

# ANNUAL REPORT

FOR THE FISCAL YEAR ENDING 2024

**1st Choice Savings and Credit Union Ltd.**

**Address :**

45 Fairmont Blvd S  
Lethbridge, AB, T1K 1T1

**Contact Us :**

(403).320.4600  
info@1stchoicesavings.ca  
www.1stchoicesavings.ca

## Table of Contents

---

Annual General Meeting Agenda.....	3
Minutes of the Annual General Meeting.....	4
A Message from your Board .....	7
A Message from your President & Chief Executive Officer .....	9
Report of the Audit & Risk Committee .....	11
Report of the Finance Committee .....	12
Report of the Governance Committee .....	13
Credit Committee Report.....	14
Management Discussion and Analysis.....	15
Summarized Financial Statements .....	21

## Annual General Meeting Agenda

---

- 1) Call Order
- 2) Confirmation of Quorum
- 3) Introduction of Guests
- 4) Acceptance of Agenda
- 5) Minutes of the February 13, 2024 Annual General Meeting
- 6) Board Chair Report
- 7) President & CEO Report
- 8) Auditors Report
- 9) Audit & Risk Committee Report
- 10) Finance Committee Report
- 11) Governance Committee Report
- 12) Credit Committee Report
- 13) New Business
- 14) Adjournment

# Minutes of the Annual General Meeting

---

Date: February 13, 2024

Time: 5:30 P.M.

Location: Zoom Conference Call

**1. Call to Order**

The meeting was called to order at 5:35 P.M.

Don Aos recognized Eileen Graham as the recording secretary.

**2. Confirmation of Quorum**

There were over 100 members and several guests in attendance. Don Aos declared a quorum.

**3. Introduction of Special Guests**

Don Aos advised that we are honoured to have a number of guests with us from Alberta Central and the Credit Union Deposit Guarantee Corporation. Don Aos acknowledged their attendance and sincerely thanked them for attending.

**4. Approval of Guests**

It was moved to approve the guests in attendance.

**Tom Golden & Robert Gardiner; Carried**

**5. Acceptance of Agenda**

It was moved to accept the agenda.

**Julie Sarich & Ginny Hoffarth; Carried**

**6. Minutes**

It was moved that the minutes of the February 15, 2023 Annual General Meeting be adopted as circulated.

**Gene Scholer & Tara Mason; Carried**

**7. Board Report to the Membership.**

Don Aos presented the Board report to the Membership.

**8. CEO Report to the Membership**

Jason Sentes provided a report to the Membership, including a summary of the financial statements.

**9. Auditors Reports**

Derek Taylor of KPMG provided a summary of the Independent Auditors Report. It was moved to accept the Auditor's report as presented.

**Tom Golden & Leslie Vaala; Carried**

**10. Audit & Risk Committee Report**

David Gurr presented the report on behalf of Audit and Risk Committee.

**11. Finance Committee Report**

Wendy Kallen presented the report on behalf of the Finance Committee.

**12. Governance Committee Report**

Karl Kloepper presented the report as Chair of the nominations. It was moved to destroy the ballots from the election.

**Karl Kloepper & Darrel Koskewich; Carried**

**13. Credit Committee Report**

Jason Kroetsch presented the Credit Committee Report.

**14. New Business**

There is no new business.

**15. Adjournment**

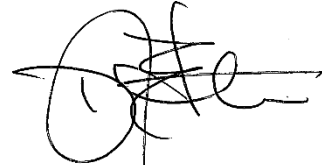
Don Aos called for a motion to adjourn, moved to adjourn at 6:04 P.M.

