SERVUS CREDIT UNION LTD.

Interim Condensed Consolidated Financial Statements

For the six months ended

April 30, 2020

(unaudited)

SERVUS CREDIT UNION LTD.
Interim Condensed Consolidated Financial Statements
(unaudited)

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

	Notes		April 30 2020		October 31 2019
Assets					
Cash and cash equivalents		**$**	**93,819**	$	107,760
Investments	4		**1,543,243**		1,198,908
Members' loans	5		**14,688,054**		14,541,959
Income taxes receivable			**-**		7,651
Assets held for sale			**10,866**		12,811
Other assets			**48,452**		31,600
Property and equipment	8		**136,467**		139,815
Leased assets	9		**55,275**		-
Investment property			**4,469**		4,617
Derivative financial assets	10		**13,505**		8,239
Investment in associate			**193,190**		193,795
Intangible assets			**59,563**		60,430
Total assets			**16,846,903**		16,307,585
Liabilities					
Borrowings			**200,000**		200,000
Securitization liabilities			**1,296,624**		1,144,015
Members' deposits			**13,471,778**		13,131,397
Trade payables and other liabilities			**160,494**		194,424
Lease liabilities			**59,401**		639
Income taxes payable			**2,242**		124
Allowance for off balance sheet credit instruments	5,6		**8,754**		6,064
Derivative financial liabilities	10		**3,354**		8,893
Investment shares			**435**		418
Defined benefit plans			**7,578**		7,555
Deferred income tax liabilities			**12,188**		11,742
Total liabilities			**15,222,848**		14,705,271
Equity					
Share capital			**664,214**		681,848
Retained earnings			**948,193**		909,369
Accumulated other comprehensive income			**11,648**		11,097
Total equity			**1,624,055**		1,602,314
Total liabilities and equity		**$**	**16,846,903**	$	16,307,585

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

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

	Notes	**Three months ended April 30 2020**	Three months ended April 30 2019	**Six months ended April 30 2020**	Six months ended April 30 2019
Interest income					
Members' loans		**$ 140,724**	$ 143,663	**$ 290,964**	$ 291,317
Investments		**14,899**	7,077	**20,161**	16,507
Total interest income		**155,623**	150,740	**311,125**	307,824
Interest expense					
Members' deposits		**41,490**	44,631	**88,412**	89,679
Other interest expense		**8,249**	8,843	**15,905**	17,768
Total interest expense		**49,739**	53,474	**104,317**	107,447
Net interest income		**105,884**	97,266	**206,808**	200,377
Other income		**29,931**	28,552	**60,584**	58,260
Share of profits from associate		**2,292**	3,417	**3,588**	4,239
Net interest income and other income		**138,107**	129,235	**270,980**	262,876
Provision for credit losses	6	**19,922**	840	**26,621**	5,381
Net interest income after provision for credit losses		**118,185**	128,395	**244,359**	257,495
Operating expenses					
Personnel		**53,691**	52,459	**104,425**	101,321
General		**21,202**	20,772	**40,805**	38,656
Occupancy (1)		**4,420**	5,389	**8,604**	10,651
Member security		**2,356**	3,545	**4,692**	7,120
Depreciation (2)		**4,337**	3,043	**8,792**	6,154
Organization		**1,456**	851	**2,911**	2,214
Impairment of assets		**132**	194	**522**	246
Amortization		**2,783**	2,576	**5,560**	5,142
Total operating expenses		**90,377**	88,829	**176,311**	171,504
Income before patronage allocation to members and income taxes		**27,808**	39,566	**68,048**	85,991
Patronage allocation to members		**8,452**	8,455	**16,792**	16,838
Income before income taxes		**19,356**	31,111	**51,256**	69,153
Income taxes		**4,404**	8,421	**12,432**	18,706
Net income		**$ 14,952**	$ 22,690	**$ 38,824**	$ 50,447

(1) Lease interest expense is included in occupancy

(2) Leased asset depreciation is included in depreciation

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

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

	Notes	**Three months ended April 30 2020**	Three months ended April 30 2019	**Six months ended April 30 2020**	Six months ended April 30 2019
Net income		**$ 14,952**	$ 22,690	**$ 38,824**	$ 50,447
Other comprehensive income for the year, net of tax:					
Items that may be reclassified subsequently to profit or loss:					
Unrealized gain and reclassification adjustments on fair value through other comprehensive income securities (1)		**-**	-	**-**	1,756
Reclassification of net gains to net income (2)		**-**	-	**-**	(114)
Share of other comprehensive (loss) income from associate					
Actuarial (loss) gain on defined benefit pension plans (3)		**-**	-	**(278)**	92
Items that will not be reclassified to profit or loss:					
Share of other comprehensive income from associate					
Unrealized gain and reclassification adjustments on fair value through other comprehensive income securities (4)		**1,072**	830	**829**	2,058
Total other comprehensive income		**$ 1,072**	$ 830	**$ 551**	$ 3,792
Total comprehensive income		**$ 16,024**	$ 23,520	**$ 39,375**	$ 54,239
Total comprehensive income					
Comprehensive income attributable to members		**16,024**	23,512	**39,375**	54,212
Comprehensive income attributable to non-controlling interest		**-**	8	**-**	27
Total comprehensive income		**$ 16,024**	$ 23,520	**$ 39,375**	$ 54,239

(1) Net of income tax expense for the six months ended April 30th of $0, 2019 - $649

(2) Net of income tax expense transferred for the six months ended April 30th of $0, 2019 - $42

(3) Net of income tax (recovery) expense for the six months ended April 30th of $(83), 2019 - $34

(4) Net of income tax expense for the three months ended April 30th of $320, 2019 - $307, for the six months ended April 30th $247, 2019 - $761

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)

	Notes	Common Shares	Investment Shares	Retained Earnings	Accumulated Other Comprehensive Income	Non-controlling Interest	Total Equity
Balance at October 31, 2018 as previously reported		$ 550,767	$ 119,508	$ 833,009	$ 7,217	$ 974	$ 1,511,475
Impact of adoption of IFRS 9		-	-	(6,134)	-	-	(6,134)
Balance at November 1, 2018		550,767	119,508	826,875	7,217	974	1,505,341
Changes in equity							
Issues of share capital		13,757	-	-	-	-	13,757
Redemption of share capital		(25,359)	(3,033)	-	-	-	(28,392)
Net income		-	-	50,420	-	27	50,447
Fair value adjustment for investments		-	-	-	1,756	-	1,756
Transfer from AOCI to P&L on MBS bond sale		-	-	-	(114)	-	(114)
Share of other comprehensive income from associate		-	-	-	2,150	-	2,150
Balance at April 30, 2019		$ 539,165	$ 116,475	$ 877,295	$ 11,009	$ 1,001	$ 1,544,945

	Notes	**Common Shares**	**Investment Shares**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Non-controlling Interest (1)**	**Total Equity**
Balance at November 1, 2019		**$ 560,793**	**$ 121,055**	**$ 909,369**	**$ 11,097**	**$ -**	**1,602,314**
Changes in equity							
Issues of share capital		**10,976**	**-**	**-**	**-**	**-**	**10,976**
Redemption of share capital		**(24,140)**	**(4,470)**	**-**	**-**	**-**	**(28,610)**
Net income		**-**	**-**	**38,824**	**-**	**-**	**38,824**
Share of other comprehensive loss from associate		**-**	**-**	**-**	**551**	**-**	**551**
Balance at April 30, 2020		**$ 547,629**	**$ 116,585**	**$ 948,193**	**$ 11,648**	**$ -**	**$ 1,624,055**

(1) The Credit Union's non controlling interest in 1626210 Alberta Ltd. was wound up on October 31, 2019.

