Glossary of Terms

Assets under administration are balance sheet assets and third-party investment assets that the credit union originates and manages in return for administration fees and/or commissions. Although third party assets are not recorded on the credit union's balance sheet, they represent expanded investment options for customers, while providing the credit union with a reliable revenue stream.

Balance sheet is a statement of position that reflects the assets, liabilities, and capital of the credit union at a particular point in time, and cumulative retained earnings.

Client is used in the wealth business for both members and non-members who have wealth assets with Prospera.

Compensation expense includes salary, benefits, employee training and development costs.

Comprehensive income includes the net income of the credit union, unrealized derivative income along with changes in pension obligations recorded in the consolidated statement of financial position.

Credit risk is the risk of loss resulting from a borrower's inability or unwillingness to repay a loan in conjunction with inadequate collateral or from a counterparty's inability to complete or fulfill financial obligations.

Customer is used when referring to relationships in the Leasing business, whether business-to-business (B2B) or end-user (lessee) relationships.

Fee and commission expense includes costs related to delivery of transactional account services and leasing services, ATM and *Interac*® Direct Payment transaction processing costs, cheque clearing costs, investment management costs, custodial and other loan processing fees.

Fee and commission income comprises various fees, service charges, penalties and other miscellaneous revenues that are earned but not part of net interest income.

General and administrative expense includes data processing, marketing and other costs of administration.

Interest rate risk represents the potential adverse impact that changes to market interest rates may have on the earnings and value of the credit union. It generally arises from differences between the term to maturity of investments, loans and leases receivable, and those of the credit union's sources of funding..

Liquidity risk refers to the risk of being unable to obtain funds at reasonable prices or within a reasonable time period to meet obligations as they come due.

Member is used when referring to those who have paid shares, e.g., Personal Banking and Business Banking members.

Members' equity comprises retained earnings, contributed surplus and other comprehensive income.

Net fee and commission income includes **fee and commission income** netted with **fee and commission expense.**

Net income is the sum of net interest income, net fee and commission income and other income less operating expenses and taxes.

Net interest income is the difference between financial income (interest earned on investments, loans and leases receivable) and financial expense (interest paid on members' deposits and other financing). It is the largest component of the credit union's income.

Occupancy and equipment expense includes premises rent, maintenance and other property-related costs.

Operating expenses consists of compensation expense, occupancy and equipment expense, and other general and administrative expense.

Operating income is defined as income excluding taxes, contributions to the Foundation, one-time integration expenses, and unrealized gains and losses on financial investments. It measures the net operating results of our primary business operations.

Operational risk refers to the risk of loss resulting from the failure or inadequacy of internal systems and processes, or from external events that may negatively impact the credit union. These risks are carefully managed under Prospera's enterprise risk management program.