

**SERVUS CREDIT UNION LTD.**

**Interim Condensed Consolidated Financial Statements**

**For the six months ended**

**April 30, 2016**

**(unaudited)**

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

The accompanying unaudited interim condensed consolidated financial statements ("financial statements") of Servus Credit Union Ltd (the "Credit Union") 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 of Canada for a review of interim financial statements by an entity's auditor.

**SERVUS CREDIT UNION LTD.**  
**Interim Condensed Consolidated Financial Statements**

<b>Interim Condensed Consolidated Financial Statements</b> .....	2
<b>Notes to the Interim Condensed Consolidated Financial Statements</b>	
1. Reporting Entity .....	6
2. Basis of Presentation.....	6
3. Changes in Accounting Policies .....	6
4. Future Changes in Accounting Policies.....	6
5. Cash and Cash Equivalents .....	7
6. Members' Loans .....	7
7. Allowance for Credit Losses .....	8
8. Credit Quality of Members' Loans .....	8
9. Derivative Financial Assets and Liabilities .....	11
10. Events after the reporting period .....	12

**SERVUS CREDIT UNION LTD.**  
**Interim Condensed Consolidated Statement of Financial Position**  
**(Canadian \$ thousands)**  
**(unaudited)**

	Notes	April 30 2016	October 31 2015
<b>Assets</b>			
Cash and cash equivalents	5	\$ 124,998	\$ 188,389
Investments		1,092,127	944,183
Members' loans	6,8	12,945,312	12,702,332
Assets held for sale		8,557	6,390
Other assets		17,929	11,621
Property and equipment		161,525	170,612
Investment property		6,833	5,489
Derivative financial assets	9	24,203	24,711
Investments in associates		170,794	173,475
Intangible assets		48,654	48,019
Deferred income tax assets		84	84
<b>Total assets</b>		<b>14,601,016</b>	<b>14,275,305</b>
<b>Liabilities</b>			
Borrowings		984,179	610,431
Members' deposits		12,144,541	12,232,840
Trade payables and other liabilities		141,225	145,744
Income taxes payable		7,801	3,533
Derivative financial liabilities	9	5,033	2,778
Investment shares		421	489
Defined benefit plans		7,011	6,995
Deferred income tax liabilities		17,981	18,028
<b>Total liabilities</b>		<b>13,308,192</b>	<b>13,020,838</b>
<b>Equity</b>			
Share capital		612,184	609,477
Retained earnings		678,522	642,675
Accumulated other comprehensive income		1,115	1,313
<b>Total equity attributable to members of the Credit Union</b>		<b>1,291,821</b>	<b>1,253,465</b>
Non-controlling interest		1,003	1,002
<b>Total equity</b>		<b>1,292,824</b>	<b>1,254,467</b>
<b>Total liabilities and equity</b>		<b>\$ 14,601,016</b>	<b>\$ 14,275,305</b>

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

**SERVUS CREDIT UNION LTD.**  
**Interim Condensed Consolidated Statement of Income and Comprehensive Income**  
**(Canadian \$ thousands)**  
**(unaudited)**