**Darrel Koskewich; Carried**



---

Don Aos, Board Chair



---

Dan Ethier, Secretary

## A Message from your Board

---

As we look back upon 2024, we find a year filled with both challenges and notable achievements for our credit union. Continued volatility in interest rates played a major role in impacting our profitability this past year, as it did for many financial institutions. Rising costs due to inflation and a rapid increase in interest rates over the previous two years affected many of our members, a large number of whom found it more difficult to make ends meet and to save for their futures. The economic realities that affect our members also impact us as a credit union. The unprecedented rise in interest rates in 2022 and 2023 saw many members take advantage and convert deposit balances to higher-rate term deposits. At the same time this was occurring, our credit union continues to hold a significant number of loans and fixed-rate mortgages that were issued when interest rates were at record lows following the pandemic. As a result, our interest income on members' loans increased by 20.6 percent during this past fiscal year, while our interest expense on deposit accounts increased by 48.5 percent. All of this occurred even though our loan portfolio grew by 3.5 percent during that same period. This mismatch between interest income and interest expense is a reality that many financial institutions are currently facing. The good news is that we have worked very hard over the past few years to build a very strong capital base with which to weather these types of financial storms. This strong capital base has allowed us to pay out \$463,000 in common and investment share dividends to our members this past year despite the challenges we faced.

On a more positive note, there were a number of financial successes and notable achievements realized throughout the year for our credit union to celebrate. Total assets under administration, which includes our on-balance sheet assets as well as our wealth management portfolio, surpassed the \$1 billion mark for the first time in our credit union's history - a milestone that we are all extremely proud of. Our loan portfolio grew past the \$700 million mark, our mutual fund portfolio surpassed the \$200 million mark, and our relatively-new dealer financing program has quickly grown past the \$50 million mark. In addition to these financial successes, there were also many non-financial achievements that we were able to accomplish this past year as well. Significant renovations and improvements to our Fairmont branch are at or very-near

completion, the rebranding of our wealth management advisory to Aviso Wealth is complete, and the finalization of our digital banking migration are some of the other projects management and staff have worked very hard together to achieve. On behalf of the Board, I would like to thank our employees for the excellent work and dedication they continue to provide in reaching these goals.

Our strong commitment to community support also continues despite these challenging times. We continue to be a proud supporter of Lethbridge Polytechnic and their agricultural science and trade programs, and this past year we were also a major sponsor of the Home, Garden and Leisure show and Parade of Homes along with the Building Industry and Land Development Association Lethbridge (BILD). While these two programs are somewhat larger in scope and perhaps receive more notoriety than others, we also continue to support many smaller grassroots organizations and local initiatives through our branches.

Throughout these challenging times, 1<sup>st</sup> Choice Savings and Credit Union remains firmly committed to serving you, our members. The success of our credit union is undeniably built upon the success of our members. We will continue to look for new and innovative ways to help you accomplish your goals, whether that be saving for your child's education, buying your first home, planning for your retirement, and everything else in between. We thank you for placing your trust and faith in us to help you achieve your dreams. Working together, we are confident that we are well placed to emerge from these challenges stronger and more impactful than before. Thank you so much for your continued support.

Sincerely on behalf of the Board of Directors,

Don Aos  
Chair of the Board



## A Message from your President & Chief Executive Officer

---

### Commitment to Members

In a world of constant change, our focus on our members has remained consistent. Providing expert advice and a member-first approach remains at the forefront of what we do. This focus ensures that we operate at the highest level of service standards and meet the financial needs of all our members.

### Major Achievements

- **New to Canada Program:** Successfully introduced a program tailored to assist newcomers in integrating into the financial system.
- **Fairmont Building Renovation:** Completed the renovation of the Fairmont building, enhancing our facilities.
- **Westgate Branch Anniversary:** Celebrated the 10th anniversary of the Westgate branch, marking a decade of service to the community.
- **Technology Security Enhancements:** Implemented significant enhancements to our technology security, ensuring better protection for our members' data.
- **Support for Lethbridge Polytechnic:** Continued our generous support with a \$100,000 gift to benefit student awards, youth initiatives, and Coulee Fest, to be shared over the next three years.
- **Support for the BIPOC Foundation:** Provided the Financial Wellness Series, empowering community members, including newcomers, immigrants, and people of color, with essential financial literacy tools. This program has been a catalyst toward financial stability for many, covering topics such as budgeting, credit management, and investment.

### Financial Performance

- **Asset Growth:** \$33.8 million, representing a 4.2% increase.
- **Loan Growth:** \$23.9 million, a 3.5% rise.
- **Deposit Growth:** \$50.7 million, up by 7.2%.
- **Mutual Fund Portfolio Growth:** \$41.7 million, a significant 24% increase.
- **Total Assets Under Administration Growth:** \$75.5 million, a 7.8% increase.
- **Total Assets Under Administration:** Reached \$1.04 billion.

