are well represented by a high-performing group of people who deeply care about the future of the system. It is an honour to serve you as Chair.

The board believes that Alberta Central is not just positioned for success now but is ready to serve the needs of the credit union system of the future.

In 2024, the board continued its own evolution, supporting the Dues Governance Task Force (DGTF) with the review of our structure, policies and procedures. This important process ensures we are organized to support Alberta Central's long-term strategy as well as to best serve the needs of the system. Thank you to the representatives from both small and large credit unions for their work on this task force.

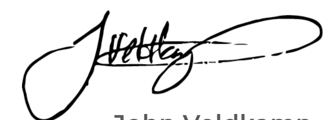
In summary, these are a few key areas we focused on to add value.

- To support the strategic direction of Alberta Central, the board reviewed and approved Alberta Central's 2024-2026 Strategic Plan: Year Two of Three, which took our 2024-2026 Strategic Plan and aimed to evolve the three roles identified for Alberta Central – System Services Provider, Payments Connector, and Affiliate Leadership and Governance – to ensure it is set up to serve the system of the future.
- To deliver on the payments modernization efforts of PPJV and the payments needs of the Alberta system, the board continued to interact with PPJV management throughout the strategic reassessment process and approved the recommendations that were presented.
- To deliver a future-state for the board in terms of governance and dues funding, the board received updates from the DGTF throughout its process. The board also reviewed and approved the form of bylaw-amending resolutions developed as result of the DGTF process, which are to be presented for final approval by Alberta Central's members at the 2025 Annual General Meeting.

- To ensure Alberta Central is ready for the credit union system of the future, the board received an overview of the Project FOCUS initiative, including the approval of the Project FOCUS Charter.
- To ensure stability and continuity of technology service for credit unions, and also as part of Project Evolution's evaluation of Alberta Central's affiliates, the board supported Alberta Central in its divestiture, along with the other prairie centrals, of Celero to CGI, a leading global IT and business consulting services firm.

In 2025, we will continue to focus on supporting Alberta credit unions and their members as we work to achieve our vision of a vibrant and growing credit union system.

On behalf of the board of directors, congratulations to Alberta Central's team for all that you did in 2024 to serve the credit union system. As well, to our member credit unions, let me say a big thank you for your trust and support throughout 2024. I look forward to another successful and exciting year in 2025.



John Veldkamp
Chair

An Overview of the System Numbers and Initiatives

Our System

For 2024, credit union system membership, assets, equity and earnings continued to grow compared to the 2023 figures.

3,281
Full-Time Employees

12
Credit Unions in Alberta
As of October 31, 2024

199
Branch Locations

System Members
718,144

System Assets in Billions
$34.21

System Equity in Billions
$3.19

System Earnings in Millions*
$248.85*

**Net income before tax and patronage bonus. Data as of October 31, 2024*

In 2024, Alberta Central continued to focus on giving back to the community through corporate donations, grants, scholarships, event sponsorships and membership dues, including:

$70 Thousand
in grants awarded, including Big Future and the Women in Ag Grant

$30 Thousand
in scholarships awarded

Over **$15 Thousand**
in donations to community groups and charities

4
local organizations supported by employee volunteering initiatives

Highlights

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.

Our Values:
- Be Innovative
- Be Brave
- Be Community

In 2024, Alberta Central continued to put credit unions first in everything we do and work to connect them to the products, services and partnerships they need to be successful as we embarked on the first year of our 2024-2026 Strategic Plan. Our organization continued to evolve as a service provider and system leader, focusing on three roles that Alberta Central must play to strategically respond to system and environmental factors that surround us. These roles are:

Role 1: System Services Provider

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

Under Role 1, in 2024 Alberta Central focused on:

- **Financial Products and Services:** Identifying and developing new profitable financial products and services relevant to both our existing members and to expanded target markets.

  Activities included digitizing and optimizing electronic letters of credit, designing and developing the elements of securitization reporting services and implementing an inter-provincial business strategy for financial products and services.

- **Trade Services:** Reviewing Alberta Central's governance structure, dues programs and operations in response to the merger of Servus Credit Union and connectFirst Credit Union, which was announced in November 2023 and completed in May 2024.

  Activities included completing the DGTF process to produce governance and trade dues recommendations that are ready to present at the 2025 Alberta Central Annual General Meeting and working with the merged entity and other credit unions to facilitate system dialogue and identify merger impacts to the system.

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.

Under Role 2, in 2024 Alberta Central focused on:

- **Ensuring ongoing access** to critical payment, clearing and settlement infrastructure for credit unions as payments modernization advances.

  Activities included completing all internal payment migration deliverables to help PPJV work to operationalize payments modernization and supporting PPJV through the strategic reassessment process. In addition, ongoing access to Payments Canada for Real-Time Rail and other platforms was secured.

Role 3: System Leadership and Governance

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

Under Role 3, in 2024 Alberta Central focused on:

- **Creating a shared understanding** on the Alberta credit union system's future direction.

  Activities included leveraging thought leadership and the Intelligence Centre, plus outside research, to generate discussion with credit unions on the future of the system. From these initial research activities, Project FOCUS was launched to further facilitate system dialogue and engagement. The Project FOCUS Charter was approved by Alberta Central's board and the Stakeholder Engagement plan was finalized, with activities kicking off in 2025.

- **Divesting** Alberta Central's ownership of Celero and Everlink Payment Services Inc. (Everlink).

  Activities included executing on projects focused on the sale and divestiture of these two affiliates. Celero's assets were successfully divested to a preferred buyer (CGI) in 2024, with the sale saving funds relative to winding down the company and offering limited disruptions to credit unions. A Master Services Agreement (MSA) was completed for Everlink and a sales plan was approved to move it in-market.

- **Establishing PPJV's future state** considering a range of possible roles and scopes for PPJV within the payments industry.

  Activities included engaging and influencing the long-term strategic planning process with PPJV and the other prairie centrals and working to secure the approval of PPJV's strategic reassessment recommendations.

Looking Ahead

In 2025, Alberta Central continues to evolve its strategic planning process and updated its 2024-2026 Strategic Plan to focus on year two of three (as opposed to creating a brand-new three-year rolling plan). This is because the fundamentals of the 2024 plan remained current and relevant, specifically around enhancing and elevating the three roles that Alberta Central plays to strategically respond to system and environmental factors that surround us.

Within the 2024-2026 Strategic Plan: Year Two of Three, the focus remains on delivering specific objectives and related strategies for each of our three roles, with the roles remaining mostly the same:

- **Role 1: System Services Provider** – As a system services provider, Alberta Central offers financial, trade and support services to credit unions.
- **Role 2: Payments Connector** – Alberta Central acts as a direct clearing agent for Alberta credit unions and we hold membership and secure access to Payments Canada on behalf of credit unions. Intricately connected with being the manager of the provincial statutory liquidity pool, Alberta Central has a fundamental role with respect to clearing and settlement and integration with PPJV, 189286 Canada Inc. (operating as "CUCC")", Everlink, other centrals, and the national payments ecosystem.
- **Role 3: Affiliate Ownership and Governance** – Alberta Central plays a significant role as it relates to the ownership and governance of system affiliates.

In 2025, Alberta Central will be focused on taking steps to progress our three roles. We will look to continue to expand and grow our financial product and services offering to other credit unions across the country, building on our current success. We will work with credit unions to explore, deliberate and align (where possible) on how the provincial and national system will look in five years and determine the implications of this future state. We will look to evaluate the services we offer and find opportunities to streamline and optimize where we can. Our support for payments modernization will continue to be top-of-mind, with efforts taken to continue to invest in payments modernization through PPJV and influence their future-state strategic direction, governance and financial model.

For Alberta Central, the efforts of 2024 and the goals for 2025 are all focused on one thing: that Alberta Central and the credit union system reach a desired future state by the end of 2026. In this desired future state:

- The Alberta system has adapted to amalgamations that reduce the number of credit unions and increase the size of those remaining, which includes clarifying the governance and operations of Alberta Central.

- The Alberta system understands the credit union system's future direction and operates using a collaborative model dedicated to the health and sustainability of the provincial and national system.
- The prairie centrals have successfully divested their interests in Celero and Everlink.
- PPJV's payments platform, governance and funding models are stabilized.
- Alberta Central is financially sound from a capital and liquidity perspective and its profitability has been enhanced.
- The distinct roles played by Alberta Central continue to define its value to the credit union system.
- Alberta Central's financial services have expanded and are offered across the country. These financial services are supporting credit unions and Alberta Central's profitability.
- Alberta Central's people, culture, processes and technology support Alberta Central's profitability, risk management and strategy.

As we look back at 2024 and ahead to 2025, one thing remains the same: that credit unions need to be prepared for a future that is different than the one we operate in today. Alberta Central's efforts remain focused on supporting credit unions in in the face of change and working to ensure the system remains resilient and thriving despite external pressures, now and in the future.

Financial Review

Management's Discussion and Analysis
Financial Statements
For the year ended December 31, 2024

Corporate Governance

Alberta Central's board of directors (board) is comprised of 12 directors, 10 of whom were elected or appointed from three credit union regions.[1] 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. Region AB is comprised of the largest credit union in Alberta, Connect First and Servus Credit Union Ltd. (Servus Credit Union), and Region C encompasses the remaining 11 credit unions from across the province.

REGION	DIRECTOR ENTITLEMENT	CREDIT UNION			
AB	**7**	Connect First and Servus			
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, 2024.

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.

[1] *Region A and Region B combined into Region AB with the amalgamation of Servus Credit Union and connectFirst Credit Union effective May 1, 2024.*

Recruitment and Diversity

Ten of Alberta Central's 12 directors are elected or appointed by Alberta Central's member credit unions, 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 and cybersecurity
- Payments
- 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 percent 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, 2024, 25 percent of Alberta Central's board, 40 percent of its executives and 54 percent of its director and vice president level employees are female.

In accordance with governance best practice, Alberta Central seeks to encourage diversity in its board recruitment efforts. As the majority of Alberta Central's board members are appointed by credit unions, the primary driver for enhancing diversity, equity and inclusion at the board level is via providing support, resources and expertise to credit unions. This includes Alberta Central requesting that diversity of gender, age, geography, background and ethnicity be considered in nominations from the regions, working alongside credit unions in encouraging and adopting additional measures such as new or enhanced board search efforts, reviewing and updating calls for board nominations, and working to increase overall awareness of the role of the board at Alberta Central.

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 attempts to balance the interests of majority and minority shareholders. 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, 2023 and 2024[2], 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. The TOC's work continued through 2024.

[2] Due to appointment of a previous Alberta Central nominee to chair of the Credit Union Deposit Guarantee Corporation board by the President of Treasury Board and Minister of Finance.