Notes	Three months ended April 30 2016	Three months ended April 30 2015	Six months ended April 30 2016	Six months ended April 30 2015
<b>Interest income</b>				
Members' loans	\$ 114,809	\$ 117,011	\$ 232,608	\$ 240,504
Investments	1,433	3,994	3,895	2,234
<b>Total interest income</b>	<b>116,242</b>	<b>121,005</b>	<b>236,503</b>	<b>242,738</b>
<b>Interest expense</b>				
Members' deposits	24,966	31,312	50,277	66,703
Other interest expense	3,719	2,095	7,019	2,954
<b>Total interest expense</b>	<b>28,685</b>	<b>33,407</b>	<b>57,296</b>	<b>69,657</b>
<b>Net interest income</b>				
Other income	87,557	87,598	179,207	173,081
Share of profits from associates	19,806	20,724	40,418	41,875
<b>Net interest income and other income</b>	<b>2,862</b>	<b>3,215</b>	<b>4,598</b>	<b>4,948</b>
Provision for credit losses	7	7,329	4,262	12,976
<b>Net interest income after provision for credit losses</b>	<b>102,896</b>	<b>107,275</b>	<b>211,247</b>	<b>213,574</b>
<b>Operating expenses</b>				
Personnel	46,921	46,825	91,728	92,036
General	12,276	12,779	22,646	26,189
Occupancy	5,022	5,244	10,123	10,295
Member security	5,440	5,386	10,943	11,031
Depreciation	4,649	3,121	8,434	6,811
Organization	1,040	1,157	2,370	2,439
Amortization	1,534	2,508	1,144	3,753
<b>Total operating expenses</b>	<b>76,882</b>	<b>77,020</b>	<b>147,388</b>	<b>152,554</b>
<b>Income before patronage allocation to members and income taxes</b>				
	26,014	30,255	63,859	61,020
Patronage allocation to members	7,826	7,434	15,629	14,859
<b>Income before income taxes</b>	<b>18,188</b>	<b>22,821</b>	<b>48,230</b>	<b>46,161</b>
Income taxes	4,741	5,310	12,382	10,740
<b>Net income</b>	<b>\$ 13,447</b>	<b>\$ 17,511</b>	<b>\$ 35,848</b>	<b>\$ 35,421</b>
Other comprehensive income	(65)	-	(198)	-
<b>Total comprehensive income</b>	<b>\$ 13,382</b>	<b>\$ 17,511</b>	<b>\$ 35,650</b>	<b>\$ 35,421</b>
<b>Other Comprehensive income for the year, net of tax:</b>				
Share of other comprehensive income of associates				
Actuarial (losses) on defined benefit pension plans <sup>(1)</sup> (net of income tax expense of \$75)	-	-	(215)	-
Unrealized (losses) gains and reclassification adjustments on available for sale securities (net of income tax recovery of \$(6)) <sup>(2)</sup>	(65)	-	17	-
<b>Total other comprehensive (loss)/income</b>	<b>\$ (65)</b>	<b>\$ -</b>	<b>\$ (198)</b>	<b>\$ -</b>
<b>Total Comprehensive Income</b>				
Comprehensive income attributable to members	13,381	17,513	35,649	35,422
Comprehensive loss attributable to non-controlling interest	1	(2)	1	(1)
<b>Total comprehensive income</b>	<b>\$ 13,382</b>	<b>\$ 17,511</b>	<b>\$ 35,650</b>	<b>\$ 35,421</b>

<sup>(1)</sup> The Actuarial gains/losses will not be reclassified to profit or loss at a future date

<sup>(2)</sup> These items may be reclassified to profit or loss at a future date

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

**SERVUS CREDIT UNION LTD.**  
**Interim Condensed Consolidated Statement of Changes in Equity**  
**(Canadian \$ thousands)**  
**(unaudited)**

	Common shares	Investment shares	Retained earnings	Accumulated other comprehensive income	Non-controlling interest	Total equity
<b>Balance at October 31, 2014</b>	\$ 445,566	\$ 113,513	\$ 581,776	\$ 907	\$ 1,012	\$ 1,142,774
Changes in equity						
Issues of share capital	23,378	-	-	-	-	23,378
Redemption of share capital	(3,244)	(3,235)	-	-	-	(6,479)
Net income (loss)	-	-	35,421	-	(1)	35,420
<b>Balance at April 30, 2015</b>	\$ 465,700	\$ 110,278	\$ 617,197	\$ 907	\$ 1,011	\$ 1,195,093