## Economy

In 2024, the Bank of Canada maintained a cautious approach to interest rates, adjusting the policy rate several times throughout the year. By the end of the year, the prime rate stood at 5.45%. These adjustments aimed to balance economic growth with inflation control.

### Economic Impact

- **Consumer Spending:** Lower interest rates towards the end of the year helped boost consumer spending, as borrowing costs decreased.
- **Housing Market:** The housing market saw a moderate recovery, with lower interest rates making mortgages more affordable.

Overall, the combination of lower interest rates and reduced inflation helped support economic growth and stability in Canada throughout 2024.

## Future Goals

As we move forward, we remain focused on our strategic priorities: innovation, sustainability, and member satisfaction. We are confident that our strong foundation and forward-thinking approach will continue to drive our success in the coming years.

- Expand our asset base and improve financial services.
- Develop programs to support diverse community needs.
- Invest in technology to enhance member experience and security.

We are proud of our achievements over the past year and remain committed to serving our members with excellence and integrity. Thank you for your continued trust and support!

I would like to extend my sincere gratitude to our Members, Board of Directors, and employees for their unwavering support. Together, we will continue to achieve great things.

Jason Sentes

President & Chief Executive Officer

## Report of the Audit & Risk Committee

---

The Audit & Risk Committee, which is comprised of no less than three independent directors appointed by the Board, ensures that appropriate due diligence has been directed towards the internal control, accountability, and financial reporting functions of 1<sup>st</sup> Choice Savings and Credit Union Ltd.

The main functions of the Audit & Risk Committee include:

- 1) Monitoring the overall risk framework and risk policy, review management reports and obtain reasonable assurance that the Credit Union has effective risk management processes in place and that management policies are being adhered to.
- 2) Report to the Board of Directors on the key risks to which the Credit Union is exposed.
- 3) Make recommendations to the full Board of Directors about appropriate levels of risk and effectiveness of the risk management strategies.
- 4) Review material corporate policies with a relationship to risk management.
- 5) Act as the liaison between the Board of Directors and the internal Enterprise Risk Management Committee.
- 6) Recommend to the Board of Directors the appointment of both the internal and external auditors.
- 7) Responsible to direct the internal and external audit plans.
- 8) Review the annual auditor's report and audited financial statements and recommend approval of the financial statements to the Board.

During the year ending October 31, 2024, the Committee met on different occasions to:

- Review the Internal Audit reports received from our internal auditors.
- Approve the scope and timeframe of future internal audits.
- Review the Management Letter of 1<sup>st</sup> Choice Savings and Credit Union Ltd. as completed by our external auditor (KPMG) for the year ending October 31, 2023.
- Review and recommend approval of the Audited Financial Statements to the Board for the year ending October 31, 2023.
- Review the minutes of the internal Enterprise Risk Management Committee.
- Review all Financial & Statistical reports as submitted to our regulator.
- Review and recommend the risk appetite statement to the Board.
- Review and recommend the Internal Capital Adequacy Assessment Process to the Board.

Respectfully submitted,

Dave Gurr

Audit & Risk Committee Chair

## Report of the Finance Committee

---

The Finance Committee, which is comprised of not less than three independent directors appointed by the Board, ensures that appropriate due diligence has been directed towards the financial reporting functions of 1st Choice Savings and Credit Union Ltd.

The main functions of the Finance Committee include:

- 1) Monitor management practices and the Credit Union's performance in all the financial components of the credit union operations.
- 2) Review and recommend the annual budgets to the Board.
- 3) Recommend policy amendments relevant to financial risk.
- 4) Monitoring of the credit union operations in areas relevant to the management of financial risk of the Credit Union, including capital, asset/liability management, liquidity, and investments.