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)

	Notes		Six months ended April 30 2020		Six months ended April 30 2019
Cash flows from (used in) operating activities					
Net income		**$**	**38,824**	$	50,447
Adjustments for non-cash items and others					
Net interest income			**(206,808)**		(200,377)
Provision for credit losses			**26,621**		5,381
Share of profits from investment in associate			**(3,588)**		(4,239)
Depreciation and amortization			**14,352**		11,296
Impairment of assets			**522**		246
Loss on leased assets			**33**		-
Loss (gain) on assets held for sale			**31**		(84)
Loss (gain) on disposal of property and equipment			**64**		(76)
Loss on disposal of intangible assets			**120**		-
Income taxes			**12,432**		18,706
Adjustments for net changes in operating assets and liabilities					
Change in members' loans			**(159,943)**		(193,909)
Change in members' deposits			**346,121**		147,731
Change in assets held for sale			**(8,544)**		(11,463)
Change in derivatives			**(10,805)**		(4,748)
Net change in other assets, provisions, and trade payables and other liabilities			**(57,988)**		(13,039)
Income taxes paid, net			**(2,217)**		(12,244)
Interest received			**299,340**		306,834
Interest paid			**(110,057)**		(98,147)
Net cash from operating activities			**178,510**		2,315
Cash flows from (used in) investing activities					
Additions to intangible assets			**(4,927)**		(2,775)
Additions to property and equipment, and investment property			**(4,369)**		(2,904)
Proceeds on disposal of property and equipment, and investment property			**92**		359
Proceeds on disposal of assets held for sale			**11,393**		9,008
Purchase of Alberta Central shares			**(963)**		(3,040)
Distributions from Alberta Central			**5,872**		5,160
Investments			**(342,633)**		(101,432)
Net cash used in investing activities			**(335,535)**		(95,624)
Cash flows from (used in) financing activities					
Term loans and lines of credit			**-**		36,212
Advances of securitization liabilities			**349,179**		201,211
Repayment of securitization liabilities			**(185,885)**		(172,539)
Repayment of principal portion of lease liabilities			**(2,576)**		(94)
Shares issued			**10,976**		13,757
Shares redeemed			**(28,610)**		(28,392)
Net cash from financing activities			**143,084**		50,155
Decrease in cash and cash equivalents			**(13,941)**		(43,154)
Cash and cash equivalents, beginning of period			**107,760**		123,612
Cash and cash equivalents, end of period		**$**	**93,819**	$	80,458

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

1. 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 Servus Credit Union Ltd. ("Servus" or the "Credit Union") 2019 audited annual consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Audit and Finance Committee on June 24, 2020.

Significant Accounting Estimates, Assumptions and Critical Judgements
The preparation of the interim condensed consolidated financial statements requires management to exercise estimates, assumptions and critical judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and related disclosures. Estimates and underlying assumptions required under IFRS are best estimates undertaken in accordance with the applicable standards and are reviewed on a continuous basis. Estimates, assumptions and critical judgements have been used in the following areas: income taxes; deferred tax assets and liabilities; classification and valuation of financial instruments; impairment of non-financial and financial assets; expected credit losses; measurement of provisions; the useful lives of property, equipment, and intangible assets; whether an agreement includes a lease, consolidation of structured entities; credit card points liability; accounting for investment in associate; defined benefit plans; and the fair value less costs to sell for assets held for sale. Actual results may differ significantly from these estimates, and the impact of any such differences will be recorded in future periods.

The global pandemic declared by the World Health Organization on March 11th, 2020 due to the outbreak of COVID-19 has cast uncertainty on the estimates, assumptions, and critical judgements exercised by management. The full extent of the impact of the pandemic, including government and /or regulatory responses, will have on the Canadian (specifically Albertan) economy is highly uncertain and difficult to predict at this time. In addition to the pandemic, extremely low oil prices, disputes among oil producing countries and completion of pipelines has added to the uncertainty that Alberta may still have a higher than normal unemployment rate once the pandemic has passed. The Credit Union has put in place relief measures for personal and business members who are having trouble meeting their financial obligations, including loan deferrals.

The main effects of the COVID-19 pandemic on the Credit Union’s profit and loss and financial position as at April 30, 2020 are as follows:

- Securities designated for the overlay approach were examined at the reporting date to determine whether there was any objective evidence that they were impaired, and the Credit Union did not record any impairment losses.

- The COVID-19 pandemic situation gave rise to great uncertainty requiring management to make significant judgements to estimate the allowance for expected credit losses, which increased compared to the previous quarter. Refer to Note 6 for more information.

2. ACCOUNTING POLICIES

In addition to the accounting policies disclosed in the Servus’ 2019 annual consolidated financial statements, the following policies are required to be applied for the period ended April 30, 2020:

Leases

The Credit Union as a Lessee

Leases are arrangements containing identified assets that the lessee has the right to control, obtain substantially all economic benefit and the right to direct use of the asset.

2. ACCOUNTING POLICIES (CONTINUED)

The leased asset is equal to the value of the lease liability with adjustments for incentives received, initial direct costs, and an estimate of costs to restore the asset to the condition required by the contract. The lease liability is calculated as the present value of the lease payments taking into consideration all allowable adjustments, such as a penalty for termination or exercise price of a purchase option.

Subsequent to initial recognition, leased assets are depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term, in accordance with the accounting policy for property and equipment. Leased land is also depreciated over the lease term. Depreciation expense is recognized on the leased asset and interest expense on the lease liability is recorded in occupancy expenses.

The discount rate used in calculating the present value of the lease payment is either the interest rate implicit in the lease, if it is practicable to determine, or the incremental borrowing rate.

The classes of leases currently held by the Credit Union are: land, building, other equipment (signage and vehicles), and computer equipment.

