



**connectFirst**  
credit union

## **2023 SECOND QUARTER FINANCIAL REPORT**

**For the three and six months ended  
April 30, 2023**

**(Unaudited)**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited interim condensed consolidated financial statements of Connect First Credit Union Ltd. have been prepared by and are the responsibility of the Credit Union's management.

The Credit Union's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

<i>(\$ Thousands)</i>	April 30, 2023	October 31, 2022
<b>ASSETS</b>		
Cash and cash equivalents	34,372	50,950
Investments (note 5)	729,357	679,423
Loans to members (note 6 and 7)	6,318,867	6,335,654
Foreclosed property (note 7)	553	1,740
Other assets	46,991	60,862
Intangible assets	15,743	13,595
Property and equipment	53,623	52,380
Right-of-use asset	19,480	20,654
Deferred tax asset	1,324	1,324
	<u>7,220,310</u>	<u>7,216,582</u>
<b>LIABILITIES</b>		
Members' deposits	6,141,443	6,025,747
Accounts payable and accruals	38,059	38,380
Lease liabilities	27,145	29,090
Secured borrowings	376,487	479,887
Deferred tax liability	-	-
	<u>6,583,134</u>	<u>6,573,104</u>
<b>MEMBERS' EQUITY</b>		
Common shares	298,739	288,158
Investment shares	151,641	153,305
Ownership dividend allocation	-	13,382
Investment share dividends declared	-	8,345
Contributed surplus (note 2)	7,445	7,445
Retained earnings	179,351	172,843
	<u>637,176</u>	<u>643,478</u>
	<u>7,220,310</u>	<u>7,216,582</u>

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(unaudited)

	3 months ended April 30		6 months ended April 30	
	2023	2022	2023	2022
<i>(\$ Thousands)</i>				
<b>FINANCIAL INCOME</b>				
Interest on loans to members	67,431	47,557	133,819	94,711
Interest and dividends on investments	7,653	2,053	13,436	3,134
Unrealized gains/(losses) on interest rate swaps	99	2,008	(442)	2,199
	<u>75,183</u>	<u>51,618</u>	<u>146,813</u>	<u>100,044</u>
<b>FINANCIAL EXPENSE</b>				
Interest on members' deposits	36,990	9,163	67,103	18,299
Interest on loans payable	3,001	1,650	6,568	3,289
Interest on lease liability	296	288	600	594
	<u>40,287</u>	<u>11,101</u>	<u>74,271</u>	<u>22,182</u>
<b>Financial margin</b>	<b>34,896</b>	<b>40,517</b>	<b>72,542</b>	<b>77,862</b>
Charge for loan impairment	3,505	440	9,714	744
	<u>31,391</u>	<u>40,077</u>	<u>62,828</u>	<u>77,118</u>
Other income (note 9)	6,050	6,555	11,895	12,747
<b>Gross margin</b>	<b>37,441</b>	<b>46,632</b>	<b>74,723</b>	<b>89,865</b>
Personnel expenses	19,502	17,953	38,231	35,036
Operating lease expenses	737	591	1,386	1,311
Depreciation and amortization	2,246	2,258	4,564	4,487
Other expenses (note 10)	11,065	13,677	22,080	25,139
	<u>33,550</u>	<u>34,479</u>	<u>66,261</u>	<u>65,973</u>
Income before income taxes	<b>3,891</b>	<b>12,153</b>	<b>8,462</b>	<b>23,892</b>
Income taxes				
Current	892	1,624	1,943	3,247
Deferred (recovery)	-	491	-	538
	<u>892</u>	<u>2,115</u>	<u>1,943</u>	<u>3,785</u>
<b>Net income and comprehensive income</b>	<b>2,999</b>	<b>10,038</b>	<b>6,519</b>	<b>20,107</b>