During the year ending October 31, 2024, the Committee met on different occasions to:

- Review the minutes of the Asset/Liability Committee.
- Review and assess management's analysis and recommendations relative to the distribution of earnings and make recommendations to the Board regarding the declaration of dividends.
- Recommend policy amendments relevant to the management of all components of financial risk.
- Monitor management practices and the credit union performance in all the financial components of the Credit Union's operations.

Respectfully submitted,

Wendy Kallen

Finance Committee Chair

## Report of the Governance Committee

---

In accordance with By-Laws 6.10 to 6.50 the Governance Committee administered the nomination and election process.

Nominations for Directors were called due to the expiring terms of two directors. Nominations were received from the two incumbents as well as one additional nomination.

An election was held for the two positions.

We are pleased to announce that the following Directors have been elected for a three year term:

- Don Aos
- Adam Zaroni

We congratulate those elected and thank all the candidates for expressing interest in serving on our Board of Directors.

We would like to take this opportunity to recognize Elisha Rasmussen for her service and contributions to the credit union.

Karl Kloepper  
Nomination Chair

## Credit Committee Report

---

The Board of Directors appoints the Chief Executive Officer, and upon the recommendation of the Chief Executive Officer, sufficient other management, which is comprised of no less than three individuals to the Credit Committee. There are no elected officials or any other non-employee members who are a part of the Credit Committee.

The Credit Committee will meet as required and is responsible to analyze and decision credit applications within the provisions of legislation and policy.

The Credit Committee may approve, decline, or defer applications as submitted and may propose different terms, conditions, or amounts in response to any application on any basis in which the Committee considers prudent.

The Credit Committee may only approve loans within the limits assigned to 1<sup>st</sup> Choice Savings by the Credit Union Deposit Guarantee Corporation. The loans exceeding the authorized limit are submitted to the Credit Union Deposit Guarantee Corporation for consideration.

During 2024, 1,428 applications were approved for a total of \$161 million. The loan portfolio increased 3.5% or \$24 million from the year prior.

The loan mix of the portfolio is well diversified and consists of the following:

- Consumer loans – 9%
- Residential Mortgages – 68%
- Commercial Loans – 18%
- Agricultural – 5%

The loan delinquency at October 31, 2024 was 0.19% of the total lending portfolio, which is well below acceptable industry standards.

Jason Kroetsch  
Credit Committee Chair

## Management Discussion and Analysis

---

### About 1<sup>st</sup> Choice Savings and Credit Union

1<sup>st</sup> Choice Savings and Credit Union is Southern Alberta's full-service credit union with five branches located throughout the region. We have a branch in Cardston, Taber, and three branches in Lethbridge. With over 18,000 memberships and \$1 billion in assets under administration, 1<sup>st</sup> Choice Savings provides a wide range of banking services, investments, loan products, insurance, and wealth management services.

This management discussion and analysis section is presented to provide an overview of the credit union's financial and operating performance. It is prepared in conjunction with the audited consolidated financial statements.

1<sup>st</sup> Choice Savings continued to have a solid financial performance in 2024, with 7.8% growth in assets under administration. We continued to pay a share of profits to members and invest in our communities through various sponsorships, scholarships, and donation programs.

### Summary

In 2024, the Bank of Canada maintained a cautious approach to interest rates, adjusting the policy rate several times throughout the year. By the end of the year, the prime rate stood at 5.45%. These adjustments aimed to balance economic growth with inflation control.

#### Economic Impact:

- **Consumer Spending:** Lower interest rates towards the end of the year helped boost consumer spending, as borrowing costs decreased.
- **Business Investment:** Businesses benefited from reduced financing costs, leading to increased investments in capital and expansion.
- **Housing Market:** The housing market saw a moderate recovery, with lower interest rates making mortgages more affordable.

Inflation in Canada saw a notable decrease in 2024. The annual average Consumer Price Index (CPI) rose by 2.4%, down from 3.9% in 2023. This decline was driven by slower price growth for goods, which increased by only 0.3% compared to 3.2% the previous year. However, service inflation remained more persistent, with prices for services rising by 4.1%.