	Common shares	Investment shares	Retained earnings	Accumulated other comprehensive income	Non-controlling interest	Total equity
<b>Balance at October 31, 2015</b>	\$ 494,685	\$ 114,792	\$ 642,675	\$ 1,313	\$ 1,002	\$ 1,254,467
Changes in equity						
Issues of share capital	25,922	-	-	-	-	25,922
Redemption of share capital	(20,103)	(3,112)	-	-	-	(23,215)
Net Income	-	-	35,847	-	1	35,848
Share of other comprehensive income of associates	-	-	-	(198)	-	(198)
<b>Balance at April 30, 2016</b>	\$ 500,504	\$ 111,680	\$ 678,522	\$ 1,115	\$ 1,003	\$ 1,292,824

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

**SERVUS CREDIT UNION LTD.**  
**Interim Condensed Consolidated Statement of Cash Flows**  
**(Canadian \$ thousands)**  
**(unaudited)**

	Six months ended April 30 2016	Six months ended April 30 2015
<b>Cash Flows From (Used in) Operating Activities</b>		
<b>Net income</b>	\$ 35,848	\$ 35,421
<b>Adjustments for non-cash items and others</b>		
Net interest income	(179,207)	(173,081)
Provision for credit losses	12,976	6,330
Share of profits from investments in associates	(4,598)	(4,948)
Depreciation and amortization	9,578	10,564
Gain on assets held for sale	(12)	(1,796)
Gain on sale of property and equipment	(288)	(8)
Income taxes	12,382	10,740
<b>Adjustments for net changes in operating assets and liabilities</b>		
Change in members' loans	(260,603)	(5,358)
Change in members' deposits	(87,786)	(83,359)
Change in assets held for sale	(6,237)	(8,132)
Change in derivatives	2,763	(937)
Net change in other assets, provisions, and trade payables and other liabilities	(11,022)	(44,843)
Income taxes received and paid, net	(8,161)	(3,939)
Interest received	241,779	244,220
Interest paid	(57,809)	(93,301)
<b>Net Cash (Used in) Operating Activities</b>	<b>(300,397)</b>	<b>(112,427)</b>
<b>Cash Flows From (Used in) Investing Activities</b>		
Additions to intangible assets	(1,779)	(3,658)
Additions to property and equipment, and investment property	(1,337)	(6,050)
Proceeds on disposal of property and equipment, and investment property	485	65
Proceeds on disposal of assets held for sale	4,531	4,873
Purchase of Alberta Central shares	(1,451)	(9,274)
Distributions from Alberta Central	8,675	8,110
Investments	(148,573)	(178,475)
<b>Net Cash (Used in) Investing Activities</b>	<b>(139,449)</b>	<b>(184,409)</b>
<b>Cash Flows From (Used in) Financing Activities</b>		
Advances of term loans and lines of credit	10,008,606	704,042
Repayment of term loans and lines of credit	(9,919,952)	(804,042)
Advances of secured borrowing	328,246	349,284
Repayment of secured borrowing	(43,152)	(11,085)
Shares issued	25,922	23,378
Shares redeemed	(23,215)	(6,479)
<b>Net Cash From Financing Activities</b>	<b>376,455</b>	<b>255,098</b>
<b>(Decrease) in Cash and Cash Equivalents</b>	<b>(63,391)</b>	<b>(41,738)</b>
Cash and cash equivalents, beginning of period	188,389	124,813
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 124,998</b>	<b>\$ 83,075</b>

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

**SERVUS CREDIT UNION LTD.**  
**Notes to Interim Condensed Consolidated Financial Statements**  
**(Canadian \$ thousands)**  
**(unaudited)**

**1. REPORTING ENTITY**

Servus Credit Union Ltd. (“Servus” or the “Credit Union”) is incorporated in Canada under the Credit Union Act of the Province of Alberta. The address of the Credit Union’s registered office is 151 Karl Clark Road, Edmonton, Alberta. The Credit Union operates in the loans and deposit taking industry regulated under the Credit Union Act. The Credit Union serves Members across Alberta.

The Credit Union Deposit Guarantee Corporation (the “Corporation”), a provincial corporation, guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. The Credit Union Act (The “Act”) provides that the Province of Alberta will ensure that the Corporation carries out this obligation.

**2. BASIS OF PRESENTATION**

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Credit Union’s 2015 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 2015 annual financial statements except as described in Note 3.