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.

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 President & CEO 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. The process is managed by an independent third-party to promote process transparency and feedback on a no-names basis.

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 includes 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 Chief Risk Officer 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) designation in Canada and Chartered Accountant (CA) 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 Credit Union in 2010 and has been instrumental in transforming the credit union into a modern, sustainable financial co-operative that is well-positioned to thrive in the fast-moving financial services sector.

Prior to joining, 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 Credit Union teams that are focused on fueling the 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 (BA) in Economics from the University of Alberta, a Master of Arts (MA) 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.

Ian Burns

Director

Ian joined the board of Alberta Central in 2024. Ian is proud to be a part of the Alberta credit union system, firmly believing in the power of credit unions to do good. As President and CEO of Servus Credit Union, Ian led the credit union through a historic merger between Alberta's two largest credit unions, with a goal to better serve members across Alberta. Before his current role as President and CEO of Servus Credit Union, Ian was President and CEO of Alberta Central, where he gained a deep understanding of the role credit unions have in the financial sector.

Ian is a seasoned executive working to challenge industry norms and drive transformational change. He brings over 20 years of experience in finance, business development, entrepreneurship and relationship management, with demonstrated success leading a diverse mix of organizations. He brings a vast array of board experience to his role, having previously served as a Director with Prairie Payments Joint Venture (PPJV), Credit Union Payments Services (CUPS), Interac Corporation, Celero Solutions Joint Venture (Celero), Canadian Credit Union Association (CCUA) and Everlink Payment Services Inc. (Everlink). He is also a current Director on the Aviso Wealth and CU CUMIS Wealth Holdings boards. He looks forward to collaborating with his board colleagues to help lead Alberta Central into the future.

Ian holds his Bachelor of Arts (BA) from the University of Calgary and Master of Business Administration (MBA) from the University of Regina as well as his ICD.D designation from the Institute of Corporate Directors from the University of Toronto's Rotman School of Management. He lives in Calgary with his wife and family.

Shawn Eltom

Director

Shawn joined the board of Alberta Central in 2024. He believes in the power of credit unions and has been a member himself for 25 years. Currently on the Servus Credit Union Board of Directors, Shawn previously chaired their Nominating Committee and Governance/Human Resource Committee. He also served on the Board of the Safeway Employees Credit Union for five years.

Shawn is passionate about cooperative values and the support credit unions provide to the communities they operate in. He is currently the owner of the IGA grocery store in Banff and has 34 years' experience in retail grocery operations with Sobeys and Safeway, including managing multiple individual locations, a role as the Director of Retail Support Alberta, and as the District Operator overseeing multiple stores across Alberta.

Shawn is a graduate of the Leadership Development Program at Safeway and was a licensed mortgage broker. He has completed his CCD Level one and two and is currently completing his ICD.D designation from the Institute of Corporate Directors. Shawn sits on the board of Banff & Lake Louise Tourism and is head coach of the Canmore Eagles U9 hockey team. He is passionate about skiing and hiking and lives in Canmore with his wife Marie and their two children.

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 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 (BA) 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.

Dan Hautzinger

Director

Dan became a director on Alberta Central's board in 2024. He joined because he wants to be involved in the future of the credit union system in Alberta and ensure that small credit unions in the province have a voice at the table. Dan values the system and believes that credit unions give members and staff in communities across the province the chance to succeed; he feels that credit unions are best equipped to understand what members are going through and support them along the way as a partner.

Dan is currently the Chief Operating Officer with Vision Credit Union (Vision), having previously held the role of Chief Financial Officer for many years. In his work with Vision, he has been exposed to all aspects of the business and understands that a strong provincial system is vital to the success of each credit union. Dan is known for his ability to build relationships and collaborate always keeping empathy and kindness top-of-mind. He cares deeply about the future success of credit unions in Alberta and is looking forward to making a positive impact on the board of Alberta Central.

Hard working and down-to-earth, Dan has his Chartered Professional Accountant (CPA, CMA) designation, a Bachelor of Management in Finance and is a fellow of the Credit Union Institute of Canada. He lives in Camrose with his family and enjoys traveling, hiking and minor league sports.

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 (MBA) 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.

Carey Taubert

Director

Carey joined the board of Alberta Central in 2024, bringing more than 19 years of experience to the Board table with Servus Credit Union and, previously, connectFirst Credit Union and Chinook Financial. A resident of the rural community of Hussar, Alberta, she sees first-hand the impact that credit unions can have on local organizations and members and is passionate about credit unions and the important role they play in communities small and large. She is a critical thinker with extensive leadership and collaboration experience and is dedicated to working to guide the Alberta credit union system towards stability and prosperity for all.

Holding her Chartered Professional Accountant (CPA, CA) designation, Carey is self-employed and runs her own public accounting practice specializing in agricultural tax issues. Her specialized expertise and analytical lens give her a well-rounded ability to weigh in and ask management the right questions on the issues that matter. She has experience working as an Audit and Finance Committee Chair, second Vice-Chair and

Secretary and always strives to ensure board meetings are focused, strategic in nature and have a balanced amount of constructive discussion.

Carey holds her Bachelor of Commerce degree from the University of Calgary. She has received the certificate of completion for the ICD program from the Rotman School of Management and The Institute of Corporate Directors and is working towards taking her final exam to become fully designated. In addition to her business and her role with the board, Carey supports the operations of her family farm and demonstrates her commitment to continuous improvement and learning in all that she does.

John Veldkamp

Board Chair

John joined the board of Alberta Central in 2017. From 2019 to 2023, he was Chair of the AFRC 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 OF DIRECTORS BIOGRAPHICAL INFORMATION

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.

13 Total Board meetings
7 Total Governance Committee meetings
4 Total AFRC meetings
3 Total Conduct Review Committee meetings
6 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 (to Apr 2024, Dec 2024)	4/4		1/1	1/1		100
Michelle Belland	13/13	7/7				100
Robert Bhatia	12/13	7/7			1/1	95
Kelso Brennan	13/13	7/7			1/1	100
Ian Burns (from May 2024)	9/9		3/3	2/2		100
Shawn Eltom (from May 2024)	6/9		3/3	2/2		79
Darlene Harris	12/13		4/4	3/3	6/6	96
Dan Hautzinger (from April 2024)	9/10		3/3	2/2		93
Amber Haworth (May 2024)	1/1					100
Kendra Holland (to Nov 2024)	10/12	4/5	0/1	0/1	4/4	86
Jon Holt (to April 2024)	4/4		1/1	1/1		100
Ron Pilger (to April 2024)	3/3	2/2				100
Kellen Snelgrove	13/13	5/5	1/1	1/1	6/6	100
Carey Taubert (from May 2024)	8/9		3/3	2/2		93
Atul Varde (to April 2024)	3/3		1/1	1/1	1/1	100
John Veldkamp	12/13	7/7	4/4	3/3	5/6	94
Mark Wiltzen	12/13		4/4	3/3		95

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 in February 2024. 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, 2024 and enables readers to assess material changes in the financial condition and operating results of the central. This MD&A is dated February 27, 2025. 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, 2024, which were approved by the Board of Directors (the board) on February 27, 2025. The results presented in this MD&A, and in the financial statements, are reported in Canadian dollars and 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 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.

On May 1, 2024, following the amalgamation of Servus Credit Union Ltd. and Connect First Credit Union Ltd., Connect First and Servus Credit Union Ltd. (CFSCU) became the parent company for Alberta Central, owning approximately 81.0 percent of the total outstanding common shares held by Class A members on that date, and seven out of a possible 12 board member positions. Alberta Central's board of directors approved a change in its year end date to October 31, effective from January 1, 2025, to align its fiscal year and reporting dates with Servus Credit Union.

CORE BUSINESS

Reflecting its cooperative business model and ownership by members, Alberta Central's structure is reflective of the commitment to provide value and expertise to credit unions, and as such, is not entirely 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.

Through the PPJV, Alberta Central provides payments processing services to credit unions.

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

JOINT VENTURES

On July 3 2024, the owners of Celero – Alberta Central, Credit Union Central of Manitoba, and SaskCentral (the centrals) – sold the business of Celero (a provider of digital technology and integration solutions to credit unions) excluding shares held in Everlink and certain liabilities not included in the sale, to CGI. The remaining liabilities are managed through the RemainCo Joint Venture (via 6047572 Canada Inc.) and is accounted as a proportionately consolidated joint arrangement.

Payments

The three prairie centrals formed PPJV, each with a 33.3 percent interest, to modernize credit union payment services that delivers 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.

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

Everlink

Alberta Central incorporated 16170277 Canada Inc. on June 28, 2024, to hold the shares of Everlink (previously held by Celero) on behalf of the three prairie centrals. Effective September 11, 2024, this equity accounted joint venture holds the 49.0 percent interest in Everlink, with each central holding a one third share.

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.

2024 ECONOMIC ENVIRONMENT

2024 was marked by the start of a global monetary easing, with many central banks reducing their policy rate as inflation returned to levels more consistent with their targets and objectives. The continued reduction in global inflation resulted from contained commodity prices, especially energy, and the impact on growth of the sharp monetary tightening seen in 2022 and 2023.

In Canada, the return of inflation within the inflation target band of between 1.0 percent and 3.0 percent in the first half of 2024, allowed the Bank of Canada (BoC) to initiate the easing cycle. Over 2024, the policy rate was reduced by 175 basis points (bps), from 5.0 percent to 3.25 percent, with about 100 bps in the fourth quarter alone. A combination of easing inflationary pressures, weak growth and rising slack in the labour market supported the move.

Canadian growth was weak in 2024 at 1.5 percent, mainly supported by a strong increase in population of more than 3.0 percent due to a rise in the share of non-permanent residents. In fact, GDP per capita eased slightly, as individuals continued to hold back on their spending due to continued underperformance in households' purchasing power and the impact of high interest rates. Housing market activity remained subdued due to a lack of affordability but showed some improvement towards the end of the year in reaction to lower interest rates. Despite a robust US economy, Canadian exports only marginally benefitted from stronger growth south of the border. Lackluster growth for most of the year has meant that job creation was not strong enough to absorb the new entrants into the labour market, leading to a rise in the unemployment rate.

In Alberta, economic activity was relatively strong compared to the rest of the country throughout 2024. With oil prices holding steady around $75 and the opening of the expanded TMX pipeline, the energy sector was a solid tailwind to the economy, with production volumes reaching new highs, and high revenues in the sector contributing to a high level of fiscal revenues. Strong population growth at about 4.0 percent also boosted growth, especially consumer spending, but the labour market was not strong enough to absorb the newcomers, leading to an increase in the unemployment rate. The housing market activity in the province remained robust, both in terms of transactions and prices, boosted by strong population and better affordability than in the rest of the country.

