Management's Discussion and Analysis
Consolidated Financial Statements

For the year ended October 31, 2021

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SERVUS CREDIT UNION LTD.
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Servus Credit Union Ltd.'s (Servus or the credit union) 2021 annual report consists of Management's Discussion and Analysis and the Consolidated Financial Statements for the year ended October 31, 2021, which details our credit union's financial and operating results. This document is available on request or online at servus.ca.

Note regarding forward-looking statements

This annual report contains forward-looking statements about the operations, objectives and expected financial performance of Servus. These statements are subject to risks and uncertainties. Actual results may differ depending on several factors, including but not limited to legislative or regulatory changes, interest rates and general economic conditions in Alberta and Canada. These issues should be given careful consideration, and readers should not place undue reliance on Servus's forward-looking statements.

Member Banking

With roots that go back to 1938, Servus Credit Union has provided financial services to generations of Albertans. Over the years, Servus has grown to become Alberta's largest credit union and the first province-wide credit union in Canada. We're proud to provide personalized and exceptional service to our members, and we look forward to serving many more members in the future.

Currently, over 375,000 members are served by more than 2,100 hard-working and dedicated Servus employees from more than 103 locations in 59 communities across Alberta. Our regional offices in Red Deer, Lloydminster and Edmonton support the business and administrative needs of our members and employees.

Our day-to-day operations are overseen by our executive leadership team:
- Ian Burns, President & Chief Executive Officer (from April 2021)
- Randy Allarie, Chief Risk Officer (from November 2021)
- Michelle Belland, Chief Transformation Officer
- Ryan Gobolos, Chief Financial Officer
- Dion Linke, Chief Operating Officer
- Atul Varde, Chief Information & Payments Officer

Guiding Our Work

Our vision, noble purpose and values tell the world who Servus is and what people can expect from us.

They provide clear direction for our credit union, focus our efforts and guide our operations. The provincial, national and global economy may change, but Servus knows where it's going and how it's getting there.

Our Vision: Servus Credit Union builds a better world — one member at a time.

Our Noble Purpose: Shaping member financial fitness

Our Values: Community, Fairness, Integrity, Investing in Our People, Life/Work Balance, Member Service, Teamwork.

Servus is a co-operative financial institution committed to:
- Member ownership — voluntary and open
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Co-operation among co-operatives
- Concern for community
- Exceptional service
- Local decision-making
- Profit Share®

Together with our vision, noble purpose and values, these principles serve as guides for the work done by the credit union for members, communities, employees and other stakeholders.

Social Impact

Servus's noble purpose, Shaping Member Financial Fitness, is the overarching statement of our social impact. If we are successful in making our members more financially fit, they can better manage their family needs, contribute more to their community and build a better world. Each year, we measure the financial fitness of our members and Albertans.

In 2021, our member and employee financial fitness scores saw a significant increase over the previous year while the financial fitness scores of Albertans remained flat. There is now an increasing gap between the financial fitness of Servus's members compared to those of Albertans who do not bank with Servus.

Overall Financial Fitness Scores out of 100 across four dimensions of plan, save, borrow, and spend as measured by Servus's annual financial fitness survey.	2020	2021
Servus Credit Union Members	69.1	74.3
Alberta	68.8	69.6

We know our work to improve the financial fitness of members must continue. The strained economic situation in Alberta caused by COVID-19 continued throughout 2021 and challenged many Albertans, their families, and their businesses. Our role is to provide our members with the knowledge, tools and respectful advice necessary for them to feel in control of their finances, build resilience against further economic challenges, and pursue new opportunities when they arise; or in other words, to feel good about their money.

Other important actions we've taken to support our members' financial fitness include:

- Continuing our use of data and information security safeguards to protect personal information against loss or theft including SMS fraud alerts for debit Mastercards.
- Having financial fitness conversations and check-ups with members to discover their needs and then establishing plans to achieve member goals in areas such as budgeting, retirement, income protection, debt management and estate planning.
- Making it easier for members to establish and set their own goals digitally adding three new goal types of small business, education fund and home fund in addition to existing functionality enabling members to set goals for emergency savings and special purchases.
- Enhancing Servus's Profit Share® program enabling members to receive more value from an expanded set of products and services.
- Increasing our employees' knowledge and awareness to shape members' financial fitness including taking steps to make sure every member feels valued, respected and informed.

Helping Our Communities

Servus has always been a strong advocate for investing in our communities. It's one of the principles that guide our business.

As in previous years, Servus worked with not-for-profit member organizations to foster resiliency in our communities. With in-person events limiting attendance for most of the year, postponements, cancellations and virtual participation were commonplace. To respond to the pandemic and its impact on Servus members and communities, Servus continued to shift funds to support charitable donations that helped address the effects of the pandemic.