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

<i>(\$Thousands)</i>	Common shares	Series A-H investment shares	Ownership dividends declared	Investment share dividends declared	Contributed surplus	Retained earnings	Total equity
<b>Balance November 1, 2021</b>	246,524	157,688	7,137	4,497	-	169,399	585,245
Acquisition of Spark (note 2)	5,096				7,445		12,541
Net and comprehensive income						20,107	20,107
<b>Transactions with members</b>							
Shares issued to members for cash	37,522						37,522
Shares issued by dividend	7,137	4,497	(7,137)	(4,497)		15	15
Shares redeemed for cash	(15,181)	(7,985)					(23,166)
<b>Balance April 30, 2022</b>	281,098	154,200	-	-	7,445	189,521	632,264
<b>Balance October 31, 2022</b>	<b>288,158</b>	<b>153,305</b>	<b>13,382</b>	<b>8,345</b>	<b>7,445</b>	<b>172,843</b>	<b>643,478</b>
Net and comprehensive income						6,519	6,519
<b>Transactions with members</b>							
Shares issued to members for cash	20,829						20,829
Shares issued by dividend	13,382	8,345	(13,382)	(8,345)		(11)	(11)
Shares redeemed for cash	(23,630)	(10,009)					(33,639)
<b>Balance April 30, 2023</b>	298,739	151,641	-	-	7,445	179,351	637,176

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

(unaudited)

	SIX MONTHS ENDED	
<i>(\$ Thousands)</i>	April 30, 2023	April 30, 2022
<b>Cash flows from operating activities</b>		
Net Income	6,519	20,107
Adjustments for:		
Interest on loans to members	(133,819)	(94,711)
Interest/dividends on investments	(13,436)	(3,134)
Interest expense	74,271	22,182
Unrealized (gain)/loss on interest rate swaps	442	(2,199)
Depreciation and amortization	4,564	4,487
Gain on leased assets	(514)	-
Charge for loan impairment	10,176	1,173
Current/deferred income tax expense	1,943	3,785
Change in other assets	7,156	(5,170)
Change in accounts payable	(9,470)	(14,578)
Interest received	143,818	100,883
Interest paid	(42,784)	(24,177)
Income tax paid	(813)	(91)
Increase in members' deposits	84,209	235,339
(Increase)/decrease in loans to members, net of repayments	21,231	(303,762)
Proceeds from sale of foreclosed property	932	6,460
<b>Net cash from/(used in) operating activities</b>	<b>154,425</b>	<b>(53,406)</b>
<b>Cash flows from financing activities</b>		
Common shares issued for cash	20,829	37,522
Common share redemptions	(23,630)	(15,181)
Investment share redemptions	(10,009)	(7,985)
Advances of secured borrowing	22,476	82,865
Repayment of secured borrowing	(125,876)	(60,962)
Payment of lease liabilities	(1,545)	(1,491)
<b>Net cash from/(used in) financing activities</b>	<b>(117,755)</b>	<b>34,768</b>
<b>Cash flows used in investing activities</b>		
Cash acquired on amalgamation	-	218
Acquisition of investments	(613,207)	(975,391)
Proceeds from sale of investments	566,636	986,527
Acquisition of property and equipment, net	(3,272)	(690)
Acquisition of intangibles, net	(3,405)	(1,273)
<b>Net cash provided by/(used in) investing activities</b>	<b>(53,248)</b>	<b>9,391</b>
Decrease in cash and cash equivalents	(16,578)	(9,247)
Cash and cash equivalents, beginning of period	50,950	53,171
<b>Cash and cash equivalents, end of period</b>	<b>34,372</b>	<b>43,924</b>

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

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(unaudited)

**For the six months ended April 30, 2023**

(\$ Thousands)

### **1. REPORTING ENTITY**

Connect First Credit Union Ltd. (“Connect First” or the “Credit Union”) operates a network of credit union branches in the City of Calgary and central and southern Alberta. The registered office is located at 200, 2850 Sunridge Blvd., Calgary, Alberta, T1Y 6G2.

### **2. BUSINESS COMBINATION**

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

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

Spark operated two branches, one in the city of Calgary and one in Fort Saskatchewan. The amalgamation has allowed Connect First to serve a larger membership base and be a further visible representation of the Credit Union’s strategy and direction. Spark members have gained from a larger range of products and services, innovative technology offerings, and received extended support through Connect First’s Member Connection Centre.

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

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

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

As the initial accounting of the business combination transaction with Spark was not completed as of the reporting period ended April 30, 2022, management has restated the comparative provisional information for that period to account for any measurement changes that were subsequently recognized. Consequently, an incremental adjustment of \$758 to restate contributed surplus to \$7,445, up from previously disclosed \$6,687, was completed on the Condensed Consolidated Statement of Changes in Members' Equity.