2025 ECONOMIC OUTLOOK

The Canadian economy ended 2024 showing some strength, partly as a result of the GST holiday, with both growth and employment gains being stronger than expected in the fourth quarter. This suggests that the Canadian economy had some strong momentum going into 2025. However, it is unclear whether it will last.

There is considerable uncertainty regarding the outlook for 2025. The US imposing tariffs on imports from Canada is a major risk to the outlook, as it would most likely push the Canadian economy into a recession, depending on how long they are in effect. The resulting downturn could be particularly severe if it results in significant layoffs, given the impact of income losses on already financially strained households. There is also uncertainty regarding the impact of the new immigration targets, on growth and on the neutral rate.

Nevertheless, the elevated level of uncertainty since the beginning of the year will be an important drag on growth. This will lead to weaker business investment, weaker housing market activity and reduced consumer spending. On the flip side, exports rebounded at the start of the year, as US importers stockpiled on Canadian goods ahead of tariffs.

With all these factors in mind, the Canadian economy will likely grow around 1.0 percent in 2025. However, if US tariffs were to be in place for most of the year, growth would likely be closer to zero percent.

Inflation is likely to remain in the upper half of the BoC's target, pushed higher by the weaker BoC Canadian dollar and the impact of the expected retaliatory measures against US tariffs.

The BoC is expected to continue to lower its policy rate in 2025. In our view, the BoC will cut its policy rate to support growth and look through some of the temporary inflationary impacts of tariffs and the associated Canadian dollar depreciation on inflation. Moreover, the weaker population growth in 2025, reinforces the need for lower rates. We expect interest rates to reach about 2.0 percent by mid-year and could decline further in the second half of the year.

In Alberta, growth is also expected to be affected by the US tariffs. Despite lower proposed tariff rates on energy products, the high dependence of the province's economy on exports to the US means that growth would slow meaningfully due to the US tariffs. Population growth is also expected to slow but Alberta will remain one of the fastest growing provinces in 2025, helping to cushion some of the impact from the tariffs.

Canadian Dollar

The Canadian dollar (CAD) stayed in a range against the US dollar (USD) for most of 2024. However, CAD depreciated sharply in the fourth quarter, ending the year at $0.695, as the USD appreciated broadly against most other currencies. The heightened uncertainty regarding the tariffs has led to an increase in volatility in the value of CAD. It is expected that US tariffs would lead to a depreciation in CAD, as the BoC would cut its policy rate sharply.

2024 FINANCIAL PERFORMANCE OF THE ALBERTA CREDIT UNION SYSTEM[1]

During 2024, growth in GDP in Alberta was estimated at 2.4 percent and economic activity was strong in relation to the rest of the country. Alberta's credit unions experienced lower levels of deposits and loan growth. Despite this, profitability of the system increased year over year.

Growth

Based on the 2024 year-end figures (October 31, 2024), annual total asset growth among Alberta's credit unions was 2.7 percent (2023 – 7.8 percent). Growth was below the five-year annual average of 5.0 percent and the 10-year annual average of 4.0 percent.

Annual loan growth was 1.2 percent (2023 – 7.5 percent), below the five-year annual average of 4.5 percent and the 10-year annual average of 4.0 percent. Annual deposit growth was 2.7 percent (2023 – 7.3 percent), below the five-year and 10-year annual averages of 5.3 percent and 3.3 percent respectively.

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.*

ALBERTA CREDIT UNION SYSTEM – BALANCE SHEET GROWTH (SOURCE: CUDGC)	2024		2023	
($ millions)	$	GROWTH	$	GROWTH
Total loans	**29,094**	**1.2%**	**28,736**	**7.5%**
Residential	14,719	2.7%	14,340	4.0%
Commercial	10,316	(0.4%)	10,358	13.0%
Consumer	2,007	(6.8%)	2,152	7.6%
Agricultural & other	2,052	8.8%	1,886	7.1%
Total assets	**34,211**	**2.5%**	**33,372**	**7.8%**
Member deposits	**28,726**	**2.7%**	**27,972**	**7.3%**

Profitability

Net income before taxes and patronage dividends totaled $248.9 million (2023 – $208.4 million), or 0.74 percent of average assets (2023 – 0.65 percent). This is higher than the five-year annual average of 0.7 percent and slightly below the 10-year annual average of 0.75 percent.

Credit union members received patronage and share dividends totaling $127.5 million, 61.0 percent of net income before taxes, during 2024 (2023 – $108.8 million, 51.0 percent of net income before taxes).

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

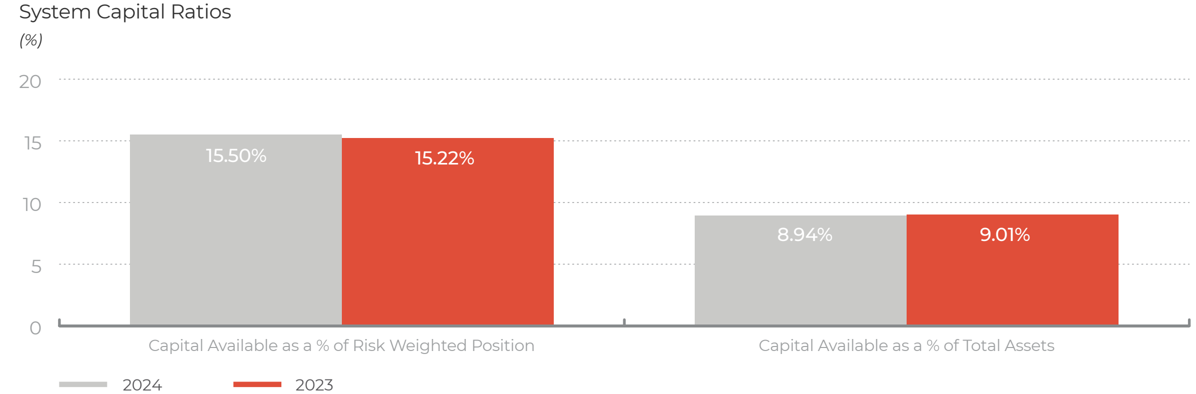
Year-over-year, loan delinquencies (60 days and over) increased slightly from 1.05 percent of loans to 1.08 percent. This figure is below the high of 1.29 percent experienced in 2010 during the financial crisis credit cycle.

Net loan impairment charges (defined as impairment charges net of impairment reversals) increased from $56.8 million in 2023 to $79.2 million in 2024. These amounts represented an increase from 0.2 percent in 2023 to 0.27 percent of average net loans in 2024, compared to the 5-year annual average of 0.17 percent, and 10-year annual average of 0.15 percent.

Capital

The system maintains strong capital ratios in support of its activities with the 2024 capital to risk weighted asset ratio marginally ahead of 2023 levels, and the capital to total assets ratio marginally behind 2023 levels. Given the system's reliance on internally generated capital, periods of slower growth 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 will typically see capital ratios decline slightly in comparison, for the opposite reasons.

System Capital Ratios



Membership

For the 20th consecutive year, Canada's credit unions were awarded the Customer Service Excellence Award in the 2024 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 2024, three of them as the sole winner.

2024 FINANCIAL PERFORMANCE OF ALBERTA CENTRAL

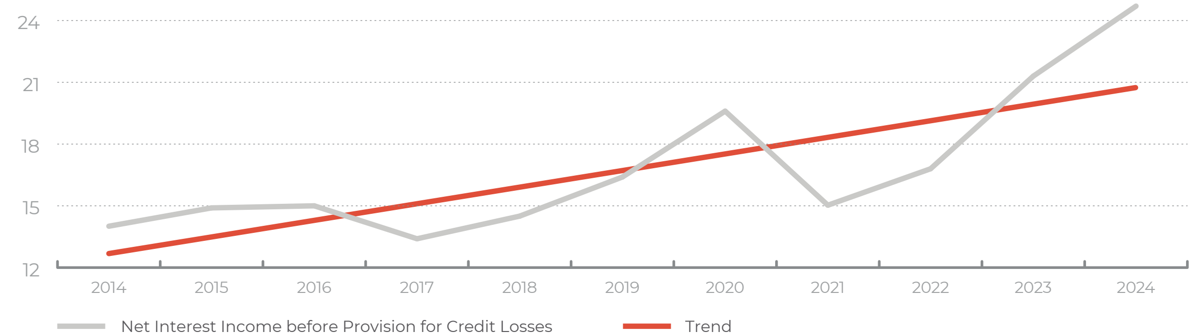
Financial Overview

Alberta Central's 2024 income before tax of $7.2 million (2023 – $22 thousand loss) 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 in 2024. Provision expenses for credit losses decreased year-over-year.

Net Interest Income

Alberta Central's 2024 net interest income before provisions for credit losses was $24.7 million (2023 – $21.3 million), exceeding the previous record level seen in 2023. 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
($ millions)



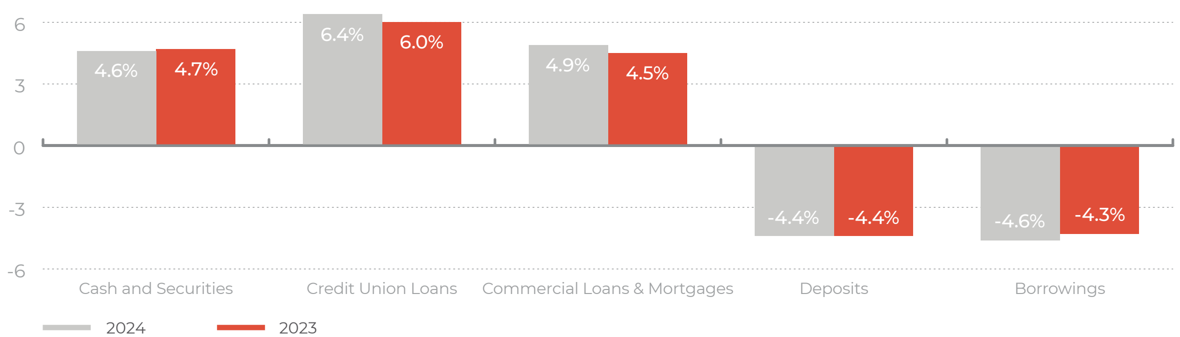
Monitoring exposures to interest rate fluctuations and their potential impacts on interest margins is accomplished through interest rate scenario testing of assets, liabilities and equity against the effects of multiple possible interest rate increases and decreases. Alberta Central's *Investment Policy* 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 2024.