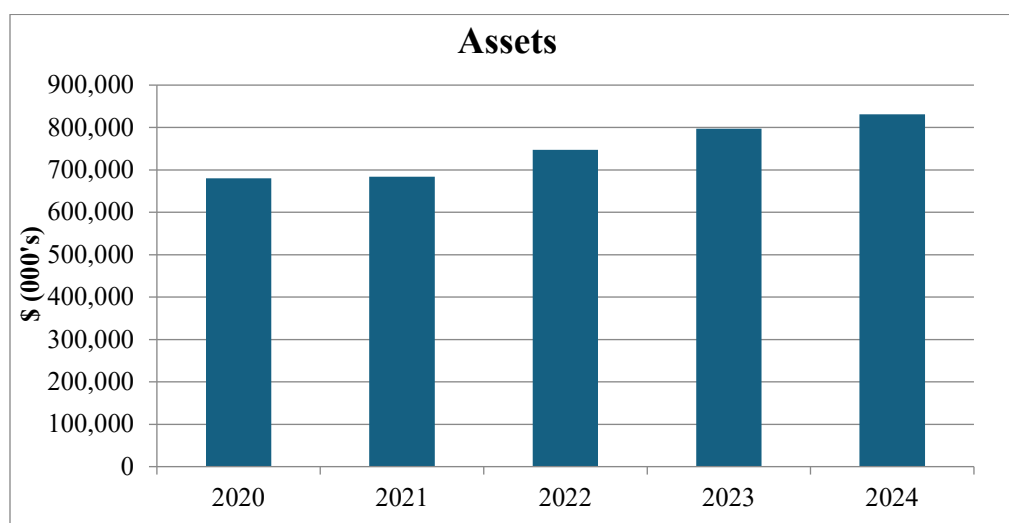
#### Economic Impact:

- **Price Stability:** The decrease in inflation helped stabilize prices across most sectors, contributing to a more predictable economic environment.
- **Consumer Confidence:** Lower inflation rates improved consumer confidence, encouraging spending and investment.
- **Cost of Living:** While the overall cost of living increased at a slower pace, persistent service inflation meant that some areas, like housing and healthcare, continued to see higher costs.

Overall, the combination of lower interest rates and reduced inflation helped support economic growth and stability in Canada throughout 2024.

#### Financial Performance

Consolidated total assets of 1<sup>st</sup> Choice Savings reside at \$831 million at October 31, 2024, increasing \$33.8 million or 4.2% from the prior year.





Loans accounted for 84% of total assets. Loan balances include both loan interest receivable and the allowance for expected credit losses, the latter of which reduces the overall loan portfolio. The allowance for credit losses marginally increased in 2024 and the loan delinquency ratio remains well below the industry standards.

Consolidated earnings from operations during the year totalled \$601 thousand, compared to \$10.6 million in the prior year. The lower profitability level can be attributed to the changes in the interest rates, with the financial margin decreasing from \$22.4 million to \$11.6 million.

#### Financial Margin

Financial margin is the difference between interest and investment income earned on assets and interest expensed on deposits and other liabilities, including borrowings. In 2024, our financial margin was \$11.6 million compared to \$22.4 million in 2023. Financial margin was positively impacted by the interest rates on member loans and investment income, negatively impacted by the interest rates on member deposits and negatively impacted by the derivative instrument.

Financial margin is expected to remain challenging in 2024, given the strong competitive interest rate environment.

#### Other Income

Other income consists of loan fees, service charges, commissions related to insurance and wealth management services, foreign exchange, and other miscellaneous revenues that are not interest related. Overall, other income remained stable year over year.

#### Operating expenses

With effective cost controls, the operating expenses decreased during the year by 2% from the previous year.

### Distributions to Members

We have had a long-standing tradition of sharing our profits with our members. For 2024, we are sharing \$463 thousand, which represents an increase of 5% from last year and includes the dividends on the common shares and investment shares. All distributions are approved annually by the Board of Directors. Since 2002, members have received \$6.4 million in the form of dividend distributions.