These interim condensed consolidated financial statements were approved by the Audit and Finance Committee on June 30, 2016.

**Significant Accounting Estimates, Assumptions and Judgements**

The preparation of the interim condensed consolidated financial statements requires management to exercise estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. These significant estimates, assumptions and judgements have been disclosed in note 2 of Servus’ 2015 annual consolidated financial statements. The estimates, assumptions and judgements used in preparation of these interim condensed consolidated financial statements are consistent with the most recent 2015 annual financial statements.

**3. CHANGES IN ACCOUNTING POLICIES**

These interim condensed consolidated financial statements have been prepared following the same accounting policies and methods as those used in preparing Servus’ 2015 annual consolidated financial statements.

**4. FUTURE CHANGES IN ACCOUNTING POLICIES**

The Credit Union is currently assessing the impact of adopting the following standard on the financial statements. At this time, the impact of this change to the Credit Union is unknown.

- **Effective for the Credit Union - November 1, 2017**
  - **IAS 7 Statement of Cash Flows (IAS 7)**

In January 2016, the IASB issued amendments to IAS 7, which will require specific disclosures for movements in certain liabilities on the statement of cash flow.
  
- **Effective for the Credit Union - November 1, 2019**
  - **IFRS 16 Leases**

In January 2016, the IASB issued IFRS 16 which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard removed the current requirement for lessees to classify leases as finance leases or operating leases by introducing a single lessee accounting model that requires the recognition of lease assets and lease liabilities on the balance sheet for most leases. Lessees will also recognize depreciation expense on the lease asset and interest expense on the lease liability in the statement of income. There is no significant changes to lessor accounting aside from enhanced disclosure requirements.

**SERVUS CREDIT UNION LTD.**  
**Notes to Interim Condensed Consolidated Financial Statements**  
**(Canadian \$ thousands)**  
**(unaudited)**

**5. CASH AND CASH EQUIVALENTS**

	As at April 30 2016	As at October 31 2015
Cash on hand	\$ 13,666	\$ 13,312
ATM	14,258	10,224
Foreign exchange cash	602	625
Cash with Alberta Central	94,803	165,172
Cheques and items in transit	1,669	(944)
<b>Total</b>	<b>\$ 124,998</b>	<b>\$ 188,389</b>

**6. MEMBERS' LOANS**

	Gross Amount	Specific allowance	Collective allowance	Net Amount	Impaired Loans
<b>As at April 30, 2016</b>					
Residential mortgages	\$ 7,481,236	\$ 556	\$ 1,101	\$ 7,479,579	\$ 775
Commercial mortgages and loans	4,122,862	15,386	4,731	4,102,745	25,126
Consumer loans	1,009,563	2,623	8,667	998,273	4,582
Agricultural mortgages and loans	330,535	156	5	330,374	751
	12,944,196	18,721	14,504	12,910,971	31,234
Accrued interest	36,567	1,542	684	34,341	-
<b>Total</b>	<b>\$ 12,980,763</b>	<b>\$ 20,263</b>	<b>\$ 15,188</b>	<b>\$ 12,945,312</b>	<b>\$ 31,234</b>

	Gross Amount	Specific allowance	Collective allowance	Net Amount	Impaired Loans
<b>As at October 31, 2015</b>					
Residential mortgages	\$ 7,325,389	\$ 344	\$ 935	\$ 7,324,110	\$ 523
Commercial mortgages and loans	3,973,739	15,926	5,576	3,952,237	26,137
Consumer loans	1,055,234	2,544	5,346	1,047,344	4,924
Agricultural mortgages and loans	342,073	135	2	341,936	626
	12,696,435	18,949	11,859	12,665,627	32,210
Accrued interest	38,988	1,601	682	36,705	-
<b>Total</b>	<b>\$ 12,735,423</b>	<b>\$ 20,550</b>	<b>\$ 12,541</b>	<b>\$ 12,702,332</b>	<b>\$ 32,210</b>