During 2024, the policy rate was reduced by 175 bps, from 5.0 percent to 3.25 percent, with further rate cuts expected during 2025 to support growth and offset the negative impacts from potential US tariffs.

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

Percentage Interest Yields (Expense)

(%)



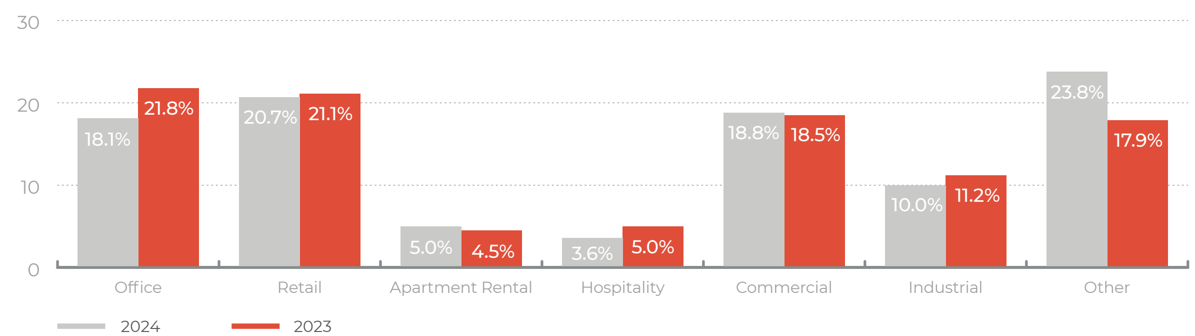
Provision for Credit Losses

As a financial institution, Alberta Central is exposed to credit risk, primarily through its investment and lending activities. Alberta Central's non-credit union (commercial) lending portfolio is concentrated in Alberta but experienced growing diversification of non-Alberta loans during 2024. Credit risk exposure continues to be 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

(%)

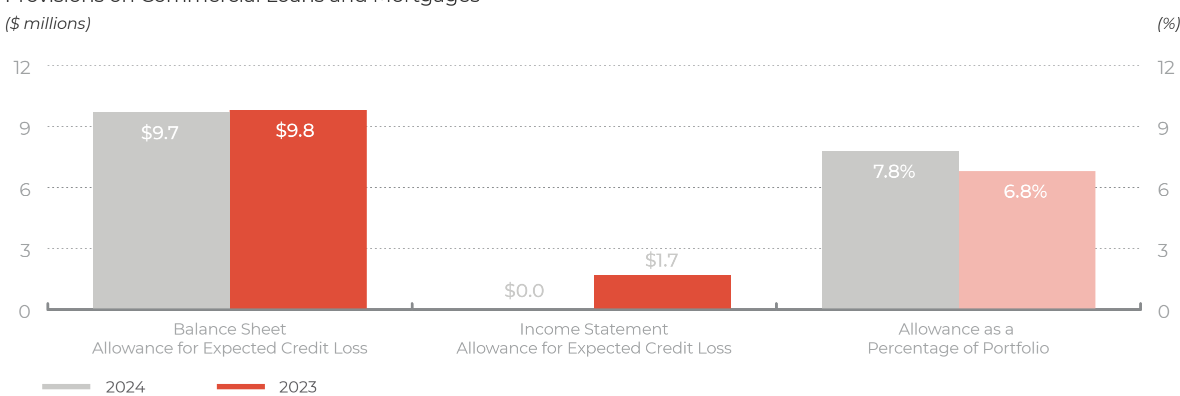


As an asset class, the commercial portfolio presents a higher risk profile than the other asset classes on Alberta Central's balance sheet. Alberta Central management regularly reviews its commercial loan portfolio to assess whether there has been a significant increase in credit risk since initial recognition. 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.

No new loan delinquencies surfaced in 2024. In aggregate, the balance sheet provision for credit losses decreased by $0.1 million to a total provision of $9.7 million (2023 – $9.8 million). The carrying value of credit impaired commercial loans, net of specific provisions, is $3.0 million (2023 – $3.0 million). 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 life-time credit provisions. The provision for credit losses as a percentage of the commercial portfolio has increased 1.0 percent over 2023.

Provisions on Commercial Loans and Mortgages

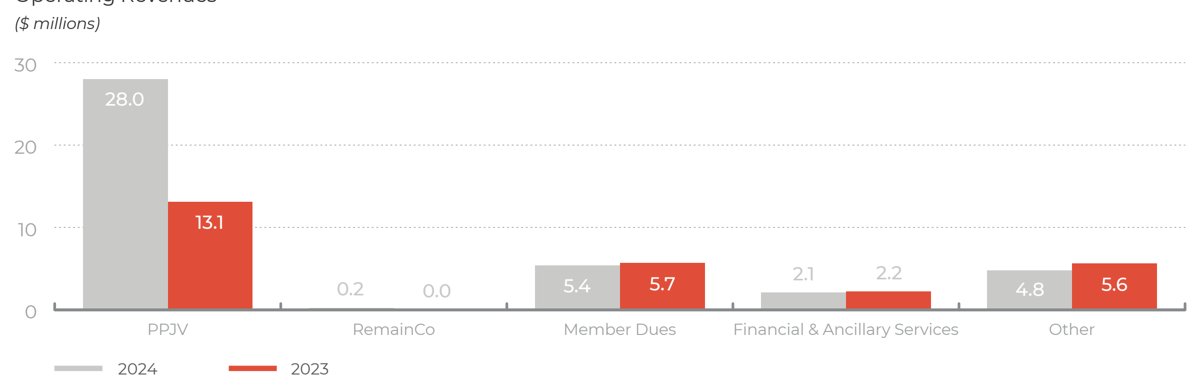


The securities portfolio consists of high quality, highly liquid assets in which the credit risk is considered to be very low. Alberta Central manages credit exposure on investment activities by adhering to an *Investment Policy* that identifies a basic standard of investment quality. The IFRS 9 balance sheet allowance for credit losses in the securities portfolio reduced $0.1 million (2023 – unchanged) 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, RemainCo, 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 2024 to $40.5 million (2023 – $26.5 million).

Operating Revenues



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 increased over 2023 due to increased pricing.

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.

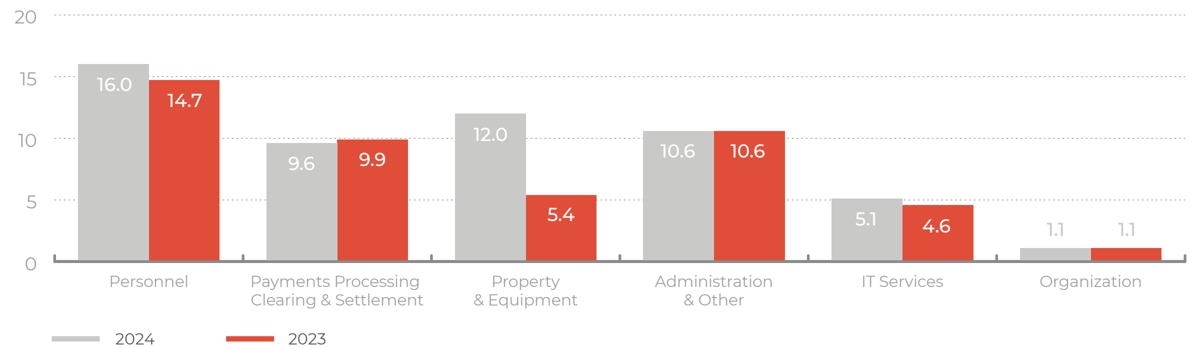
Financial services operating revenues include revenue from complementary activities in the treasury and lending areas, such as foreign exchange, asset/liability management and commercial loan application fees. Also included is revenue from ancillary services and purchasing which are offered on a direct cost, fee-for-service basis. Current year revenues earned by Alberta Central's financial and ancillary services decreased slightly over 2023 by $0.1 million.

Other operating revenues, consisting primarily of fees for services provided to Alberta Central's joint ventures, decreased year over year by $0.8 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 and RemainCo. Further, operating expenses including personnel, payments processing, clearing and settlement, property and equipment, administration and other, information technology services, and organization costs, increased by $8.1 million to $54.3 million (2023 – $46.3 million).

Operating Expenses
($ millions)



Earnings from Equity Method Investments

In September 2024, 16170277 Canada Inc. was formed by the centrals, as an equity accounted joint venture, to hold their 49.0 percent interest in Everlink, with each central holding a one third share.

Alberta Central's 8.71 percent interest in CU CUMIS Wealth Holdings LP (CU CUMIS) is equity accounted within the statement of income and includes CU CUMIS' 50.0 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, 2024 and prior year relates to estimates of fair value in Interac Corporation ($3.7 million net of deferred tax), and CU CUMIS ($19.2 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. Unrealized increases in AOCI are 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 February 27, 2025, Alberta Central's board of directors declared a share capital dividend to members of approximately $3.602 million for payment on March 7, 2025.

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, 2024 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.

LIQUIDITY MANAGEMENT

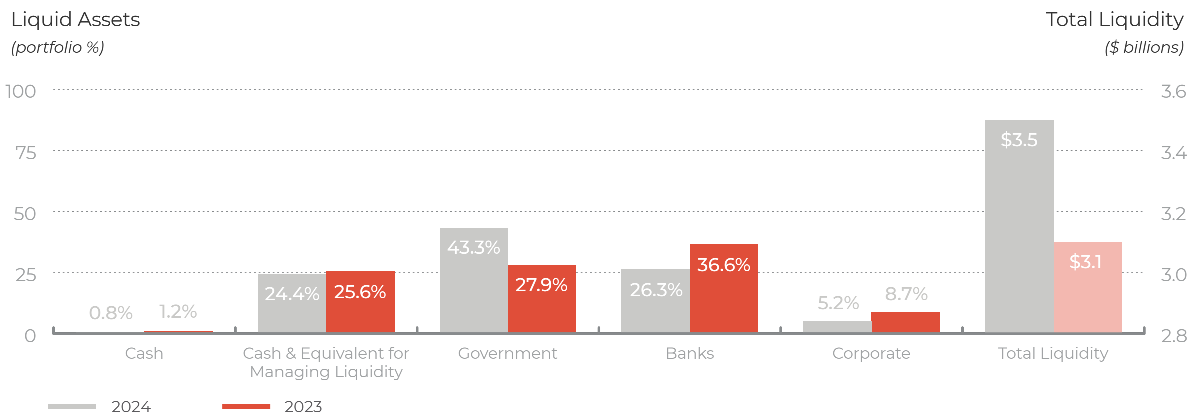
Alberta Central plays two key roles in the liquidity framework of the Alberta credit union system – as the direct clearing agent and prescribed liquidity manager for Alberta's credit unions.