### Loans

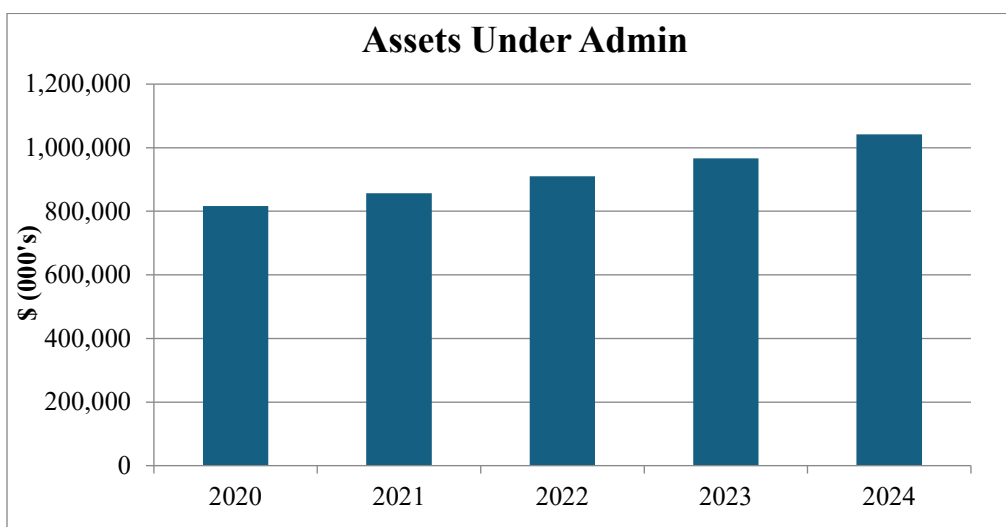
Member loans, net of allowance and accrued interest, increased by \$24 million in 2024. As a proportion of loans at year-end, there is a good loan mix with the commercial loans representing 18% of the portfolio, agricultural loans represent 5%, consumer loans represent 9%, and the residential mortgages represents 68% of the portfolio.

The allowance for credit losses increased marginally in 2024. The loan provision for 2024 was \$380 thousand compared to \$758 thousand in 2023.

### Deposits

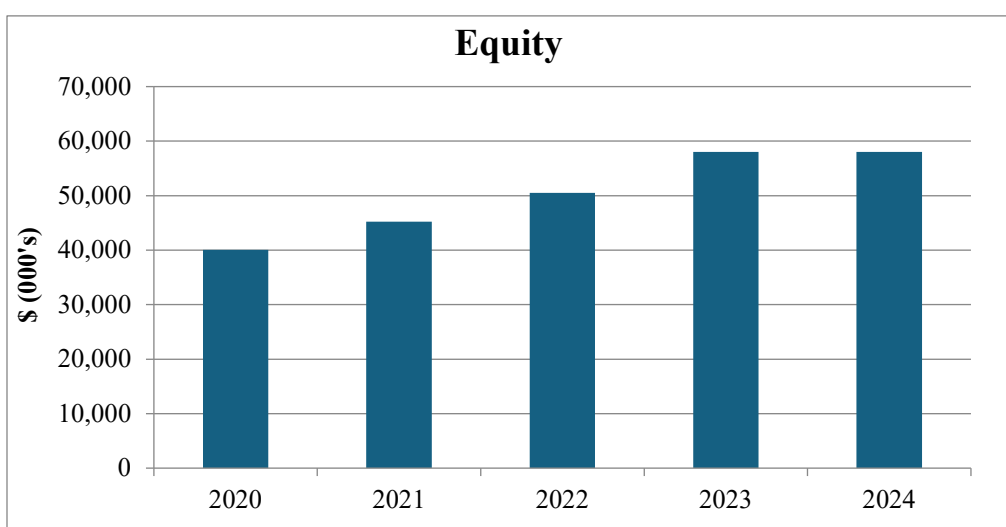
Total member deposits at the end of 2024 were \$50 million higher than 2023. In 2024, member deposit preferences shifted to term deposits from the chequing and savings accounts. The popularity of the tax-free savings accounts has continued, with a steady increase into these products.

In addition to our deposit products, we offer our members investment products of third-party suppliers, such as mutual funds, for which we receive income from. In 2024, the funds under administration exceeded \$210 million, for an increase of 24% from the prior year.