### 3. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Credit Union have been prepared by management in accordance with International Accounting Standard 34 Interim Financial Reporting and consequently do not include all of the information required for full annual financial statements and, therefore, should be read in conjunction with Connect First's 2022 audited annual consolidated financial statements. The accounting policies, methods of computation and presentation of these interim condensed consolidated financial statements are consistent with the most recent 2022 annual financial statements of Connect First.

Except as otherwise indicated, financial information has been rounded to the nearest thousand.

These condensed consolidated interim financial statements were approved by the Board of Directors on June 13, 2023.

#### 4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

#### 5. INVESTMENTS

	As at April 30 2023	As at October 31 2022
Investments - term deposits and other debt securities	61,120	61,210
Alberta Central term deposits		
- Non-statutory term deposits	68,640	28,688
- Statutory term deposits	532,262	524,488
Alberta Central common shares	67,335	65,037
	<u>729,357</u>	<u>679,423</u>

#### 6. MEMBERS’ LOANS

The following table shows the gross carrying amount of loans measured at amortized cost as at April 30, 2023. Stage 1 represents performing loans with a 12-month expected credit loss, Stage 2 represents performing loans with a lifetime expected credit loss, and Stage 3 represents impaired loans with a lifetime expected credit loss.

	Stage 1	Stage 2	Stage 3	Total	Accrued Interest	Allowance for Credit Losses	Total Net of Allowance
<b>As at April 30, 2023</b>							
Consumer	619,819	38,991	2,772	661,582	1,761	10,028	653,315
Residential mortgage	2,737,328	83,915	1,621	2,822,864	3,785	1,911	2,824,738
Commercial and agriculture	2,768,760	26,768	55,386	2,850,914	14,362	24,462	2,840,814
Total member loans	6,125,907	149,674	59,779	6,335,360	19,908	36,401	6,318,867
<b>As at October 31, 2022</b>							
Consumer	610,584	33,812	2,165	646,561	1,582	8,165	639,978
Residential mortgage	2,741,093	84,991	1,854	2,827,938	3,514	1,753	2,829,699
Commercial and agriculture	2,798,144	16,811	56,132	2,871,087	14,738	19,848	2,865,977
Total member loans	6,149,821	135,614	60,151	6,345,586	19,834	29,766	6,335,654



**7. ALLOWANCE FOR EXPECTED CREDIT LOSSES**

The tables below represent the allowance for expected credit losses by category and stage:

<b>Residential mortgages</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
As at November 1, 2021	974	680	193	1,847
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	382	(363)	(19)	-
Remeasurement of loss allowance other than stage transfers	(459)	183	(15)	(291)
Derecognitions and maturities	(61)	(45)	(65)	(171)
Loan originations	162	51	-	213
Total remeasurement of loss allowance	24	(174)	(99)	(249)
Write offs	-	-	(12)	(12)
As at April 30, 2022	998	506	82	1,586
As at November 1, 2022	948	573	232	1,753
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	124	(103)	(21)	-
Remeasurement of loss allowance other than stage transfers	(138)	248	57	167
Derecognitions and maturities	(28)	(21)	(38)	(87)
Loan originations	62	26	-	88
Total remeasurement of loss allowance	20	150	(2)	168
Write offs	-	-	(10)	(10)
As at April 30, 2023	968	723	220	1,911
<b>Consumer loans</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
As at November 1, 2021	3,017	1,566	899	5,482
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	483	(364)	(119)	-
Remeasurement of loss allowance other than stage transfers	(928)	675	578	325
Derecognitions and maturities	(183)	(65)	(92)	(340)
Loan originations	965	87	82	1,134
Total remeasurement of loss allowance	337	333	449	1,119
Write offs	(279)	(109)	(378)	(766)
As at April 30, 2022	3,075	1,790	970	5,835
As at November 1, 2022	3,823	3,157	1,185	8,165
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	475	(393)	(82)	-
Remeasurement of loss allowance other than stage transfers	(395)	1,864	1,240	2,709
Derecognitions and maturities	193	(136)	(96)	(39)
Loan originations	442	71	127	640
Total remeasurement of loss allowance	715	1,406	1,189	3,310
Write offs	(258)	(617)	(572)	(1,447)
As at April 30, 2023	4,280	3,946	1,802	10,028