**SERVUS CREDIT UNION LTD.**  
**Notes to Interim Condensed Consolidated Financial Statements**  
**(Canadian \$ thousands)**  
**(unaudited)**

**7. ALLOWANCE FOR CREDIT LOSSES**

<b>Specific Allowance</b>	<b>Residential</b>	<b>Commercial</b>	<b>Consumer</b>	<b>Agricultural</b>	<b>Interest</b>	<b>Total</b>
As at October 31, 2015	\$ 344	\$ 15,926	\$ 2,544	\$ 135	\$ 1,601	\$ 20,550
Recoveries of previous loan write offs	-	57	586	-	-	643
Allowance charged to net income	847	4,480	4,165	286	551	10,329
	1,191	20,463	7,295	421	2,152	31,522
Loans written off	635	5,077	4,672	265	610	11,259
<b>As at April 30, 2016</b>	<b>\$ 556</b>	<b>\$ 15,386</b>	<b>\$ 2,623</b>	<b>\$ 156</b>	<b>\$ 1,542</b>	<b>\$ 20,263</b>

	<b>Residential</b>	<b>Commercial</b>	<b>Consumer</b>	<b>Agricultural</b>	<b>Interest</b>	<b>Total</b>
As at October 31, 2014	\$ 804	\$ 27,210	\$ 2,244	\$ 85	\$ 1,954	\$ 32,297
Recoveries of previous loan write offs	12	3,573	1,235	-	-	4,820
Allowance charged to net income	1,050	4,656	4,814	52	298	10,870
	1,866	35,439	8,293	137	2,252	47,987
Loans written off	1,522	19,513	5,749	2	651	27,437
As at October 31, 2015	\$ 344	\$ 15,926	\$ 2,544	\$ 135	\$ 1,601	\$ 20,550

<b>Collective Allowance</b>	<b>Residential</b>	<b>Commercial</b>	<b>Consumer</b>	<b>Agricultural</b>	<b>Interest</b>	<b>Total</b>
As at October 31, 2015	\$ 935	\$ 5,576	\$ 5,346	\$ 2	\$ 682	\$ 12,541
Allowance charged to net income	166	(845)	3,321	3	2	2,647
<b>As at April 30, 2016</b>	<b>\$ 1,101</b>	<b>\$ 4,731</b>	<b>\$ 8,667</b>	<b>\$ 5</b>	<b>\$ 684</b>	<b>\$ 15,188</b>

	<b>Residential</b>	<b>Commercial</b>	<b>Consumer</b>	<b>Agricultural</b>	<b>Interest</b>	<b>Total</b>
As at October 31, 2014	\$ 931	\$ 2,282	\$ 4,089	\$ 2	\$ 517	\$ 7,821
Allowance charged to net income	4	3,294	1,257	-	165	4,720
As at October 31, 2015	\$ 935	\$ 5,576	\$ 5,346	\$ 2	\$ 682	\$ 12,541

**8. CREDIT QUALITY OF MEMBERS' LOANS**

The following analysis includes individual loans that are impaired, or potentially impaired, based on age of repayments outstanding, in determining the specific allowance. Risk categories are defined by the Corporation and allow management to monitor credit risk.

<b>As at April 30, 2016</b>	<b>Residential</b>	<b>Commercial</b>	<b>Consumer</b>	<b>Agricultural</b>	<b>Total</b>
<b>Risk Categories</b>					
1 to 5 - Satisfactory risk	\$ -	\$ 4,053,944	\$ -	\$ 328,530	\$ 4,382,474
6 - Watch list	-	13,338	-	-	13,338
8 - Impaired risk - performing	-	2,128	-	234	2,362
7 and 9 - Unacceptable/impaired risk - non-performing	-	28,327	-	1,021	29,348
Loans without risk rating	7,480,460	-	1,004,980	-	8,485,440
Loans not impaired	7,480,460	4,097,737	1,004,980	329,785	12,912,962
Loans specifically impaired	775	25,126	4,582	751	31,234
Sub Total	7,481,235	4,122,863	1,009,562	330,536	12,944,196
Accrued interest	11,237	12,742	9,437	3,151	36,567
<b>Total</b>	<b>\$ 7,492,472</b>	<b>\$ 4,135,605</b>	<b>\$ 1,018,999</b>	<b>\$ 333,687</b>	<b>\$ 12,980,763</b>