### Members' Equity and Capital

Members' equity remained stable for 2024 at \$58 million, of which \$49.4 million was retained earnings. We are committed to a strong capital position, which builds long-term membership value and enables us to invest for the future. At year end, our capital as a percentage of risk weighted assets was 14.2%. Our regulators, the Credit Union Deposit Guarantee Corporation, monitor our capital, which under current requirements for regulator capital must be maintained at a minimum of 10.5% of risk weighted assets. Management regularly monitors the capital position.



1<sup>st</sup> Choice Savings has documented an Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP is a vital component of a strong risk management program. The Board has approved the ICAAP which takes a long-term perspective of capital requirements using various scenarios.

### Risk Management

As a financial institution, we are subject to a variety of risks. Our risk governance framework begins with the Board of Directors and its Committees, which provide overall strategic direction, oversight of risk management, and a set of risk tolerance levels. Management is responsible for implementing strategies and policies for developing processes that identify, measure, monitor, and mitigate risks. To support our risk management, we have internal and external audit functions that are independent of management and report to the Audit & Risk Committee.

The Board has established a risk appetite framework and management has established an enterprise risk management framework to adequately monitor and manage risks.

## Summarized Financial Statements

### Statement of Financial Position

(Unaudited)

October 31, 2024, with comparative information for 2023

	2024	2023
<b>Assets</b>		
Cash and cash equivalents	\$ 16,401,469	\$ 16,438,448
Financial investments	91,205,386	86,022,751
Loans to members	701,403,322	677,523,259
Premises and equipment	15,886,404	13,878,906
Prepaid expenses and accounts receivable	2,318,198	2,634,752
Deferred income tax assets	420,000	289,000
Other assets	-	100
Income taxes receivable	2,187,483	-
Derivative instruments	1,140,057	398,007
	<b>\$ 830,962,319</b>	<b>\$ 797,185,223</b>

### Liabilities

Deposit accounts and accrued interest	\$ 757,504,261	\$ 706,802,380
Accounts payable and liabilities accrued	969,716	1,826,757
Other liabilities	2,209,270	2,272,436
Deferred lease incentive	514,938	567,738
Derivative instruments	4,260,245	398,007
Borrowings	-	17,547,562
Secured borrowings	7,513,903	9,260,018
Income taxes payable	-	496,389
	<b>772,972,333</b>	<b>739,171,287</b>

### Members' Equity

Allocations distributable	463,000	438,000
Common shares	3,085,640	3,142,767
Investment shares	4,950,325	5,074,148
Retained earnings	49,491,021	49,359,021
	<b>57,989,986</b>	<b>58,013,936</b>

	<b>\$ 830,962,319</b>	<b>\$ 797,185,223</b>
--	-----------------------	-----------------------

## Summarized Financial Statements

### Statement of Income and Comprehensive Income

(Unaudited)




Year ended October 31, 2024, with comparative information for 2023

	2024	2023
Financial income:		
Interest on members' loans	\$ 29,962,908	\$ 24,844,303
Investment income	3,517,017	2,663,707
	33,479,925	27,508,010
Net interest on derivative instruments	1,793,553	920,338
Net gain (loss) on derivative instruments	(3,743,421)	8,133,500
	31,530,057	36,561,848
Financial expenses:		
Interest on deposit accounts	19,639,097	13,223,075
Interest on financing	267,644	884,814
	19,906,741	14,107,889
Financial margin	11,623,316	22,453,959
Net provision for credit losses	(379,848)	(758,291)
Net provision for investment losses	(2,000)	(2,000)
Gain on sale of premises and equipment	-	200,641
Service charges and other income	4,102,036	3,799,791
Total operating income	15,343,504	25,694,100
Operating expenses	14,742,768	15,052,231
Net income from operations before income taxes	600,736	10,641,869
Income taxes expense	5,736	2,330,057
Net income and comprehensive income	\$ 595,000	\$ 8,311,812



## Get In Touch

---

 403.320.4600  
 [www.1stchoicesavings.ca](http://www.1stchoicesavings.ca)  
 [info@1stchoicesavings.ca](mailto:info@1stchoicesavings.ca)



45 Fairmont Blvd S  
Lethbridge, AB T1K 1T1