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<b>Commercial and agriculture loans</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
As at November 1, 2021	2,699	799	19,690	23,188
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	680	(445)	(235)	-
Remeasurement of loss allowance other than stage transfers	(752)	257	655	160
Derecognitions and maturities	(192)	(17)	(14)	(223)
Loan originations	629	2	-	631
Total remeasurement of loss allowance	365	(203)	406	568
Write offs	(20)	(91)	(2,884)	(2,995)
As at April 30, 2022	3,044	505	17,212	20,761
As at November 1, 2022	3,961	964	14,923	19,848
Remeasurement of loss allowance:				
Net remeasurement due to stage transfers	113	(32)	(81)	-
Remeasurement of loss allowance other than stage transfers	(37)	327	6,418	6,708
Derecognitions and maturities	(359)	(60)	(52)	(471)
Loan originations	356	-	13	369
Total remeasurement of loss allowance	73	235	6,298	6,606
Write offs	-	-	(1,992)	(1,992)
As at April 30, 2023	4,034	1,199	19,229	24,462
Totals at April 30, 2022	7,117	2,801	18,264	28,182
Totals at April 30, 2023	9,282	5,868	21,251	36,401

The total allowance for expected credit losses is reconciled as follows:		
	<b>April 2023</b>	<b>April 2022</b>
November 1 allowance for expected credit losses	29,766	30,517
Charge for loan impairment:		
Net remeasurement due to stage transfers	-	-
Remeasurement of loss allowance other than stage transfers	9,584	194
Derecognitions and maturities	(597)	(734)
Loan originations	1,097	1,978
Write-offs	(3,449)	(3,773)
Allowance for expected credit losses, April 30	36,401	28,182
The charge for loan impairment on the statement of comprehensive income is reconciled as follows:		
Charge for loan impairment as above	10,084	1,438
Charge for loan impairment on foreclosed property at April 30	290	-
Charge for impairment on investments	(275)	(474)
Recoveries	(385)	(220)
Total charge for loan impairment	9,714	744

As previously disclosed in Note 4, the measurement of the allowance for expected credit losses as well as foreclosed property involved the use of significant judgements, estimates and assumptions. The Credit Union has applied judgment, including consideration of the following factors in the assessment of any underlying credit deterioration, and considered both qualitative and quantitative information. Specifically, the Credit Union considered the following:

**Significant Increase in Credit Risk (“SICR”)**

The judgments related to whether or not there was a SICR resulted in loans moving between stages and, therefore, being subject to different ECL models, as disclosed in note 3 to the 2022 annual consolidated financial statements. With respect to delinquencies, the judgements used related to SICR have remained consistent with those at October 31, 2022.

**Forward Looking Information (“FLI”)**

As of April 30, 2023, the following FLI has been used in the measurement of the ECL, as compared to that used at October 31, 2022.

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April 30, 2023	Base case scenario		Alternative scenario optimistic		Alternative scenario pessimistic	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
	<b>Driver</b>					
3 month BA rate %	4.27	2.95	5.42	4.83	2.09	1.78
3 month Government of Canada Bond Rate %	3.80	2.51	5.00	4.46	1.50	1.24
Alberta housing price index % change	(0.09)	1.13	3.37	2.08	(2.69)	0.15
Alberta unemployment rate %	6.20	5.36	4.96	4.80	8.30	7.30

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

The reported expected credit losses at April 30, 2023 for financial assets in Stage 1 and Stage 2 under the optimistic macroeconomic conditions, with other assumptions held constant, including the application of experienced credit adjustment decreased by approximately \$0.8 million (2022 – \$0.9 million).

The reported expected credit losses for financial assets in Stage 1 and Stage 2 under the pessimistic macroeconomic conditions, with other assumptions held constant, including the application of experienced credit adjustment increased by approximately \$2.0 million (2022 - \$2.5 million).