**SERVUS CREDIT UNION LTD.**  
**Notes to Interim Condensed Consolidated Financial Statements**  
**(Canadian \$ thousands)**  
**(unaudited)**

**8. CREDIT QUALITY OF MEMBERS' LOANS (CONTINUED)**

<i>As at October 31, 2015</i>	Residential	Commercial	Consumer	Agricultural	Total
<i>Risk Categories</i>					
1 to 5 - Satisfactory risk	\$ -	\$ 3,920,580	\$ -	\$ 340,399	\$ 4,260,979
6 - Watch list	-	18,303	-	160	18,463
8 - Impaired risk - performing	-	1,400	-	237	1,637
7 and 9 - Unacceptable/impaired risk - non-performing	-	7,319	-	651	7,970
Loans without risk rating	7,324,866	-	1,050,310	-	8,375,176
Loans not impaired	7,324,866	3,947,602	1,050,310	341,447	12,664,225
Loans specifically impaired	523	26,137	4,924	626	32,210
Sub Total	7,325,389	3,973,739	1,055,234	342,073	12,696,435
Accrued interest	11,269	12,705	11,077	3,937	38,988
<b>Total</b>	<b>\$ 7,336,658</b>	<b>\$ 3,986,444</b>	<b>\$ 1,066,311</b>	<b>\$ 346,010</b>	<b>\$ 12,735,423</b>

- **Risk Rating 6:** This category includes accounts where there is not a risk for principal or interest at present but performance trend is negative and unless reversed could lead to losses for Servus. This is a transitional rating as the expectation is to be able to upgrade the account within the next 12 month period.
- **Risk Rating 8:** The deterioration in value of the security could make a loss in principal likely. However, the loan is still performing with payments being applied against principal and interest within the contractual terms.
- **Risk Rating 7:** These members exhibit the characteristics in the Risk "6" category but one or more of the following apply:
  - a. Interest is 60 or more days in arrears. (30 days for term loans subject to annual payments)
  - b. Collection of interest is in doubt but there is no exposure for principal.
- **Risk Rating 9:** Same criteria that is established for Risk "7" but there is deterioration in value of the security that could make a loss in principal likely.

**Loans past due, as at April 30, 2016**

	Residential	Commercial	Consumer	Agricultural	Total
Past due up to 29 days	\$ 126,685	\$ 23,135	\$ 21,691	\$ 2,581	\$ 174,092
Past due 30 - 59 days	45,537	33,464	7,668	4,211	90,880
Past due 60 - 89 days	10,877	16,697	3,243	89	30,906
Past due over 90 days	19,484	37,286	5,130	1,974	63,874
<b>Total</b>	<b>\$ 202,583</b>	<b>\$ 110,582</b>	<b>\$ 37,732</b>	<b>\$ 8,855</b>	<b>\$ 359,752</b>

**Loans past due, as at October 31, 2015**

	Residential	Commercial	Consumer	Agricultural	Total
Past due up to 29 days	\$ 124,570	\$ 17,131	\$ 20,950	\$ 4,017	\$ 166,668
Past due 30 - 59 days	37,166	24,974	6,947	2,480	71,567
Past due 60 - 89 days	13,063	3,341	2,476	11	18,891
Past due over 90 days	13,436	33,674	4,608	1,360	53,078
<b>Total</b>	<b>\$ 188,235</b>	<b>\$ 79,120</b>	<b>\$ 34,981</b>	<b>\$ 7,868</b>	<b>\$ 310,204</b>

**Loans Past Due but Not Impaired**

Members' loans are considered past due when payments have not been received by the contractual due date. The following table presents the carrying value of Members' loans that are past due but not classified as impaired because they are either (i) less than 90 days past due unless there is information to the contrary that an impairment event has occurred or (ii) fully secured and collection efforts are reasonably expected to result in full repayment.