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 Credit Union (Central 1) functions as the administrator of the joint venture, maintaining the joint venture's group clearing account with the BoC. 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 1.0 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.

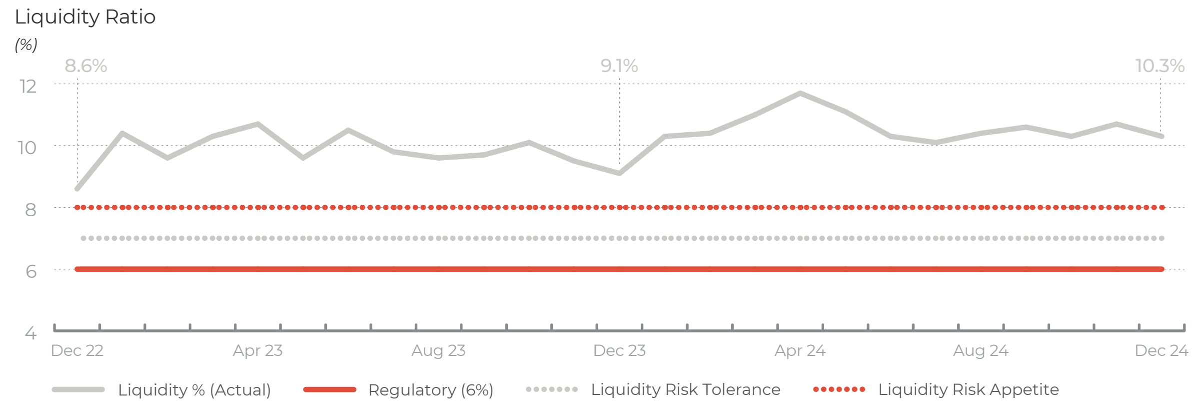
Alberta Central's investment portfolio continues to be comprised primarily of very low risk, highly liquid assets. Provincial legislation requires Alberta Central to maintain six percent of Alberta credit union system assets in government securities or certain other qualifying liquid assets maturing within one year. As of December 31, 2024, all investments within the portfolio carried a rating of at least R-1 (low) or A, and approximately 88.0 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.



One third of the amount prescribed above must mature within 90 days. The required balance in qualifying liquid assets at December 31, 2024 was $2.1 billion (2023 – $2.0 billion). 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 below plots the relationship of Alberta Central's actual to required liquidity over the past two years.



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.

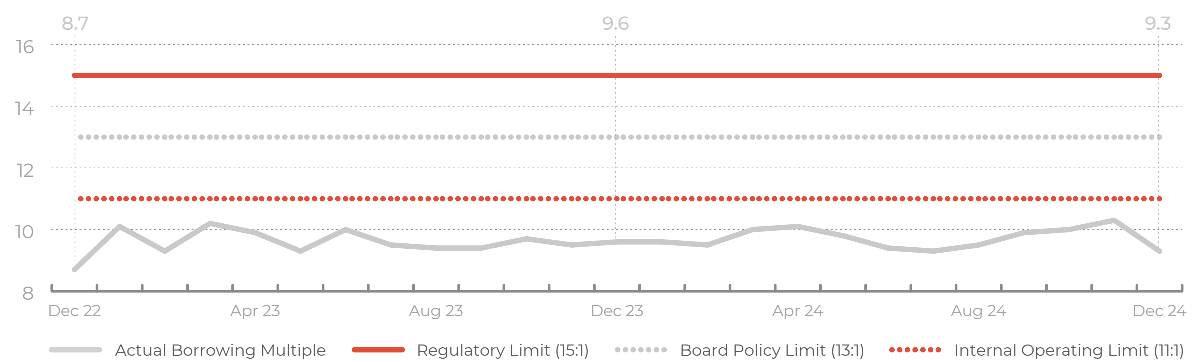
Alberta Central's ICAAP is a key component of Alberta Central's enterprise risk management program and determines the level of capital that should be maintained to support the nature and level of Alberta Central's risk profile, specifically defining capital risk appetite (internal operating limit (IOL))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

Alberta credit unions are required under Alberta Central's bylaws to maintain an amount equal to 1.0 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.

Aberta Central's leverage ratio remained below both its regulatory capital and internal capital maximums, ranging between 9.3:1 and 10.3:1 in 2024 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 payments modernization 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 $Nil were paid in the first quarter of 2024 (2023 – $4.1 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 FRAMEWORK

Alberta Central's Enterprise Risk Management (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 Management Risk Committee (MRC) and key subject matter experts 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 2025.

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.

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 27, 2025

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, 2024
- the statement of income (loss) and comprehensive income 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, 2024, 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.

OTHER MATTER – COMPARATIVE INFORMATION

As part of our audit of the financial statements for the year ended December 31, 2024, we also audited the adjustments that were applied to certain comparative information presented for the year ended December 31, 2023.

In our opinion, such adjustments are appropriate and have been properly applied.

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants
Calgary, Canada
February 27, 2025

Statement of Income (Loss) and Comprehensive Income

YEAR ENDED DECEMBER 31	2024	2023 (adjusted – Note 2(e))
(thousands of dollars)		
Financial income		
Interest on securities	170,208	158,129
Interest on loans	6,820	8,028
	177,028	166,157
Financial expenses		
Interest on members' deposits	143,108	133,415
Interest on loans and notes payable	9,239	11,426
	152,347	144,841
Net interest income	24,681	21,316
Provision for credit losses (Note 9)	73	(1,682)
Net interest income after provision for credit losses	24,754	19,634
Operating revenues (Note 4)	40,477	26,533
Operating expenses (Note 4)	(54,340)	(46,285)
Earnings (loss) from equity method investments (Note 8)	(3,687)	96
Income (loss) before income taxes	**7,204**	**(22)**
Deferred income tax expense (recovery) (Note 6)	2,727	(893)
Net income	**4,477**	**871**

YEAR ENDED DECEMBER 31	2024	2023 (adjusted – Note 2(e))
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 $nil; 2023 – $63) (Note 5)	(77)	196
Change in unrealized gain (loss) on equity securities at FVOCI (net of income tax (recovery) of $28; 2023 – $71) (Note 7)	(1,163)	1,119
Items that are or may be reclassified to net income:		
Change in unrealized gains on debt securities at FVOCI (net of income tax (recovery) of $3,179; 2023 – $2,356) (Note 7)	10,285	7,705
Reclassification adjustments for realized gains (losses) on debt securities at FVOCI (net of income tax (recovery) of $1; 2023 – $nil) (Note 7)	4	–
	9,049	9,020
Comprehensive income	**13,526**	**9,891**

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

Statement of Financial Position

DECEMBER 31	2024	2023 (adjusted – Note 2(e))
(thousands of dollars)		
Assets		
Cash (Note 19)	26,695	37,411
Cash and cash equivalents for managing the liquidity pool (Notes 2 (e) and 19)	864,853	780,250
Securities (Note 2 (e) and 7)	2,799,588	2,510,130
Loans (Note 9)	122,366	334,199
Derivative financial assets (Note 19)	12,079	27,367
Other assets (Note 10)	96,410	143,004
	3,921,991	3,832,361
Liabilities		
Accounts payable and accrued liabilities	14,555	20,767
Members' deposits (Note 12)	3,276,793	3,191,152
Notes payable and other liabilities (Note 13)	208,560	210,649
Derivative financial liabilities (Note 19)	11,714	28,879
	3,511,622	3,451,447

DECEMBER 31	2024	2023 (adjusted – Note 2(e))
Members' Equity		
Common share capital (Note 14)	316,794	300,865
Retained earnings	68,543	64,066
Accumulated other comprehensive income	25,032	15,983
	410,369	380,914
	3,921,991	3,832,361

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

	SHARE CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL EQUITY
(thousands of dollars)				
Balance as at January 1, 2023	**285,643**	**66,319**	**6,963**	**358,925**
Net income	–	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 $63) (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**
Net income	–	4,477	–	4,477
Change in realized and unrealized gains and losses on securities at FVOCI (net of income tax of $3,208) (Note 7)	–	–	9,126	9,126
Remeasurements of net defined benefit pension asset or liability (net of income tax of $nil) (Note 5)	–	–	(77)	(77)
Issue of share capital, net (Note 14)	15,929	–	–	15,929
Balance as at December 31, 2024	**316,794**	**68,543**	**25,032**	**410,369**

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

Statement of Cash Flows

YEAR ENDED DECEMBER 31	2024	2023 (adjusted – Note 2(e))
(thousands of dollars)		
Cash resources provided by (used in):		
Operating activities		
Net income	4,477	871
Adjustments for:		
Depreciation and amortization (Note 11, Note 16)	9,421	2,996
Provision for credit losses (Note 9)	(73)	1,682
Deferred income tax (recovery)	2,727	(893)
Net interest income	(24,681)	(21,316)
Interest received	175,569	165,790
Interest paid on deposits	(146,024)	(125,825)
(Earnings) losses from equity method investments (Note 8)	3,687	(96)
	25,103	23,209
Changes in non-cash operating components		
Cash in transit and other assets	35,927	2,804
Derivative financial assets and liabilities	(1,877)	1,494
Accounts payable and accrued liabilities	(5,170)	(1,713)
Net increase in members' deposits	88,557	558,521
Net (increase) decrease in loans	203,985	(172,327)
	346,525	411,988

YEAR ENDED DECEMBER 31	2024	2023 (adjusted – Note 2(e))
Financing activities		
Increase (decrease) in notes payable	790	(131,194)
Interest paid on loans and notes payable	(9,538)	(10,554)
Payment of lease liabilities	(1,493)	(1,628)
Issuance of share capital, net of redemptions	15,929	15,222
Payment of share capital dividends	–	(4,080)
	5,688	(132,234)
Investing activities		
Sale (purchase) of securities (Note 2 (e))	(276,168)	(103,407)
Proceeds on business divestment (Note 8)	3,124	–
Lease payments received	627	852
Distribution from equity method investments	40	1,540
Acquisition of capital and intangible assets	(5,212)	(7,008)
Accounts payable and accrued liabilities	(737)	(635)
	(278,326)	(108,658)
Increase in cash resources (Note 2 (e))	73,887	171,096
Cash, and cash and cash equivalents for managing the liquidity pool, beginning of year (Note 2 (e))	817,661	646,565
Cash, and cash and cash equivalents for managing the liquidity pool, end of year[1] (Note 2 (e))	891,548	817,661

[1] *Cash includes $3,272 (2023 – $11,756) held in US denominations ($4,706 CDN equivalent (2023 – $15,568))*

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 arrangements, Prairie Payments Joint Venture (PPJV), and RemainCo Joint Venture (RemainCo). 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. Following the sale of the Celero Solutions (Celero) business via asset sale on July 3, 2024, Celero's name was changed to RemainCo and existed to wind down the remaining interests of the joint arrangement. RemainCo is owned by Alberta Central (33.33 percent), SaskCentral (33.33 percent) and Manitoba Central (33.33 percent), and became a joint arrangement of Alberta Central on August 21, 2024 based on changes to the shareholder agreement. The registered place of business for both PPJV and RemainCo is Calgary, Alberta.