The Credit Union typically exercises all extension options on leases. For this reason, the leased asset and liability include all extension options that are expected to be exercised in each individual lease. Due to the nature of business and the work required to set up a branch, contracts with an extension are preferable to maintain the same location and presence in the community long term. While this is the standard application on Credit Union lease options, a reassessment is required when there is a significant event or change.

The Credit Union as a Lessor

Leases in which the Credit Union does not transfer substantially all the risks and rewards of the asset are classified as operating lease. Rentals received under operating leases are recognized in other income on a straight-line-basis over the term of the lease. Lease incentives provided are recognized on a straight-line basis over the term of the lease.

3. CURRENT ACCOUNTING CHANGES

Adoption of Standards in the Current Year

IFRS 16 Leases

On November 1, 2019 ("date of transition"), the Credit Union adopted IFRS 16 Leases (IFRS 16), which replaced the guidance from IAS 17 Leases. Adopting IFRS 16 has resulted in significant changes to accounting policies for the definition of a lease, recognition and calculation of a right-of-use-asset ("leased asset") and lease liability.

IFRS 16 does not require restatement of comparative period financial information. The Credit Union has elected to not restate comparative period financial information, as allowed by the selection of the modified retrospective approach for the transition. A decision was also made to make leased asset equal to the lease liability, with adjustments for accounts receivable related to tenant inducement and accounts payable related to accrued rent, which resulted in no adjustment to the retained earnings when IFRS 16 was adopted.

The Credit Union elected to not reassess current contracts for active leases prior to IFRS 16. If a contract was assessed as a lease prior to IFRS 16, it will remain a lease at transition to IFRS 16. IFRS 16 requirements will be applied to contracts that are entered into or changed after the transition date. Other elections the Credit Union adopted include relying on the previous assessments for onerous contracts at transition, using hindsight to determine lease terms, and excluding initial direct costs for leases that are active at transition. Finance costs will be recorded under occupancy expenses.

The weighted average incremental borrowing rate applied to lease liabilities on November 1, 2019 was 4.13%.

(Canadian $ thousands)

3. CURRENT ACCOUNTING CHANGES (CONTINUED)

The following table reconciles the Credit Union's operating lease commitments at October 31, 2019, to the lease liabilities recognized on the initial application of IFRS 16 at November 1, 2019.

		Total
Operating lease commitments disclosed as at October 31, 2019	$	45,127
Add: extension and termination options reasonably certain to be exercised		29,396
Adjustment related to the effect of discounting cash flows as at November 1, 2019 (4.13%)		(16,267)
Add: financing lease liabilities recognized as at October 31, 2019		639
Lease liabilities recognized as at November 1, 2019	$	58,895

The table below reflects the impact of IFRS 16 on implementation at November 1, 2019 on the interim condensed consolidated statement of financial position.

		As at October 31, 2019 IAS 17 Amount		Change		As at November 1, 2019 IFRS 16 Amount
Assets						
Other assets [1]	$	31,600	$	191	$	31,791
Leased assets		-		54,736		54,736
Total assets		31,600		54,927		86,527
Liabilities						
Trade payables and other liabilities [2]		194,424		(3,329)		191,095
Lease liabilities		639		58,256		58,895
Total liabilities		195,063		54,927		249,990

[1] Change related to tenant inducement

[2] Change related to accrued rent

The following table reflects the impact of IFRS 16 on the interim condensed consolidated statement of income for the period ended April 30, 2020:

		Reporting under IAS 17		Increase/ (decrease)		Reporting under IFRS 16
Occupancy expense	$	3,792	$	(3,789)	$	3
Depreciation expense - leased assets		-		3,047		3,047
Lease interest expense		-		1,216		1,216
Income taxes		954		119		1,073
Total impact	$	4,746	$	593	$	5,339

(Canadian $ thousands)

4. INVESTMENTS

	As at April 30 2020	As at October 31 2019
Term deposits with Alberta Central	**$ 1,534,306**	$ 1,191,203
Term deposits with other financial institutions	**5,000**	5,472
Other	**277**	275
	1,539,583	1,196,950
Accrued interest	**3,663**	1,960
	1,543,246	1,198,910
ECL allowance on investments	**(3)**	(2)
Total	**$ 1,543,243**	$ 1,198,908

5. MEMBERS' LOANS

The following table presents the carrying amount of loans and the exposure amount for off-balance sheet items according to the stage in which they are classified as well as the allowance for credit losses.

	Performing		**Impaired**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Allowance for Credit Losses**	**Total Net of Allowance**
As at April 30, 2020						
Residential mortgages	**$ 7,677,216**	**$ 649,283**	**$ 20,921**	**$ 8,347,420**	**$ 7,686**	**$ 8,339,734**
Commercial and agriculture	**5,028,363**	**87,102**	**88,821**	**5,204,286**	**29,922**	**5,174,364**
Consumer loans and credit card	**1,065,733**	**118,305**	**5,849**	**1,189,887**	**15,931**	**1,173,956**
Total members' loans	**$ 13,771,312**	**$ 854,690**	**$ 115,591**	**$ 14,741,593**	**$ 53,539**	**$ 14,688,054**
As at April 30, 2020						
Residential mortgages	**$ 2,033,493**	**$ 14,624**	**$ 1,692**	**$ 2,049,809**	**$ 426**	**$ 2,049,383**
Commercial and agriculture	**1,051,945**	**4,614**	**663**	**1,057,222**	**1,559**	**1,055,663**
Consumer loans and credit card	**1,070,185**	**22,464**	**1,216**	**1,093,865**	**6,618**	**1,087,247**
Loan commitments and guarantees *	**49,827**	**-**	**-**	**49,827**	**151**	**49,676**
Total off balance sheet credit instruments	**$ 4,205,450**	**$ 41,702**	**$ 3,571**	**$ 4,250,723**	**$ 8,754**	**$ 4,241,969**

*collectively assessed

	Performing		Impaired			
	Stage 1	Stage 2	Stage 3	Total	Allowance for Credit Losses	Total Net of Allowance
As at October 31, 2019						
Residential mortgages	$ 7,591,041	$ 702,643	$ 15,829	$ 8,309,513	$ 4,927	$ 8,304,586
Commercial and agriculture	4,826,939	110,927	84,117	5,021,983	18,860	5,003,123
Consumer loans and credit card	1,111,651	130,332	7,354	1,249,337	15,087	1,234,250
Total members' loans	$ 13,529,631	$ 943,902	$ 107,300	$ 14,580,833	$ 38,874	$ 14,541,959
As at October 31, 2019						
Residential mortgages	$ 1,428,179	$ 16,165	$ 1,153	$ 1,445,497	$ 180	$ 1,445,317
Commercial and agriculture	1,038,165	5,740	249	1,044,154	683	1,043,471
Consumer loans and credit card	1,047,694	21,611	913	1,070,218	5,089	1,065,129
Loan commitments and guarantees *	46,463	-	-	46,463	112	46,351
Total off balance sheet credit instruments	$ 3,560,501	$ 43,516	$ 2,315	$ 3,606,332	$ 6,064	$ 3,600,268

*collectively assessed

6. ALLOWANCE FOR CREDIT LOSSES

Key Data and Assumptions

Estimating the allowance for credit losses is based on a set of assumptions and methodologies placed around credit risk and future looking macroeconomic indicators and therefore requires significant judgement. As discussed in Note 1 the COVID-19 pandemic has created global uncertainty. This event is unprecedented, and its length and resolution are unknown. In addition to the pandemic, a large decrease in oil prices along with oversupply from other oil producing countries had further negative impacts to Alberta's economy. Management has made more complex and subjective judgements to estimate the expected credit losses at April 30, 2020 which increases the risk of material adjustments in future periods.