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

	Base case scenario				
	Next 3 months	Next 6 months	Next 9 months	Next 12 months	Remaining forecast period
	<b>Driver</b>				
3 month BA rate %	4.82	4.82	4.56	4.27	2.95
3 month Government of Canada Bond Rate %	4.30	4.35	4.10	3.80	2.51
Alberta housing price index % change	(0.39)	(0.17)	0.19	0.29	1.13
Alberta unemployment rate %	5.90	6.10	6.30	6.20	5.36

	Alternative scenario pessimistic				
	Next 3 months	Next 6 months	Next 9 months	Next 12 months	Remaining forecast period
	<b>Driver</b>				
3 month BA rate %	3.93	3.39	2.60	2.09	1.78
3 month Government of Canada Bond Rate %	3.30	2.80	2.00	1.50	1.24
Alberta housing price index % change	(2.17)	(0.49)	(0.16)	0.12	0.15
Alberta unemployment rate %	7.20	8.40	8.80	8.30	7.30

	Alternative scenario optimistic				Remaining forecast period
	Next 3 months	Next 6 months	Next 9 months	Next 12 months	
<b>Driver</b>					
3 month BA rate %	5.27	5.52	5.71	5.42	4.83
3 month Government of Canada Bond Rate %	4.80	5.10	5.30	5.00	4.46
Alberta housing price index % change	0.93	1.14	0.63	0.63	2.08
Alberta unemployment rate %	5.45	5.10	5.09	4.96	4.80

**Foreclosed Property**

In the six-month period ended April 30, 2023, the Credit Union has not foreclosed on any additional properties.

**8. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The amounts set out in the table below represent the fair values of the Credit Union's financial instruments. The valuations and assumptions are consistent with the most recent 2022 annual financial statements of Connect First.

The undernoted fair values, presented for information only, reflect conditions that existed only at the respective balance sheet dates and do not necessarily reflect future value or the amounts Connect First might receive or pay if it were to dispose of any of its financial instruments prior to their maturity.

**April 30, 2023**

	Level 1	Level 2	Level 3	Total fair value	Carrying amount
<b>Assets</b>					
Investments - amortized cost	-	586,690	-	586,690	593,382
Investments - FVOCI	-	135,975	-	135,975	135,975
Loans	-	6,008,314	-	6,008,314	6,318,867
Derivatives	-	3,444	-	3,444	3,444
Total	-	6,734,423	-	6,734,423	7,051,668
<b>Liabilities</b>					
Deposits	-	6,070,087	-	6,070,087	6,141,443
Secured borrowings	-	342,082	-	342,082	376,487
Total	-	6,412,169	-	6,412,169	6,517,930

**October 31, 2022**

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

**9. OTHER INCOME**

	<b>6 months ended April 30</b>	
	<b>2023</b>	<b>2022</b>
Service charges and other fees	3,488	3,167
Foreign exchange gain/loss	700	670
Loan prepayment and other fees	1,140	1,833
Insurance	752	1,154
Credit card fees	99	294
Wealth management	4,510	4,713
Other	1,206	916
	<b>11,895</b>	<b>12,747</b>

**10. OTHER EXPENSES**

	<b>6 months ended April 30</b>	
	<b>2023</b>	<b>2022</b>
Advertising	1,332	3,399
Technology	7,893	6,930
Member security and deposit insurance premium	2,216	2,100
Professional fees	2,105	2,185
Stationary, telephone, postage, courier	775	1,071
Financial planning	101	92
ATM/POS operations	954	814
Board expenses	403	366
Lending costs	1,024	1,196
Charitable donations/community investment	101	148
Occupancy	2,186	3,383
Other	2,990	3,455
	<u>22,080</u>	<u>25,139</u>

**11. MERGER WITH SERVUS CREDIT UNION**

On March 3, 2023 the Board of Directors (“Board”) of Connect First and Servus Credit Union (“Servus”) announced their intent to pursue a transaction to merge the two organizations (the “Transaction”).

Servus is a member-owned, community-based financial institution with \$18.2 billion in assets under administration that serves more than 380,000 members from over 100 locations across Alberta.

A memorandum of understanding has been signed by both Boards of Connect First and Servus. Each credit union will conduct their own independent due diligence reviews and assessments. The timing of the Transaction is currently unknown as it is subject to both member and regulatory approval.