The financial statements also comprise Alberta Central's equity share of the income of its significantly influenced associates, RemainCo (prior to August 21, 2024), CU CUMIS Wealth Holdings LP (CU CUMIS), and 16170277 Canada Inc. 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 50.0 percent interest in Aviso Wealth Inc., a wealth management company. The registered place of business for CU CUMIS is Toronto, Ontario. RemainCo (formerly Celero) provided 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 Celero was Calgary, Alberta. 16170277 Canada Inc. is a joint venture owned by Alberta Central (33.33 percent), SaskCentral (33.33 percent) and Manitoba Central (33.33 percent). 16170277 Canada Inc. holds legal title to 49.0 percent of the issued and outstanding shares of Everlink Payment Services Inc. (Everlink), (previously held by Celero) an integrated payments services entity. The registered place of business for 16170277 Canada Inc. is Toronto, Ontario.

On May 1, 2024, following the amalgamation of Servus Credit Union Ltd. and Connect First Credit Union Ltd., Connect First and Servus Credit Union Ltd. (CFSCU) became the parent company for Alberta Central, owning 81.16 percent of the total outstanding common shares held by Class A members on that date, and seven out of a possible 12 board member positions.

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 27, 2025.

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
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 (2023 – management determined that loans to equity accounted investees are not a long-term interest and remain accounted for in accordance with the requirements of IFRS 9).

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) Comparative figures

In connection with the preparation of Alberta Central's consolidated financial statements for the year ended December 31, 2024, an immaterial error related to the classification of certain cash balances within securities was identified. The definition of cash under IAS 7 indicates that cash comprises cash on hand and demand deposits. The demand deposits held for purposes of managing the liquidity pool therefore should have been classified as cash and not as securities.

The following is a summary of the effect of the error to the consolidated statement of financial position and consolidated statement of cash flows for the year ended December 31, 2023:

ITEMS	PREVIOUSLY REPORTED	ADJUSTED	AS ADJUSTED
Statement of Financial Position			
Cash and cash equivalent for managing the liquidity pool	–	780,250	780,250
Securities	3,290,380	(780,250)	2,510,130
Statement of Cash Flows			
Sale (purchase) of securities	(274,525)	171,118	(103,407)
Increase in cash resources	(22)	171,118	171,096
Cash, and cash and cash equivalents for managing the liquidity pool, beginning of year	37,433	609,132	646,565
Cash, and cash and cash equivalents for managing the liquidity pool, end of year	37,411	780,250	817,661

Certain comparative information has been reclassified to conform with the current year's presentation.

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, cash and cash equivalent for managing the liquidity pool, 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 and cash equivalents

Cash and cash equivalents include bank accounts held and used by Alberta Central in the management of short-term commitments. Cash and cash equivalents that are held for the purpose of managing the liquidity portfolio are included as a separate financial statement line item and are made up of bank accounts that are not used in the management of short-term commitments.

f) Equity method investments

Alberta Central uses the equity method to account for RemainCo (prior to August 21, 2024), 16170277 Canada Inc., 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 16170277 Canada Inc. and CU CUMIS on an annual basis and losses, if any, are recognized in the statement of income and comprehensive income.

g) Joint Arrangements

Alberta Central has a 33.33 percent interest in the PPJV joint arrangement, and a 33.33 percent interest in the RemainCo joint arrangement (post August 21, 2024). The assets and liabilities of PPJV and RemainCo are primarily those of the parties to the joint arrangement. Accordingly, Alberta Central accounts for its investments in PPJV and RemainCo as joint operations, and its proportionate share of PPJV's and RemainCo'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 operations are eliminated to the extent of Alberta Central's interest in the joint operations. 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
PPJV payments platform	10 years
Furniture	10 years
Leasehold improvements	Term of the lease
Right-of-use (ROU) assets	Term of the lease

PPJV payments platform 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 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

	2024	2023 (adjusted – Note 2(e))
Operating revenues		
Prairie Payments Joint Venture (Note 3g)	27,974	13,051
Member dues	5,400	5,650
Revenue from affiliates and other	4,801	5,606
Financial and ancillary services	2,077	2,226
RemainCo Joint Venture	225	–
	40,477	**26,533**
Operating expenses		
Personnel	16,017	14,648
Property and equipment (Note 11)	12,015	5,398
Administration and other	10,567	10,644
Payments processing, clearing and settlement (Note 21)	9,551	9,881
Information technology services	5,140	4,626
Organization	1,050	1,088
	54,340	**46,285**

Included within financial and ancillary services is ($1,554) of foreign exchange losses (2023 – $1,908 foreign exchange gains) and $1,877 (2023 – ($1,494)) of related revaluation of foreign exchange derivative financial instruments.

Revenue from affiliates and other revenues includes administrative and facilities services charged to PPJV and RemainCo of $3,457 (2023 – $5,335). Operating expenses include $32,048 relating to Alberta Central's share of PPJV's operating and transition expenses (2023 – $23,665) and ($104) of RemainCo's operating expense recoveries (2023 – $nil).

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 $654 (2023 – $592) 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:

	2024	2023
Fair value of plan assets, consisting of government debt securities, end of year	6,383	6,350
Defined benefit obligation, end of year	2,966	3,011
Pension surplus (Note 10)	**3,417**	**3,339**

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

	2024	2023
Included in net income:		
Net interest income	155	150
	155	**150**
Included in other comprehensive income:		
Actuarial gains arising from experience adjustments and changes in financial assumptions	55	475
Remeasurements of defined benefit pension asset	(132)	(216)
	(77)	**259**

NOTE 6: INCOME TAXES

The combined federal and provincial substantively enacted income tax rate applicable to Alberta Central is 23.43 percent (2023 – 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:

	2024	2023
Income tax expense (recovery) at substantively enacted rates	1,709	(5)
Increase (decrease) in income taxes resulting from:		
Impact of rate changes on temporary differences	19	105
Non-deductible items and permanent differences on equity investments	(339)	(877)
Other	1,338	(116)
Provision for income tax expense (recovery)	**2,727**	**(893)**

Deferred tax asset is comprised of the following:

	DECEMBER 31, 2023	RECOGNIZED IN EARNINGS	RECOGNIZED IN OCI	RECOGNIZED IN EQUITY	DECEMBER 31, 2024
Deferred tax assets					
Capital assets	276	847	–	–	1,123
Loan impairment	462	(76)	–	–	386
Non-capital losses	11,846	(2,345)	(3,180)	–	6,321
Other	586	288	–	–	874
Deferred tax liabilities					
Joint venture investments	–	(1,156)	–	–	(1,156)
Pension	(785)	(285)	–	–	(1,070)
Fair value adjustments	(2,967)	–	(28)	–	(2,995)
	9,418	**(2,727)**	**(3,208)**	**–**	**3,483**

NOTE 7: SECURITIES

	2024	2023 (adjusted – Note 2(e))
Securities at FVOCI		
Government:		
Provincial	1,666,004	653,002
Federal	313,186	330,886
Corporate:		
Banks	598,765	1,245,769
Other	179,832	265,154
Other:		
Investments with financial institutions	26,500	–
Equity investments in cooperative entities (Note 20)	9,479	10,475
Total securities at FVOCI	2,793,766	2,505,286
Accrued interest receivable	5,822	4,844
	2,799,588	**2,510,130**

As at December 31, 2024, $268,857 (2023 – $254,505) of securities were pledged to Central 1 under the terms of the credit union system *Group Clearing Services 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 $39,397 (2023 – $29,210) pledged with the financial institution.

NOTE 8: EQUITY METHOD INVESTMENTS

RemainCo Joint Venture

Alberta Central has a 33.33 percent interest in RemainCo. Based on the governance structure, Alberta Central exercised significant influence over RemainCo and accounted for the investment using the equity method until August 21, 2024 when RemainCo's governance structure was amended and Alberta Central's interest in the entity was subsequently accounted as a joint arrangement.

Summarized financial information of RemainCo is as follows, as at and for the year ended December 31, 2023 when it was an equity method investment:

	2023
Current assets	25,517
Non-current assets	25,457
Current liabilities	53,161
Non-current liabilities	17,488
Revenue	96,097
Income (loss) before equity income in Everlink	(12,069)
Net income (loss) and comprehensive income (loss)	(5,390)

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

	2024	2023
Carrying value at January 1	–	–
Share of RemainCo's current year net income and comprehensive income for the period of January 1, 2024 to August 21, 2024	1,067	–
Loans converted to equity	8,372	–
Share of RemainCo's prior year unrecognized net income (loss) and comprehensive income (loss)	(5,157)	–
Impairment of investment	(1,208)	–
Investment proportionately consolidated	(3,074)	–
Carrying value as at December 31	**–**	**–**

Following the sale of the Celero business via asset sale on July 3, 2024, Celero's name was changed to RemainCo and existed to wind down the remaining interests of the joint arrangement. Prior to August 21, 2024, Alberta Central exercised significant influence over RemainCo (formerly Celero) and accounted for its interest using the equity method. However, from August 21, 2024, RemainCo's governance structure was amended and Alberta Central's interest in the entity was subsequently accounted as a joint arrangement. Following this date, additional proceeds on the divestment of $3,124 were received in relation to Alberta Central's share.

Following the disposition of the Celero business, management considered that the settlement of the loans to RemainCo was no longer planned nor likely to occur in the foreseeable future. As such, management concluded that the loans formed part of Alberta Central's net investment in RemainCo, and that previously unrecognized losses in relation to its interest in Celero, that were not recognized because Alberta Central had no obligation in respect of losses in excess of its investment in Celero, should be applied to the loans (2023 – $5,157).

Alberta Central was liable in proportion to its ownership interest in RemainCo while it was an equity accounted investment, for all of RemainCo's covenants and obligations (Note 13) (2023 – these losses did not reflect an obligation to Alberta Central at the end of the reporting period and were therefore not recognized).

During 2023, Alberta Central received a $1,389 distribution from RemainCo associated with dividend income received from Everlink. The distribution was recognized in 2023 as deferred revenue (Note 13) and was recognized as part of the carrying value of the joint venture in 2024.