The main areas that this uncertainty affects is in the assessment of whether there is a significant increase in credit risk on deferred loans, the probability that a member will default on a loan (PD), forecasted future looking macroeconomic indicators (FLI) and the weightings to be used on the base, best and worst case scenarios for the FLIs.

The Credit Union uses a model created by Central 1 (the model) to estimate the expected credit loss. Central 1 updates the FLIs used in the model to reflect the current economic situation by forecasting 20 quarters out. These estimates changed significantly from January 31, 2020 due to the pandemic. As this event is unprecedented, significant judgement was required to create these estimates.

The three macroeconomic factors used by the Credit Union in the calculations are: Alberta unemployment rates, Alberta Housing Price Index and three-month Bank of Canada bond rates. Each factor is forecast in a base case, a best case and a worst case scenario. These scenarios are weighted, and the weighted average is used to build the estimate for expected credit losses.

Management had to use judgement in several areas to assess if the estimate the model calculated was reasonable or if an overlay was needed, to increase or decrease the allowance. This is assessed each quarterly reporting period. The negative effects of the global economic shut down, increased unemployment and the crash of oil prices had to be weighed against the more positive aspects of government support programs, government loan programs, loan deferrals, and utility deferrals. Management did increase the allowance by $4.2 million in the commercial book as an overlay.

When there is a significant increase in credit risk, a member loan will move to a higher stage and a higher ECL will be calculated. Loans that have been deferred could be considered to have a significant increase in credit risk, however guidance provided by standard setters and regulators have indicated that receiving a deferral should not be the only reason a loan would move to the next stage. Management has followed this guidance and not considered the deferral of loans, by itself, to be an indication of significant increase in credit risk so there is no movement of stages.

The calculations around PD, FLIs, and weighting of scenarios are tied together. In the model, PD is adjusted through adjusting the FLI forecasts. Management has run several sensitivities on the FLIs and scenario weightings, including adjusting unemployment forecasts for Alberta to show higher unemployment percentages over the next few quarters and a much longer recovery period. The economic uncertainty created challenges for management to find consistent information to base the scenarios on. As a result, management has used the forecasts provided by Central 1’s economists within the model as this is the best information available at April 30, 2020.

The weighting of the macroeconomic factors was also assessed. The typical weighting used in the model is 80% base, 10% best and 10% worst case (80/10/10) as the base case is forecasted as what the economists feel is the most likely scenario. The FLI forecasts updated in March 2020 were based on a V shaped (quick) recovery. Management has assessed that Alberta is likely have a much longer recovery period than the rest of Canada due to uncertainties around COVID-19 and unemployment related to oil price and therefore increased the weightings chosen for use in the model at April 30, 2020 to 45% base, 10% best and 45% worst case (45/10/45). This change in weightings increased the ECL allowance by $2 million. In the chart below, the 12 month and 5 year average forecasts show the impact of the current economy on the FLI since October 31, 2019.

(Canadian $ thousands)

6. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

		12 Month Average Forecast			5 Year Average Forecast		
	As at	Base Case	Best Case	Worst Case	Base Case	Best Case	Worst Case
3 Month GOC Bond Rate*							
	October 31, 2019	1.40	2.06	0.44	1.58	3.38	0.58
	April 30, 2020	**0.49**	**0.66**	**0.48**	**1.21**	**1.88**	**0.45**
3 Month BA Rate**							
	October 31, 2019	1.67	2.33	0.72	1.85	3.63	0.86
	April 30, 2020	**0.82**	**1.00**	**0.80**	**1.53**	**2.19**	**0.73**
Unemployement Rate							
	October 31, 2019	6.90	4.70	8.94	6.20	3.96	8.40
	April 30, 2020	**13.13**	**12.33**	**14.63**	**7.90**	**6.86**	**9.85**
Housing Price Index (HPI)							
	October 31, 2019	189.48	192.74	178.88	196.02	205.57	177.40
	April 30, 2020	**175.60**	**183.00**	**168.07**	**173.84**	**192.48**	**163.22**

*GOC - Government of Canada
**BA - Bankers Acceptance

The following table presents the changes in the allowance for credit losses.

	Residential Mortgages	**Commercial and Agriculture**	**Consumer and Credit Card**	**Collectively Assessed (1)**	**Total**
As at November 1, 2019	**$ 5,107**	**$ 19,543**	**$ 20,176**	**$ 112**	**$ 44,938**
Recoveries of previous loan write-offs	**-**	**224**	**2,321**	**-**	**2,545**
Provision charged to net income	**4,539**	**13,513**	**8,529**	**39**	**26,620**
	9,646	**33,280**	**31,026**	**151**	**74,103**
Loans written off	**(1,534)**	**(1,799)**	**(8,477)**	**-**	**(11,810)**
As at April 30, 2020	**$ 8,112**	**$ 31,481**	**$ 22,549**	**$ 151**	**$ 62,293**
Presented on Interim Condensed Consolidated Statement of Financial Position as:					
Netted with members' loans	**7,686**	**29,922**	**15,931**	**-**	**53,539**
Off balance sheet credit instruments (2)	**426**	**1,559**	**6,618**	**151**	**8,754**
Total	**$ 8,112**	**$ 31,481**	**$ 22,549**	**$ 151**	**$ 62,293**

(1) *Financial guarantees and letters of credit are collectively assessed*
(2) *Off balance sheet credit instruments consisting of undrawn commitments and financial guarantees*

	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Collectively Assessed (1)	Total
As at November 1, 2018	$ 3,407	$ 22,526	$ 23,841	$ 140	$ 49,914
Edson Credit Union amalgamation adjustment	-	-	10	-	10
Recoveries of previous loan write-offs	1	224	5,706	-	5,931
Provision charged to net income	4,480	2,660	12,705	(28)	19,817
	7,888	25,410	42,262	112	75,672
Loans written off	(2,781)	(5,867)	(22,086)	-	(30,734)
As at October 31, 2019	$ 5,107	$ 19,543	$ 20,176	$ 112	$ 44,938
Presented on Interim Condensed Consolidated Statement of Financial Position as:					
Netted with members' loans	4,927	18,860	15,087	-	38,874
Off balance sheet credit instruments (2)	180	683	5,089	112	6,064
Total	$ 5,107	$ 19,543	$ 20,176	$ 112	$ 44,938