Members' loans that are past due but not impaired are as follows:

**SERVUS CREDIT UNION LTD.**  
**Notes to Interim Condensed Consolidated Financial Statements**  
**(Canadian \$ thousands)**  
**(unaudited)**

**8. CREDIT QUALITY OF MEMBERS' LOANS (CONTINUED)**

*Loans past due but not impaired, as at April 30, 2016*

	Residential	Commercial	Consumer	Agricultural	Total
Past due up to 29 days	\$ 126,685	\$ 22,498	\$ 21,308	\$ 2,581	\$ 173,072
Past due 30 - 59 days	45,537	29,567	7,508	4,211	86,823
Past due 60 - 89 days	10,877	16,193	3,039	89	30,198
Past due over 90 days	18,709	17,198	1,295	1,223	38,425
<b>Total</b>	<b>\$ 201,808</b>	<b>\$ 85,456</b>	<b>\$ 33,150</b>	<b>\$ 8,104</b>	<b>\$ 328,518</b>

*Loans past due but not impaired, as at October 31, 2015*

	Residential	Commercial	Consumer	Agricultural	Total
Past due up to 29 days	\$ 124,570	\$ 17,131	\$ 20,649	\$ 4,017	\$ 166,367
Past due 30 - 59 days	37,166	24,973	6,655	2,480	71,274
Past due 60 - 89 days	13,064	3,286	1,951	11	18,312
Past due over 90 days	12,912	7,593	802	734	22,041
<b>Total</b>	<b>\$ 187,712</b>	<b>\$ 52,983</b>	<b>\$ 30,057</b>	<b>\$ 7,242</b>	<b>\$ 277,994</b>

The Credit Union has documented policies and procedures in place for the valuation of financial and non-financial collateral. For impaired loans, an assessment of the collateral is taken into consideration when estimating the net realizable amount of the loans.

The amount and types of collateral required depend on the Credit Union's assessment of the Members' credit quality and repayment capacity. Non-financial collateral taken by the Credit Union includes vehicles, residential real estate, real estate under development, business assets such as trade receivables, inventory and property and equipment. The main types of financial collateral taken by the Credit Union include mortgage, cash, negotiable securities and investments. Guarantees are also taken to reduce credit exposure risk.

	<b>As at April 30 2016</b>	<b>As at October 31 2015</b>
Loans by security:		
Insured loans and mortgages	\$ 2,618,215	\$ 2,588,166
Secured by mortgage	7,822,679	7,295,724
Secured by other	1,874,938	2,190,710
Unsecured	664,931	660,823
<b>Total</b>	<b>\$ 12,980,763</b>	<b>\$ 12,735,423</b>

**SERVUS CREDIT UNION LTD.**  
**Notes to Interim Condensed Consolidated Financial Statements**  
**(Canadian \$ thousands)**  
**(unaudited)**

**9. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

<b>As at April 30, 2016</b>	<b>Equity-linked options</b>	<b>Embedded purchase option</b>	<b>Interest rate swaps</b>	<b>Total</b>
<b>Financial Derivative Assets</b>				
Gross amounts of financial assets before statement of financial position offsetting	\$ -	\$ -	\$ 2,906	\$ 2,906
Gross amounts of financial liabilities before statement of financial position offsetting	-	-	(2,651)	(2,651)
Net amount of financial assets presented on the statement of financial position	-	-	255	255
Amounts not subject to enforceable netting arrangements	5,068	18,880	-	23,948
<b>Total</b>	<b>\$ 5,068</b>	<b>\$ 18,880</b>	<b>\$ 255</b>	<b>\$ 24,203</b>
<b>Financial Derivative Liability amounts not subject to enforceable netting arrangements</b>				
	\$ 5,033	\$ -	\$ -	\$ 5,033