16170277 Canada Inc.

Effective September 11, 2024, Alberta Central has a 33.33 percent interest in 16170277 Canada Inc. which holds legal title to 49.0 percent of the issued and outstanding shares of Everlink. Based on the governance structure, Alberta Central exercises significant influence over 16170277 Canada Inc. and accounts for the investment using the equity method (Note 10).

Summarized financial information of 16170277 Canada Inc. is as follows:

	2024
Non-current assets	19,542
Contributions by owners	17,509
Net income and comprehensive income	2,033

The movement in Alberta Central's interest in 16170277 Canada Inc. during the year was as follows:

	2024
Contribution at September 11	5,836
Carrying value at December 31	**5,836**

On September 11, 2024, 16170277 Canada Inc. purchased the 49.0 percent interest in Everlink from RemainCo under a common control transaction. Management elected a policy to record the transaction at the carrying amount and presented as a contribution.

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:

	2024	**2023**
Current assets	9,156	31,451
Non-current assets	156,948	131,064
Current liabilities	9,278	31,585
Share of Aviso Wealth net income	34,188	35,976
Net income	30,897	28,592
Comprehensive income	35,034	32,310

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

	2024	**2023**
Carrying value at January 1	23,974	23,777
Share of CU CUMIS' net income [2]	96	96
Share of CU CUMIS' other comprehensive income (loss)	401	252
Share of distributions	(40)	(151)
Carrying value as at December 31	**24,431**	**23,974**

[2] *The difference between the carrying value of $24,431 (2023 – $23,974) and Alberta Central's share of CU CUMIS' net assets of $14,437 (2023– $11,404) is attributable to intangible assets. Alberta Central's share of CU CUMIS' net income is net of $436 (2023 – $436) amortization of fair value allocation to limited life intangible assets acquired in the 2018 acquisition transaction.*

NOTE 9: LOANS

	2024	2023
Commercial loans and mortgages	120,559	126,095
Credit unions	4,876	198,394
Employee mortgages	4,754	7,646
RemainCo loan (Note 17)	–	461
RemainCo line of credit (Note 17)	–	10,000
	130,189	342,596
Accrued interest receivable	1,923	1,442
	132,112	344,038
Less ECL allowances on commercial loans and mortgages	(9,746)	(9,839)
	122,366	**334,199**

Alberta Central's loans include $12,003 (2023 – $11,769) in credit-impaired, stage 3 loans, $15,086 (2023 – $38,395) in non-credit impaired, stage 2 loans for which a lifetime ECL is calculated (Note 3c) and $103,100 (2023 – $292,432) stage 1 loans for which a 12-month ECL is calculated (Note 3c).

Based on management's assessment, the lifetime ECL for the RemainCo loans both prior and subsequent to the Celero asset sale on July 3, 2024 is $nil, unchanged from December 31, 2023. Up until the sale, the loans were accounted for under IFRS 9. Following the sale, management considered the divestment to be a significant change in the nature of how Alberta Central's investment is managed, and that settlement of the loans was no longer planned nor likely to occur in the foreseeable future. As such, immediately following the divestment, management considered that the loans formed part of Alberta Central's net investment in RemainCo, and previously unrecognized Celero losses were recognized and offset against this equity interest.

	12-MONTH ECL (STAGE 1)	LIFETIME ECL NOT CREDIT-IMPAIRED (STAGE 2)	LIFETIME ECL CREDIT-IMPAIRED (STAGE 3)	TOTAL
Balance as at January 1, 2023	**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**
Originations	4	–	–	4
Repayments	(4)	(256)	–	(260)
Remeasurements	15	(110)	258	163
Provision for credit losses	15	(366)	258	(93)
Balance as at December 31, 2024	**50**	**700**	**8,996**	**9,746**

	2024	2023
Provision for credit losses recognized in the statement of income and comprehensive income:		
Loans	(93)	1,695
Securities	20	20
Recovery of previously written-off loan	–	(33)
Total provision for credit losses	**(73)**	**1,682**

Alberta Central considers probability weighted scenarios to estimate the impact of forward-looking factors on ECL's. The December 31, 2024 weighting for downside scenarios was 40.0 percent (2023 – 40.0 percent). The downside scenario weighting considered economic factors including the interest rate environment, inflation and uncertainty about future recession.

NOTE 10: OTHER ASSETS

	2024	2023
Capital and intangible assets (Note 11)	28,313	32,322
Investment in CU CUMIS – equity method (Note 8)	24,431	23,974
Items in transit	14,403	38,427
Accounts receivable and prepaid expenses	12,614	29,963
Deferred income tax asset (Note 6)	3,483	9,418
Investment in 16170277 Canada Inc. – equity method (Note 8)	5,836	–
Pension surplus (Note 5)	3,417	3,339
Net investment in subleases (Note 16)	2,980	4,745
Right-of-use asset (Note 16)	933	816
	96,410	**143,004**

NOTE 11: CAPITAL AND INTANGIBLE ASSETS

	COMPUTER HARDWARE AND EQUIPMENT	PPJV PAYMENTS PLATFORM	OTHER INTANGIBLE ASSETS	FURNITURE	LEASEHOLD IMPROVE-MENTS	TOTAL
Cost						
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)
Balance as at December 31, 2023	1,011	35,648	2,079	1,484	4,109	44,331
Total additions	–	5,212	–	–	–	5,212
Transfers	(50)	–	–	50	–	–
Balance as at December 31, 2024	**961**	**40,860**	**2,079**	**1,534**	**4,109**	**49,543**
Accumulated depreciation/amortization						
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)
Total depreciation	(135)	(8,529)	(7)	(142)	(408)	(9,221)
Transfers	60	–	–	(60)	–	–
Balance as at December 31, 2024	**(728)**	**(15,832)**	**(2,051)**	**(1,325)**	**(1,294)**	**(21,230)**
Net book value						
At December 31, 2023	358	28,345	35	361	3,223	32,322
At December 31, 2024	**233**	**25,028**	**28**	**209**	**2,815**	**28,313**

Depreciation/amortization expense is included in property and equipment expense (Note 4). During the year, previously capitalized PPJV payments platform costs of $5,945 (2023 – $708) 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. In October 2024, the PPJV payments platform was considered fully operational.

NOTE 12: MEMBERS' DEPOSITS

	2024	2023
Statutory liquidity deposits	2,250,678	2,496,311
Money market deposits	844,078	543,990
Current accounts and demand deposits	163,920	129,819
	3,258,676	3,170,120
Accrued interest payable	18,117	21,032
	3,276,793	**3,191,152**

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

	2024	2023
Commercial paper	199,186	198,769
Lease liabilities (Note 16)	9,374	10,491
Deferred revenue (Note 8)	–	1,389
	208,560	**210,649**

Alberta Central is authorized to issue commercial paper to a maximum of $600,000 (2023 – $600,000). Amounts bear interest at a weighted-average rate of 3.83 percent (2023 – 5.37 percent) and have a weighted average term of 92 days (2023 – 86 days).

Alberta Central is party to a *Group Clearing Services Agreement* with Central 1 (the Group Clearer). Under the terms of the agreement, Alberta Central maintains a clearing account with the Group Clearer and uses commercially reasonable efforts to ensure that its clearing account shall be in a net neutral or positive position at the end of each business day. Clearing advances, if any, to Alberta Central are at the discretion of the Group Clearer or the Management Committee of the Group Clearing Joint Venture (2023 – Under an agreement with Central 1, Alberta Central had a line of credit to a maximum of $100,000). Pursuant to the terms of the Group Clearing Services 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). Any amounts owing on the clearing account are due on demand and bear a rate of interest that is determined based on the nature of the clearing advance made 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 – 63,218,039 shares (2023 – 60,032,154)

Common shares held by Class B non-voting members – 140,683 shares (2023 – 140,703)

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

	2024	2023
Common shares held by Class A members:		
Balance, beginning of year	300,161	284,939
Issued, for cash (3,185,885 shares; 2023 – 3,044,327 shares)	15,929	15,222
Balance as at December 31	316,090	300,161
Common shares held by Class B members:		
Balance, beginning of year	704	704
Redeemed, at par (20 shares; 2023 – nil shares)	–	–
Balance as at December 31	704	704
Total common shares	**316,794**	**300,865**

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 $nil (2023 – $4,080) 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	2024	2023
Cost		
Opening balance	1,557	1,401
Total additions	324	156
Total disposals	(326)	–
Balance as at December 31	**1,555**	**1,557**
Accumulated depreciation/amortization		
Opening balance	(741)	(517)
Total depreciation	(200)	(224)
Total disposals	319	–
Balance as at December 31	**(622)**	**(741)**
Net book value	**933**	**816**

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:

	2024	2023
Less than 1 year	1,351	1,500
1 to 5 years	5,991	5,751
Greater than 5 years	3,127	4,640
Total undiscounted lease liabilities	10,469	11,891
Discounted lease liabilities included in the statement of financial position at December 31 (Note 13)	9,374	10,491

Interest accretion on lease liabilities of $294 (2023 – $349) and variable lease operating expenses of $1,431 (2023 – $1,442) are recognized within property and equipment expense (Note 4).

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

	2024	2023
Less than 1 year	412	684
1 to 5 years	1,909	2,584
Greater than 5 years	1,010	2,109
Total undiscounted lease payments receivable	3,331	5,377
Unearned finance income	351	632
Net investment in subleases (Note 10)	2,980	4,745

Income of $126 (2023 – $157) 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 $7,363 (2023 – $8,171). During the year, PPJV charged Alberta Central various interest, distribution and administrative fees totaling $2,746 (2023 – $3,141). As at December 31, 2024, Alberta Central had a net payable of $87 (2023 – net receivable of $960) to PPJV in respect of operating activities. As at December 31, 2024, PPJV had a balance of cash held with Alberta Central of $19,482 (2023 – $10,541).

b) Transactions with RemainCo

During the year, Alberta Central charged RemainCo $4,456 (2023 – $4,403) for interest and various administrative and facilities services. RemainCo charged Alberta Central $484 (2023 – $985) for information technology services. As at December 31, 2024, Alberta Central had a net receivable of $2,870 (2023 – $688) from RemainCo in respect of operating activities. As at December 31, 2024, RemainCo had a balance of cash held with Alberta Central of $2,143 CDN and $185 US ($266 CDN equivalent) (2023 – $6,002 CDN and $17 US ($22 CDN equivalent)).