(1) *Financial guarantees and letters of credit are collectively assessed*
(2) *Off balance sheet credit instruments consisting of undrawn commitments and financial guarantees*

(Canadian $ thousands)

6. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The provision charged to net income for April 30, 2020 is:

Loans	$	26,620
Investments		1
Provision for credit losses	**$**	**26,621**

The following tables reconcile the opening and closing allowances for loans, by stage, for each major category:

Residential Mortgages

		Performing				Impaired		
		Stage 1		Stage 2		Stage 3		Total
As at November 1, 2019	**$**	**1,547**	**$**	**2,679**	**$**	**881**	**$**	**5,107**
Transfers								
Stage 1 (1)		**267**		**(266)**		**(1)**		**-**
Stage 2 (1)		**(1,120)**		**1,178**		**(58)**		**-**
Stage 3 (1)		**(304)**		**(539)**		**843**		**-**
New originations (2)		**223**		**418**		**-**		**641**
Repayments (3)		**(92)**		**(136)**		**(75)**		**(303)**
Remeasurements (4)		**1,909**		**882**		**1,410**		**4,201**
Loans written off		**-**		**-**		**(1,534)**		**(1,534)**
As at April 30, 2020	**$**	**2,430**	**$**	**4,216**	**$**	**1,466**	**$**	**8,112**
Presented on Interim Condensed Consolidated Statement of Financial Position as:								
Members' loans		**2,097**		**4,126**		**1,463**		**7,686**
Off balance sheet credit instruments		**333**		**90**		**3**		**426**
Total	**$**	**2,430**	**$**	**4,216**	**$**	**1,466**	**$**	**8,112**

		Performing				Impaired		
		Stage 1		Stage 2		Stage 3		Total
As at November 1, 2018	$	1,025	$	1,927	$	455	$	3,407
Transfers								
Stage 1 (1)		268		(264)		(4)		-
Stage 2 (1)		(1,571)		1,691		(120)		-
Stage 3 (1)		(203)		(948)		1,151		-
New originations (2)		265		486		-		751
Repayments (3)		(533)		(1,383)		(1,723)		(3,639)
Remeasurements (4)		2,296		1,170		3,902		7,368
Loans written off		-		-		(2,781)		(2,781)
Recoveries		-		-		1		1
As at October 31, 2019	$	1,547	$	2,679	$	881	$	5,107
Presented on Interim Condensed Consolidated Statement of Financial Position as:								
Members' loans		1,428		2,622		877		4,927
Off balance sheet credit instruments		119		57		4		180
Total	$	1,547	$	2,679	$	881	$	5,107

(1) *Stage transfers represent movement between stages*
(2) *New originations relate to new loans recognized during the period and reflect movements into different stages within the period*
(3) *Repayments relate to loans fully repaid or derecognized and excludes loans written off where a credit loss was incurred*
(4) *Represents the change in the allowance due to changes in economic factors, risk and model parameters*

(Canadian $ thousands)

6. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Commercial and Agriculture

	Performing		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at November 1, 2019	**$ 3,226**	**$ 1,321**	**$ 14,996**	**$ 19,543**
Transfers				
Stage 1 [1]	**130**	**(120)**	**(10)**	**-**
Stage 2 [1]	**(409)**	**502**	**(93)**	**-**
Stage 3 [1]	**(5,156)**	**(1,878)**	**7,034**	**-**
New originations [2]	**818**	**6**	**85**	**909**
Repayments [3]	**(132)**	**(508)**	**(382)**	**(1,022)**
Remeasurements [4]	**11,402**	**3,554**	**(1,330)**	**13,626**
Loans written off	**-**	**-**	**(1,799)**	**(1,799)**
Recoveries	**-**	**-**	**224**	**224**
As at April 30, 2020	**$ 9,879**	**$ 2,877**	**$ 18,725**	**$ 31,481**
Presented on Interim Condensed Consolidated Statement of Financial Position as:				
Members' loans	**8,495**	**2,853**	**18,574**	**29,922**
Off balance sheet credit instruments	**1,384**	**24**	**151**	**1,559**
Total	**$ 9,879**	**$ 2,877**	**$ 18,725**	**$ 31,481**

	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
As at November 1, 2018	$ 2,811	$ 565	$ 19,150	$ 22,526
Transfers				
Stage 1 [1]	99	(94)	(5)	-
Stage 2 [1]	(489)	1,529	(1,040)	-
Stage 3 [1]	(6,752)	(4,809)	11,561	-
New originations [2]	958	18	93	1,069
Repayments [3]	(985)	(372)	(7,244)	(8,601)
Remeasurements [4]	7,584	4,484	(1,876)	10,192
Loans written off	-	-	(5,867)	(5,867)
Recoveries	-	-	224	224
As at October 31, 2019	$ 3,226	$ 1,321	$ 14,996	$ 19,543
Presented on Interim Condensed Consolidated Statement of Financial Position as:				
Members' loans	2,668	1,300	14,892	18,860
Off balance sheet credit instruments	558	21	104	683
Total	$ 3,226	$ 1,321	$ 14,996	$ 19,543

[1] *Stage transfers represent movement between stages*
[2] *New originations relate to new loans recognized during the period and reflect movements into different stages within the period*
[3] *Repayments relate to loans fully repaid or derecognized and excludes loans written off where a credit loss was incurred*
[4] *Represents the change in the allowance due to changes in economic factors, risk and model parameters*

(Canadian $ thousands)

6. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Consumer and Credit Card

		Performing		Impaired		
		Stage 1	Stage 2	Stage 3		Total
As at November 1, 2019	$	**7,162**	$ **9,433**	$ **3,581**	$	**20,176**
Transfers						
Stage 1 (1)		**628**	**(614)**	**(14)**		**-**
Stage 2 (1)		**(3,435)**	**3,765**	**(330)**		**-**
Stage 3 (1)		**(1,114)**	**(3,066)**	**4,180**		**-**
New originations (2)		**1,331**	**441**	**-**		**1,772**
Repayments (3)		**(317)**	**(140)**	**(1,474)**		**(1,931)**
Remeasurements (4)		**4,863**	**996**	**2,829**		**8,688**
Loans written off		**-**	**-**	**(8,477)**		**(8,477)**
Recoveries		**-**	**-**	**2,321**		**2,321**
As at April 30, 2020	$	**9,118**	$ **10,815**	$ **2,616**	$	**22,549**
Presented on Interim Condensed Consolidated Statement of Financial Position as:						
Members' loans		**4,608**	**8,851**	**2,472**		**15,931**
Off balance sheet credit instruments		**4,510**	**1,964**	**144**		**6,618**
Total	$	**9,118**	$ **10,815**	$ **2,616**	$	**22,549**