Throughout 2021, Servus made more than $2 million in monetary contributions to nearly 400 organizations. Several large, long-term partnerships were also established supporting a few key areas:

- Community events and organizations allowing Albertans to affordably access safe activities in the communities and neighbourhoods. Partnerships include:
  - Partnership with Calgary's WinSport to create the Servus Tube Park and offer discounted rates for individuals and families.
  - Becoming a presenting sponsor for Open Farm Days in association with Alberta Association of Agricultural Societies — an important event for our members working and living in agricultural centres.
  - Programs and organizations helping Albertans improve their financial fitness. Partnerships include:
  - Presenting sponsor of Financial Literacy month for Junior Achievement of Northern and Southern Alberta to educate Alberta's youth about the importance of financial planning.
  - Right at Home Society in Edmonton, who provide financial literacy programs for individuals and families living in affordable housing facilities.
- Organizations and programs supporting vulnerable individuals and families with a focus on mental health services. Partnerships include:
  - The Alberta Council of Women's Shelters' project to create an online training program for Servus employees on how to identify and respond to domestic violence. This program will begin in 2022.

Mental health and food security also continued to be a theme in 2021. Donations were made to seven mental health agencies and programs and more than $85,000 was donated to local food banks across the province.

Environmental Impact

Under the direction of Ian Burns, President and CEO of Servus Credit Union, Servus is transitioning from Corporate Social Responsibility (CSR) reporting to Environmental Social Governance (ESG) reporting.

ESG refers to measurable and comparable non-financial performance metrics used to determine the environmental and societal impact of a company. ESG metrics include sustainable, ethical, social and corporate governance issues such as managing carbon footprint and ensuring there are systems in place for corporate accountability.

CSR was the starting point for Servus to commit to environmental and social accountability, ESG will now take this accountability one step further, allowing us to embed it within our organization and quantifiably measure our efforts to be a standard-setting, industry leader.

Environmental Reporting

Previously, CSR environmental reporting was input and calculated through a third-party database system. We are now moving to a more cost-effective database system that can be shared with other departments and will be able to calculate environmental ESG reporting. Moving forward, Servus's future ESG environmental reporting metrics are being based on industry standards.

Social Reporting

Social factors include everything from LGBTQ+ equality, diversity, equity, inclusion and belonging at all levels in the organization and within our hiring practices. Servus has long prioritized social aspects into our operations, which can be seen in our community councils, employee groups and community donations. This work will be translated to similar ESG standards.

Governance Reporting

Adopting and embedding ESG commitments into the way Servus plans for the future and manages its operations from board to branch enhances our environmental, social and governance performance. We believe these robust practices will be valued by our stakeholders and position us as an industry leader in Canada.

Recognizing Our Credit Union

Servus was honoured to receive several awards this year. We strongly believe in the work we do and appreciate the acknowledgements. During 2021, Servus:

- Ranked second in Canada in the Forbes list of the World's Best Banks for 2021, climbing up from fifth place on the same list in 2020.
- Earned silver amongst banking firms for our customer service levels through public customer contact forms and emails in Surviscor's Service Level Assessment review list. In a similar ranking of brokerage firms, Qtrade Investor, which Servus offers to members for online investment services, earned platinum status in this index as well.
- Re-qualified as a member of the Platinum Club of Canada's Best Managed Companies for the 18th year.
- Was proud to be included in a group of credit unions who were once again recognized in Customer Service Excellence in Ipsos' Best Banking Awards.* Every year, Ipsos asks Canadians about their banking experience and, for the 17th year in a row, credit unions outperformed other Canadian financial institutions when it came to providing great service.
- Received recognition for our human resources work and efforts. These achievements include:
  - Finalist for National Canadian HR Awards, Venngo Award of Excellence for Financial, Physical & Mental Health.
  - A National Excellence Award from the Canadian Credit Union Association (CCUA) for an online training program developed to support front-line employees in their work to shape member financial fitness.
  - A bronze award in the Psychologically Safe Workplace Awards, presented by Talent Canada in partnership with OHS Canada.

******Ipsos 2021 Best Banking Awards were based on ongoing quarterly Customer Service Index (CSI) survey results.*

Economic Environment: 2021 Review

Economic activity picked up in 2021 as public health measures and travel restrictions were gradually relaxed following rising vaccination rates and proof-of-vaccination requirements across several countries. Despite a surge in COVID-19 cases due to Delta variant, we still saw economic recovery across most industry sectors much of the year as non-essential businesses and services resumed operations. The rebound encouraged governments to start winding down pandemic support programs, while some Central Banks even jumpstarted tapering measures as inflationary threats loomed in the horizon.