In 2023 under a *Joint Venture Lender Agreement*, RemainCo had 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 (Note 8). Alberta Central was the lead lender of the above-noted loan facilities; however, SaskCentral and Manitoba Central, as joint venture partners, shared in the provision and repayment of funds for these facilities in proportion to their ownership interest. As at December 31, 2023, RemainCo had drawn $nil against the authorized overdraft facility and $30,000 against the line of credit facility, of which $10,000 was funded by Alberta Central (Note 9). Following the sale of the Celero business via asset sale on July 3, 2024, these facilities formed part of Alberta Central's net investment in RemainCo (Note 9). The General Security Agreement securing these facilities was released on June 27, 2024.

No provision for expected credit losses have been recorded on the amounts outstanding as of December 31, 2024 (2023 – $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. RemainCo has provided a guarantee on these agreements in proportion to its 49.0 percent shareholding in Everlink. As at December 31, 2024, Everlink had drawn $nil (2023 – $nil) against the line of credit or the authorized overdraft facility.

c) Transactions with CFSCU

As at December 31, 2024, CFSCU owned 80.75 percent (2023 – 58.03 percent) of the total outstanding common shares held by Class A members of Alberta Central and seven out of a possible 12 board member positions (2023 – five out of a possible 12), resulting in control (2023 – significant influence) over Alberta Central. CFSCU has a credit facility agreement with Alberta Central in the aggregate amount of $2,224,331 (2023 – $1,450,000) 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 CFSCU and Alberta Central. The outstanding balances with CFSCU included in Alberta Central's statement of financial position and statement of income and comprehensive income include transactions with Servus Credit Union Ltd. up to April 30, 2024 and transactions with CFSCU since May 1, 2024:

	2024	**2023**
Loans	–	51,053
Members' deposits	2,139,938	1,552,435
Membership dues rebate accrual [3]	721	436
Common share capital	255,248	174,175
Interest income on loans	381	445
Interest expense on members' deposits	88,696	58,670
Member dues – Alberta Central	4,283	3,156
Other operating revenues	2,956	2,213
Share capital dividends	–	2,349

[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 8 (2023 – 11) executive and senior management positions. Their aggregate compensation for the year included:

	2024	**2023**
Salaries and other short-term employee benefits	2,887	3,337
Long-term employee benefits	475	457
Post-employment benefits	127	153
	3,489	**3,947**

Mortgage loans to Alberta Central key management personnel bear interest at 3.45 to 4.20 percent (2023 – 3.70 to 5.32 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:

	2024	**2023**
Balance, beginning of year	2,355	1,648
Advances	97	824
Repayments	(940)	(117)
Balance as at December 31	**1,512**	**2,355**

e) Transactions with directors

	2024	**2023**
Remuneration paid to directors	338	328
Expenses paid on behalf of directors	99	104
	437	**432**

Directors are entitled to receive remuneration for participating in Alberta Central and affiliate organization related business. Remuneration to directors' ranges from $1 to $48 (2023 – $7 to $44), with an average of $20 (2023 – $20) per annum.

Commercial loans of $nil as at December 31, 2024 (2023 – $nil) 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, 2024 and 2023, Alberta Central's capital levels exceeded both regulatory and internal minimum capital requirements. The table below summarizes the composition of regulatory capital:

	2024	2023
Common shares (Note 14)	316,794	300,865
Retained earnings	68,543	64,066
Less:		
Prepaid expenses	1,157	1,392
Deferred income tax asset	4,539	7,295
Pension surplus, net of tax	2,617	2,557
Total regulatory capital	**377,024**	**353,687**
Total regulatory borrowings	**3,490,623**	**3,404,940**
Excess capital over regulatory requirements	**144,315**	**126,692**

Deferred income tax asset deducted in the calculation of regulatory capital excludes $1,056 (2023 – $2,123) of deferred income tax on unrecognized gains 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:

	2024	2023 (adjusted – Note 2(e))
Cash at other financial institutions	26,695	37,411
Cash and cash equivalents for managing the liquidity pool (Note 2 (e))	864,853	780,250
Securities (Notes 2 (e) and 7)	2,799,588	2,510,130
Loans outstanding and undrawn commitments	2,816,411	2,603,164
Items in transit (Note 10)	14,403	38,427
Derivative financial assets	12,079	27,367
Standby letters of credit and financial guarantees	9,674	11,088
Accounts receivable	11,204	28,353
	6,554,907	**6,036,190**

Alberta Central, as the manager of the Alberta credit union system liquidity pool, is responsible to develop an earning asset base while providing for liquidity 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 credit adjudication and 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 150.0 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

			2024	2023
	OUTSTANDING	UNDRAWN COMMITMENTS	TOTAL EXPOSURE	TOTAL EXPOSURE
System, affiliates & other	9,654	2,650,208	2,659,862	2,470,288
Construction	21,086	35,953	57,039	10,012
Real estate – retail	25,807	–	25,807	30,400
Commercial	23,562	61	23,623	26,906
Real estate – office	22,638	–	22,638	31,400
Real estate – industrial	12,539	–	12,539	16,095
Real estate – apartment rental	6,280	–	6,280	6,543
Hospitality	4,451	–	4,451	7,156
Educational services	4,172	–	4,172	4,364
	130,189	**2,686,222**	**2,816,411**	**2,603,164**

CREDIT RISK EXPOSURE BY PORTFOLIO

			2024	2023
	OUTSTANDING	UNDRAWN COMMITMENTS	TOTAL EXPOSURE	TOTAL EXPOSURE
Credit unions	4,876	2,645,208	2,650,084	2,442,182
Commercial loans and mortgages	120,559	36,014	156,573	132,875
Everlink	–	5,000	5,000	20,461
Employee mortgages	4,754	–	4,754	7,646
	130,189	**2,686,222**	**2,816,411**	**2,603,164**

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 75.0 percent at origination of the loan
- Everlink: general security agreement
- 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, 2024 there were $nil (2023 – $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

	2024		2023	
	NOTIONAL AMOUNT	FAIR VALUE	NOTIONAL AMOUNT	FAIR VALUE
Credit unions:				
Index options	47,210	6,305	79,305	6,590
Bond Forwards	–	–	47,000	68
Interest rate swaps	195,000	5,409	545,000	20,709
Own use:				
Foreign exchange swaps	5,800	365	–	–
	248,010	**12,079**	**671,305**	**27,367**

UNFAVOURABLE CONTRACTS

	2024		2023	
	NOTIONAL AMOUNT	FAIR VALUE	NOTIONAL AMOUNT	FAIR VALUE
Credit unions:				
Index options	47,210	6,305	79,305	6,590
Bond Forwards	–	–	47,000	68
Interest rate swaps	195,000	5,409	545,000	20,709
Own use:				
Foreign exchange swaps	–	–	54,817	1,512
	242,210	**11,714**	**726,122**	**28,879**

The weighted-average interest rate paid on interest rate swaps with credit unions was 3.15 percent (2023 – 2.87 percent). The weighted-average interest rate received on interest rate swaps with credit unions was nil percent (2023 – 0.40 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 and its commercial paper program (2023 – sources of funding are deposits from member credit unions and 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 RemainCo and for funding its share of ongoing expenses (Note 8 and Note 21). Funding of PPJV and RemainCo expenses has not had a significant impact on Alberta Central's 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 Services 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, 2024 was $2,054,781 (2023 – $2,005,680). 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	2,712,709	525,061	39,023	–	3,276,793
Accounts payable and accrued liabilities	14,555	–	–	–	14,555
Notes payable and other liabilities	208,560	–	–	–	208,560
Derivative financial liabilities	533	2,009	9,172	–	11,714
December 31, 2024	**2,936,357**	**527,070**	**48,195**	**–**	**3,511,622**
December 31, 2023	**2,902,931**	**424,822**	**119,345**	**4,349**	**3,451,447**

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, 2024, 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	26,695	–	–	–	–	26,695
Cash and cash equivalents for managing the liquidity pool	864,853	–	–	–	–	864,853
Securities	1,597,788	853,387	342,770	–	5,643	2,799,588
Loans	33,557	49,795	30,996	2,629	5,389	122,366
Derivative financial assets	898	2,009	9,172	–	–	12,079
Other assets	–	–	–	–	96,410	96,410
	2,523,791	905,191	382,938	2,629	107,442	3,921,991
Weighted average interest rate	3.61%	3.76%	3.63%	3.70%		
Liabilities and Members' Equity						
Accounts payable and accrued liabilities	–	–	–	–	14,555	14,555
Members' deposits	2,694,592	525,061	39,023	–	18,117	3,276,793
Notes payable and other liabilities	198,099	–	–	–	10,461	208,560
Derivative financial liabilities	533	2,009	9,172	–	–	11,714
Members' equity	–	–	–	–	410,369	410,369
	2,893,224	527,070	48,195	–	453,502	3,921,991
Weighted average interest rate	3.24%	3.48%	2.29%			
Total interest rate sensitivity gap	(369,433)	378,121	334,743	2,629	(346,060)	–
Cumulative interest rate sensitivity gap:					–	–
December 31, 2024	**(369,433)**	**8,688**	**343,431**	**346,060**	–	–
December 31, 2023	**(581,419)**	**(131,119)**	**225,173**	**225,384**	–	–

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

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

	2024	2023
Impact on members' equity from:		
Increase in interest rates of 100 basis points	(4,899)	(4,645)
Decrease in interest rates of 100 basis points	5,026	4,783
Impact on net income (loss) from:		
Increase in interest rates of 100 basis points	237	(178)
Decrease in interest rates of 100 basis points	(429)	174

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, cash and cash equivalent for management the liquidity pool, 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:

	2024		2023	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets				
Loans	122,366	122,024	334,199	330,994
Financial liabilities				
Members' deposits	3,276,793	3,277,589	3,191,152	3,187,293

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	–	2,790,108	9,480	2,799,588
Derivative financial assets	–	12,079	–	12,079
December 31, 2024	**–**	**2,802,187**	**9,480**	**2,811,667**
December 31, 2023	**88,541**	**3,218,731**	**10,475**	**3,317,747**

Financial liabilities at fair value as at December 31:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Derivative financial liabilities	–	11,714	–	11,714
December 31, 2024	**–**	**11,714**	**–**	**11,714**
December 31, 2023	**–**	**28,879**	**–**	**28,879**

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 $9,480 (2023 – $10,475) 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:

	2024	2023
Balance, beginning of year	10,475	9,161
Capital contribution to 189286 Canada Inc.	538	385
Unrealized gain (loss) in OCI	(1,533)	929
Balance as at December 31	**9,480**	**10,475**

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

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 $39,311 (2023 – $44,994).

NOTE 22: EVENTS AFTER THE REPORTING DATE

On February 27, 2025, Alberta Central's board of directors declared a share capital dividend to members of approximately $3,602 for payment on March 7, 2025.