		Performing		Impaired		
		Stage 1	Stage 2	Stage 3		Total
As at November 1, 2018	$	7,316	$ 10,701	$ 5,824	$	23,841
Edson CU opening adjustment		10	-	-		10
Transfers						
Stage 1 (1)		1,091	(1,068)	(23)		-
Stage 2 (1)		(7,539)	8,310	(771)		-
Stage 3 (1)		(1,456)	(9,847)	11,303		-
New originations (2)		3,136	627	14		3,777
Repayments (3)		(7,083)	(9,255)	(11,554)		(27,892)
Remeasurements (4)		11,687	9,965	15,168		36,820
Loans written off		-	-	(22,086)		(22,086)
Recoveries		-	-	5,706		5,706
As at October 31, 2019	$	7,162	$ 9,433	$ 3,581	$	20,176
Presented on Interim Condensed Consolidated Statement of Financial Position as:						
Members' loans		3,825	7,786	3,476		15,087
Off balance sheet credit instruments		3,337	1,647	105		5,089
Total	$	7,162	$ 9,433	$ 3,581	$	20,176

(1) *Stage transfers represent movement between stages*
(2) *New originations relate to new loans recognized during the period and reflect movements into different stages within the period*
(3) *Repayments relate to loans fully repaid or derecognized and excludes loans written off where a credit loss was incurred*
(4) *Represents the change in the allowance due to changes in economic factors, risk and model parameters*

(Canadian $ thousands)

7. CREDIT QUALITY OF MEMBERS' LOANS

The following table presents the gross carrying amount of loans subject to impairment by risk category.

As at April 30, 2020	**Residential Mortgages**	**Commercial and Agriculture**	**Consumer and Credit Card**	**Total**
Risk Categories				
Very low risk	**$ 3,025,421**	**$ 42,406**	**$ 309,811**	**$ 3,377,638**
Low risk	**3,495,633**	**2,288,130**	**447,817**	**6,231,580**
Medium risk	**1,168,701**	**2,733,292**	**221,846**	**4,123,839**
High risk	**636,744**	**51,637**	**204,564**	**892,945**
Impaired	**20,921**	**88,821**	**5,849**	**115,591**
Total members' loans	**$ 8,347,420**	**$ 5,204,286**	**$ 1,189,887**	**$ 14,741,593**

As at October 31, 2019	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
Risk Categories				
Very low risk	$ 2,829,934	$ 8,860	$ 301,905	$ 3,140,699
Low risk	3,550,181	2,337,708	472,250	6,360,139
Medium risk	1,263,650	2,536,718	232,263	4,032,631
High risk	649,919	54,580	235,565	940,064
Impaired	15,829	84,117	7,354	107,300
Total members' loans	$ 8,309,513	$ 5,021,983	$ 1,249,337	$ 14,580,833

The following table presents the amount of undrawn loan commitments subject to impairment by risk category.

As at April 30, 2020	**Residential Mortgages**	**Commercial and Agriculture**	**Consumer and Credit Card**	**Loan Commitments and Guarantees**	**Total**
Risk Categories					
Very low risk	**$ 992,518**	**$ 64,655**	**$ 602,552**	**$ -**	**$ 1,659,725**
Low risk	**1,002,181**	**769,001**	**316,543**	**49,827**	**2,137,552**
Medium risk	**45,967**	**222,532**	**70,549**	**-**	**339,048**
High risk	**7,451**	**371**	**103,005**	**-**	**110,827**
Impaired	**1,692**	**663**	**1,216**	**-**	**3,571**
Total off balance sheet credit instruments	**$ 2,049,809**	**$ 1,057,222**	**$ 1,093,865**	**$ 49,827**	**$ 4,250,723**

As at October 31, 2019	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Loan Commitments and Guarantees	Total
Risk Categories					
Very low risk	$ 955,388	$ 40,586	$ 567,487	$ -	$ 1,563,461
Low risk	432,752	857,156	332,329	46,463	1,668,700
Medium risk	48,302	145,188	69,619	-	263,109
High risk	7,902	975	99,870	-	108,747
Impaired	1,153	249	913	-	2,315
Total off balance sheet credit instruments	$ 1,445,497	$ 1,044,154	$ 1,070,218	$ 46,463	$ 3,606,332

(Canadian $ thousands)

7. CREDIT QUALITY OF MEMBERS' LOANS (CONTINUED)

The following table outlines the ranges used for the categorization of risk assessments.

Risk Assessment	Residential Mortgage Beacon Score Range	Consumer & Credit Card Beacon Score Range	Commercial & Agriculture Risk Rating Range
Very low risk	800 +	800 +	1
Low risk	681 - 799	701 - 799	2 and 3
Medium risk	625 - 680	650 - 700	4, 5
High risk/impaired	624 or less	649 or less	6 ,7, 8, and 9

Loans Past Due, as at April 30, 2020	**Up to 30 Days**	**31 - 59 Days**	**60 to 89 Days**	**over 90 Days**	**Total**
Stage 1					
Residential mortgages	**$ 63,948**	**$ -**	**$ -**	**$ -**	**$ 63,948**
Commercial and agriculture	**61,792**	**-**	**-**	**-**	**61,792**
Consumer and credit card	**15,087**	**-**	**-**	**-**	**15,087**
Stage 2					
Residential mortgages	**19,143**	**23,428**	**12,692**	**10,465**	**65,728**
Commercial and agriculture	**4,500**	**16,681**	**5,482**	**15,269**	**41,932**
Consumer and credit card	**7,432**	**8,234**	**4,580**	**441**	**20,687**
Stage3					
Residential mortgages	**-**	**-**	**-**	**20,694**	**20,694**
Commercial and agriculture	**2**	**7,473**	**12,049**	**47,727**	**67,251**
Consumer and credit card	**-**	**-**	**-**	**6,985**	**6,985**
Total	**$ 171,904**	**$ 55,816**	**$ 34,803**	**$ 101,581**	**$ 364,104**

Loans Past Due, as at October 31, 2019	Up to 30 Days	31 - 59 Days	60 to 89 Days	over 90 Days	Total
Stage 1					
Residential mortgages	$ 79,391	$ -	$ -	$ -	$ 79,391
Commercial and agriculture	45,263	-	-	-	45,263
Consumer and credit card	19,001	-	-	-	19,001
Stage 2					
Residential mortgages	38,037	39,277	12,909	12,428	102,651
Commercial and agriculture	360	46,956	1,357	10,299	58,972
Consumer and credit card	10,768	11,586	4,313	440	27,107
Stage3					
Residential mortgages	-	-	-	15,640	15,640
Commercial and agriculture	248	1,887	5,577	48,470	56,182
Consumer and credit card	-	-	-	7,209	7,209
Total	$ 193,068	$ 99,706	$ 24,156	$ 94,486	$ 411,416

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 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.