<b>As at October 31, 2015</b>	<b>Equity-linked options</b>	<b>Embedded purchase option</b>	<b>Interest rate swaps</b>	<b>Total</b>
<b>Financial Derivative Assets</b>				
Gross amounts of financial assets before statement of financial position offsetting	\$ -	\$ -	\$ 3,955	\$ 3,955
Gross amounts of financial liabilities before statement of financial position offsetting	-	-	(3,066)	(3,066)
Net amount of financial assets presented on the statement of financial position	-	-	889	889
Amounts not subject to enforceable netting arrangements	2,790	21,032	-	23,822
<b>Total</b>	<b>\$ 2,790</b>	<b>\$ 21,032</b>	<b>\$ 889</b>	<b>\$ 24,711</b>
<b>Financial Derivative Liability amounts not subject to enforceable netting arrangements</b>				
	\$ 2,778	\$ -	\$ -	\$ 2,778

The notional amounts of derivative financial instrument contracts maturing at various times are:

	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>As at April 30 2016</b>	<b>As at October 31 2015</b>
Interest rate swaps					
receive floating, pay fixed	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ 200,000
Equity-linked options	-	10,616	58,815	69,431	64,357
<b>Total</b>	<b>\$ -</b>	<b>\$ 10,616</b>	<b>\$ 258,815</b>	<b>\$ 269,431</b>	<b>\$ 264,357</b>

**SERVUS CREDIT UNION LTD.**  
**Notes to Interim Condensed Consolidated Financial Statements**  
**(Canadian \$ thousands)**  
**(unaudited)**

**9. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

**Equity-Linked Options**

Equity-linked options are used to fix costs on term deposit products which pay a return to the deposit holder based on the change in equity market indexes. The embedded derivative in the term deposit product as well as the option derivatives is marked to market through interest income investments. The fair value of the equity linked derivative contract is separately presented as part of derivative instrument assets.

**Embedded Purchase Option**

The Credit Union entered into an arrangement with a third party, where the third party acts as an agent to offer credit cards to its members. The agreement automatically renews annually unless either party provides notice to terminate. The agreement contains an option for the Credit Union to acquire the underlying consumer loans associated with the credit cards. The exercise price is linked to the book value of the loans and notice of intent to exercise the option must be provided one year prior to the termination of the agreement. The current agreement is due to renew in September 2016.

**Interest Rate Swaps and Interest Rate Cap Options**

Interest rate swaps and interest rate cap options are used for asset/liability management purposes against changes in interest rates. They involve the exchange of interest cash flows between two parties on a specified notional principal.

**10. EVENTS AFTER THE REPORTING PERIOD**

**Fort McMurray Wildfire**

On May 3, 2016 the community of Fort McMurray, was surrounded by wildfire and fully evacuated. Over 80,000 people left the city and over 2,400 structures were destroyed, of which approximately 1,600 were homes. Servus Credit Union has two branches (including Business Banking and Wealth) and 31 employees in Fort McMurray. The Credit Union's employees are all safe and accounted for. The Servus Business Continuity Program was implemented and worked exceptionally well in handling all aspects of the fire including employee safety, member issues, and asset protection. Our insurance carriers began contacting our members within 48 hours of the evacuation.

Servus has over 5,700 members in Fort McMurray and approximately \$600,000 in residential mortgages, consumer and commercial loans related to members or property in the affected area. Approximately 45% of the loan book are residential mortgages and 46% of those mortgages are government insured. All mortgages require fire insurance to cover the structure. Recognizing the significant hardship the Fort McMurray community is under at this time, Servus has worked closely with members, discussing payment deferrals, skip-a-payments, easy access vehicle loans, GIC/Term redemptions, increased credit card limits and other arrangements. None of these forms of support are expected to materially affect the financial statements. Management is still assessing if there will be any material impact on loan losses to be recorded in future financial statements.

Servus did not experience property loss or damage as a result of the wildfire, and the branches were open and operational as of June 7.