(Canadian $ thousands)

7. CREDIT QUALITY OF MEMBERS' LOANS (CONTINUED)

Loans by Security		As at April 30 2020		As at October 31 2019
Insured loans and mortgages	$	**2,847,273**	$	2,858,878
Secured by mortgage		**10,252,101**		10,039,077
Secured by other		**1,127,171**		1,135,922
Unsecured loans		**308,052**		311,585
Unsecured mastercard		**206,996**		235,371
Total	$	**14,741,593**	$	14,580,833

8. PROPERTY AND EQUIPMENT

	Land	Buildings	Leasehold Improvement	Furniture, Office Equipment and Vehicles	Computer Equipment	Leased Equipment	Total
Cost							
Balance as at October 31, 2018	$ 26,879	$ 157,563	$ 41,511	$ 29,508	$ 19,978	$ 896	$ 276,335
Amalgamation additions	347	1,749	-	275	51	-	2,422
Additions	-	2,256	609	3,171	3,806	(43)	9,799
Disposals	(2)	(701)	(635)	(2,783)	(1,611)	-	(5,732)
Transfer to assets held for sale	(381)	(3,424)	-	(43)	-	-	(3,848)
Transfer to investment property	-	(141)	-	-	-	-	(141)
Other transfers	-	-	-	110	(141)	-	(31)
Balance as at October 31, 2019	$ 26,843	$ 157,302	$ 41,485	$ 30,238	$ 22,083	$ 853	$ 278,804
Additions	-	758	813	1,155	1,643	-	4,369
Impairment Losses	-	(3)	-	-	-	-	(3)
Disposals	-	(235)	(525)	(428)	(491)	-	(1,679)
Transfer to assets held for sale	(489)	(1,278)	-	-	-	-	(1,767)
Transfer to investment property	-	(9)	-	-	-	-	(9)
Transfer to leased assets	-	-	-	-	-	(853)	(853)
Balance as at April 30, 2020	**$ 26,354**	**$ 156,535**	**$ 41,773**	**$ 30,965**	**$ 23,235**	**$ -**	**$ 278,862**
Accumulated Depreciation							
Balance as at October 31, 2018	$ -	$ 67,830	$ 28,807	$ 22,156	$ 14,587	$ 19	$ 133,399
Amalgamation additions	-	696	-	243	8	-	947
Depreciation	-	4,901	1,960	2,251	2,399	212	11,723
Disposals	-	(518)	(635)	(2,624)	(1,549)	-	(5,326)
Transfer to assets held for sale	-	(1,731)	-	(40)	-	-	(1,771)
Transfer from investment property	-	48	-	-	-	-	48
Other transfers	-	-	-	90	(121)	-	(31)
Balance as at October 31, 2019	$ -	$ 71,226	$ 30,132	$ 22,076	$ 15,324	$ 231	$ 138,989
Depreciation	-	2,348	937	1,146	1,157	-	5,588
Disposals	-	(193)	(513)	(421)	(397)	-	(1,524)
Transfer to assets held for sale	-	(427)	-	-	-	-	(427)
Transfer to leased assets	-	-	-	-	-	(231)	(231)
Balance as at April 30, 2020	**$ -**	**$ 72,954**	**$ 30,556**	**$ 22,801**	**$ 16,084**	**$ -**	**$ 142,395**
Net Book Value							
At October 31, 2019	26,843	86,076	11,353	8,162	6,759	622	139,815
At April 30, 2020	**26,354**	**83,581**	**11,217**	**8,164**	**7,151**	**-**	**136,467**

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

9. LEASED ASSETS

		Land		Buildings		Other Equipment		Computer Equipment		Total
Cost										
Balance as at October 31, 2019	$	-	$	-	$	-	$	-	$	-
Transition adjustment [(1)] Note 3		2,871		51,373		492		-		54,736
Balance as at November 1, 2019	**$**	**2,871**	**$**	**51,373**	**$**	**492**	**$**	**-**	**$**	**54,736**
Additions		7		5,167		45		-		5,219
Transfer from property and equipment		-		-		-		853		853
Disposals		(1)		(2,297)		(15)		-		(2,313)
Balance as at April 30, 2020	**$**	**2,877**	**$**	**54,243**	**$**	**522**	**$**	**853**	**$**	**58,495**
Accumulated Depreciation										
Balance as at October 31, 2019	$	-	$	-	$	-	$	-	$	-
Depreciation		71		2,836		33		107		3,047
Transfer from property and equipment		-		-		-		231		231
Disposals		-		(57)		(1)		-		(58)
Balance as at April 30, 2020	**$**	**71**	**$**	**2,779**	**$**	**32**	**$**	**338**	**$**	**3,220**

[(1)] Change in transition adjustment from the period ended January 31, 2020 between building and other equipment is related to the reclassification of signage.

	Land	Buildings	Other Equipment	Computer Equipment	Total
Net Book Value					
At April 30, 2020	**2,806**	**51,464**	**490**	**515**	**55,275**

On November 1, 2019, the date of transition for IFRS 16, the Credit Union had non-cash additions to leased assets of $54,736. For the six months ended April 30, 2020, the Credit Union had non-cash additions to leased assets of $5,219 and lease liabilities of $5,304.

The Credit Union does not currently have income from subleasing leased assets.

(Canadian $ thousands)

10. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

As at April 30, 2020		**Equity-linked Options**		**Interest Rate Swaps**		**Total**
Derivative Financial Assets						
Gross financial assets before offsetting	**$**	**-**	**$**	**15,403**	**$**	**15,403**
Gross financial liabilities before offsetting		**-**		**(5,314)**		**(5,314)**
Net derivative financial assets presented in the statement of financial position		**-**		**10,089**		**10,089**
Amounts not subject to enforceable netting arrangements		**3,416**		**-**		**3,416**
Total	**$**	**3,416**	**$**	**10,089**	**$**	**13,505**
Derivative Financial Liabilities amounts not subject to enforcable netting arangements	**$**	**3,354**	**$**	**-**	**$**	**3,354**

As at October 31, 2019		Equity-linked Options		Interest Rate Swaps		Total
Derivative Financial Assets						
Gross financial assets before offsetting	$	-	$	17,722	$	17,722
Gross financial liabilities before offsetting		-		(16,701)		(16,701)
Net derivative financial assets presented in the statement of financial position		-		1,021		1,021
Amounts not subject to enforceable netting arrangements		7,218		-		7,218
Total	$	7,218	$	1,021	$	8,239
Derivative Financial Liabilities						
Gross financial assets before offsetting	$	-	$	(10,091)	$	(10,091)
Gross financial liabilities before offsetting		-		11,881		11,881
Net derivative financial liabilities presented in the statement of financial position		-		1,790		1,790
Amounts not subject to enforceable netting arrangements		7,103		-		7,103
Total	$	7,103	$	1,790	$	8,893

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

		1 to 3 Months		**3 to 12 Months**		**1 to 5 Years**		**As at April 30 2020**		As at October 31 2019
Interest rate swaps receive fixed, pay floating	**$**	**200,000**	**$**	**1,000,000**	**$**	**-**	**$**	**1,200,000**	$	2,000,000
Equity-linked options		**2,500**		**24,700**		**21,325**		**48,525**		76,405
Total	**$**	**202,500**	**$**	**1,024,700**	**$**	**21,325**	**$**	**1,248,525**	$	2,076,405

(Canadian $ thousands)

10. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Equity-linked Options

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

Interest Rate Swaps

Interest rate swaps are agreements where two counterparties exchange a series of interest payments based on different interest rates applied to a notional amount.

Due to the fluctuations in interest rates, the fair value of interest rate swaps for the Credit Union may be presented as an asset or liability on the interim condensed consolidated statement of financial position.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts set out in the table below represent the carrying amounts and fair values of the Credit Union's financial instruments using the valuations and assumptions described below. The amounts do not include the fair values of items that are not considered financial assets, such as property and equipment and investment in associate.

As at April 30, 2020	Note	Carrying Value	Fair Value	Fair Value Difference
Financial Instrument Assets				
Cash and cash equivalents	a	$ 93,819	$ 93,819	$ -
Interest bearing deposits with financial institutions	c,f	1,542,966	1,545,143	2,177
Assets at amortized cost	e	6	6	-
Assets at fair value through profit or loss	d	13,776	13,776	-
Members' loans	b,c,f	14,688,054	14,747,252	59,198
Other	a	27,825	27,825	-
Total financial instrument assets		16,366,446	16,427,821	61,375
Financial Instrument Liabilities				
Members' deposits	b,c	13,471,778	13,499,446	(27,668)
Liabilities at fair value through profit or loss	d	3,354	3,354	-
Borrowings	a	200,000	200,000	-
Securitization liabilities	c	1,296,624	1,330,822	(34,198)
Payables and other financial liabilities	a	160,673	160,673	-
Total financial instrument liabilities		$ 15,132,429	$ 15,194,295	$ (61,866)

(Canadian $ thousands)

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at October 31, 2019	Note		Carrying Value		Fair Value		Fair Value Difference
Financial Instrument Assets							
Cash and cash equivalents	a	$	107,760	$	107,760	$	-
Interest bearing deposits with financial institutions	c,f		1,198,634		1,198,748		114
Assets at amortized cost	e		5		5		-
Assets at fair value through profit or loss	d		8,508		8,508		-
Members' loans	b,c,f		14,541,959		14,570,135		28,176
Other	a		11,076		11,076		-
Total financial instrument assets			15,867,942		15,896,232		28,290
Financial Instrument Liabilities							
Members' deposits	b,c		13,131,397		13,144,699		(13,302)
Liabilities at fair value through profit or loss	d		8,893		8,893		-
Borrowings	a		200,000		200,000		-
Securitization liabilities	c		1,144,015		1,154,624		(10,609)
Payables and other financial liabilities	a		194,527		194,527		-
Total financial instrument liabilities		$	14,678,832	$	14,702,743	$	(23,911)

(a) The fair values of cash, other financial assets, borrowings and other liabilities are assumed to approximate book values, due to their short-term nature.
(b) The estimated fair values of floating rate member loans and member deposits are assumed to equal their book values since the interest rates automatically reprice to market.
(c) The estimated fair values of interest-bearing deposits with financial institutions, fixed-rate member loans, fixed-rate member deposits and securitization liabilities 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.
(d) The fair values of derivative financial instruments are calculated based on valuation techniques using inputs reflecting market conditions at a specific point in time and may not be reflective of future fair values.
(e) The fair values of assets at amortized cost are assumed to equal their book values since a fair value adjustment cannot be supported because there is no available market to purchase the assets.
(f) Allowances use forward-looking information in the calculation of expected credit losses.

(Canadian $ thousands)

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

As at April 30, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative assets	**$ -**	**$ 13,505**	**$ -**	**$ 13,505**
Investment shares in entities	**-**	**-**	**43**	**43**
Shares in Concentra Trust	**-**	**-**	**227**	**227**
Financial assets held at fair value	**$ -**	**$ 13,505**	**$ 270**	**$ 13,775**
Member shares - Series E	**-**	**(435)**	**-**	**(435)**
Derivative liabilities	**-**	**(3,354)**	**-**	**(3,354)**
Financial liabilities held at fair value	**$ -**	**$ (3,789)**	**$ -**	**$ (3,789)**

Fair value measurements using Level 3 inputs	
Balance at October 31, 2019	$ 269
Purchases	1
Balance at April 30, 2020	**$ 270**

As at October 31, 2019	Level 1	Level 2	Level 3	Total
Derivative assets	$ -	$ 8,239	$ -	$ 8,239
Investment shares in entities	-	-	42	42
Shares in Concentra Trust	-	-	227	227
Financial assets held at fair value	$ -	$ 8,239	$ 269	$ 8,508
Member shares - Series E	-	(418)	-	(418)
Derivative liabilities	-	(8,893)	-	(8,893)
Financial liabilities held at fair value	$ -	$ (9,311)	$ -	$ (9,311)

Fair value measurements using Level 3 inputs	
Balance at October 31, 2018	$ -
Remeasurement due to accounting policy change	301
Balance as at November 1, 2018	301
Fair value through profit and (loss)	(39)
Purchases	11
Sales	(4)
Balance at October 31, 2019	$ 269

12. COMPARATIVE FIGURES

As a result of the adoption of IFRS 16 Leases, lease liabilities classification on the interim condensed consolidated statement of financial position has been reclassified from trade payables and other liabilities to lease liabilities.

A presentation adjustment on the allowance for loan losses reconciliation tables in Note 6 resulted in a reclassification between repayments and remeasurements in each category. A presentation adjustment has also been made to Note 5 moving loans commitments and guarantees balances from Stage 2 to Stage 1 and from medium to low risk in Note 7.

Derivatives classification on the Interim Condensed Consolidated Statement of Cash Flows has been reclassified from investing activities to operating activities due to the nature of the underlying derivatives.

An adjustment has been made to the October 31, 2019 table in Note 5 Member Loans and in Note 7 Credit Quality of Members' Loans. In both notes, the commercial and agriculture amount of off balance sheet principal has been reduced by $46,463. There are no other statements or tables affected by this adjustment.