According to the International Monetary Fund (IMF), global growth projection for 2021 is now expected to be 5.9% compared to the -3.1% contraction we saw in 2020.[1]

In the United States, the progress on vaccinations and strong policy support accelerated economic growth in 2021. The US economy which expanded at a rate of 6.5% in the first half of the year is expected to close-out the year strongly at 6.0%. Unemployment rate dropped to 4.6% as of October, but still remains above pre-pandemic lows. Consumer Price Index (CPI) shot up to 6.2% as of October 2021, the highest it has been since November 1990 amidst inflationary concerns. What had initially been dismissed as just a transitory phase became more persistent due to bottlenecks in the supply chain coupled with strong aggregate demand.[2]

Canadians went to the polls in October and returned the liberal led minority government into power. The federal government unveiled targeted pandemic measures of approximately $7.4 billion to focus more on businesses in sectors that were struggling due to the pandemic as the recovery so far appears to be uneven across sectors. Canada's labour market has recouped all the jobs lost during the pandemic, but like the US, the current unemployment rate at 6.7% as of October remains about 1.0% higher than pre-pandemic levels.

[1] *World Economic Outlook, October 2021 (imf.org)*

[2] *Transcript of Chair Powell's Press Conference November 3, 2021 (federalreserve.gov)*

There are also inflationary concerns in Canada as well as CPI rose to 4.7% as of October, the highest it has been since February 2003. Prices for all the eight major components increased year-over-year with the strongest pressures coming from transportation (due largely to the impact of supply chain problems on motor vehicle sales) and increased energy prices. Businesses surveyed in the last Business Outlook Survey also voiced concerns over supply-side challenges and increasing labor shortages.[3]

Housing market activity, which heated up in the first quarter 2021, slowed down remarkably by the third quarter of 2021. The increase in average house prices due to rise in building construction costs and overvaluation of house prices did little to dampen the buying frenzy in the first quarter of the year as the number of home sales in Canada reached a historic high. While historic low interest rates and built-up consumer savings seemed to have fueled this growth, the limited supply of available homes also contributed to the increased price activity.[4]

Commodity prices were higher in 2021, especially oil prices as the Organization of the Petroleum Exporting Countries Plus (OPEC+) producers acted to maintain limits on the amount of supply. The OPEC+ actions ensured oil prices remained at high levels throughout the year with the Western Texas Intermediate (WTI) closing out at $81.48/bbl as of October 2021 up from $39.40/bbl as of October 2020.[5]

The Canadian Dollar buoyed by the increase in commodity prices strengthened against the US dollar year-on-year to close at 1.23884 as of October 2021 (Bloomberg).

Overall, Canada's GDP for 2021 is now projected to close at around 5.0% according to the Bank of Canada following the 5.5% growth we have seen so far as at Q3, 2021. The rebound in exports, consumption and business sentiment is now expected to be much weaker for the remainder of the year due to impact of supply chain disruptions.[6]

The Alberta economy bounced back in 2021 on the back of higher commodity prices and a growing tech sector. Despite experiencing several setbacks with the cancellation of the Keystone oil project and reinstatement of public health restrictions to combat the Delta variant surge, the province's overall year to date (YTD) average Activity Index as at August 2021 stood at 9.7% compared to a YTD negative of 5.2% for 2020.[7] Unemployment rate was also down year over year by about 3.1% to 7.6% as of October 2021. According to Provincial budget, the GDP for the province is now expected to close at 4.8%.[8]

Servus's Financial Highlights in 2021

2021 was a record year in financial performance for Servus Credit Union, further contributing to our strong capital position. Building on what we've been able to achieve and maintain in the past several years, our performance in 2021 reflects continued efforts to improve how we serve our members especially in relation to digital tools. Our work to improve and enhance our technologies to better serve our members will continue as Servus pursues increased growth — this work is significantly enabled by the solid capital position we've maintained and grown in recent years.

Financial Position

Servus's net interest income and other income returned to or exceeded pre-pandemic levels with a record $179.2 million in operating income (income before patronage and taxes) and $110.9 million in net income. Servus's total assets grew at a slower rate of 1.7% due to leveraging excess investments to fund loan growth throughout the year.

Our ability to help shape our members' financial fitness resulted in 3.2% loan growth and 3.8% member deposit growth. As our members have learned to cope with changes in restrictions and economic conditions over the past two years, we have worked with them to maintain their deposit savings and provide funding to achieve their goals.

[3] *Business Outlook Survey—Third Quarter of 2021 - Bank of Canada*
[4] *CMHC Releases September Housing Market Assessment | CMHC (cmhc-schl.gc.ca)*
[5] *Cushing, OK WTI Spot Price FOB (Dollars per Barrel) (eia.gov)*
[6] *Monetary Policy Report - October 2021 (bankofcanada.ca)*
[7] *Alberta Economy Indicators at a Glance (open.alberta.ca)*
[8] 2021-24 Fiscal Plan (Alberta Budget 2021) - February 25, 2021 (open.alberta.ca)

Servus's performance in 2021 led to a total of $54.6 million in Profit Share® rewards, which encompasses $36.1 million in Profit Share® Rewards Cash and $18.5 million in additional shares as dividends.

Regulatory capital performance and requirements

	2021	2020	Internal Policy Requirements	Minimum Supervisory Requirements
Capital as a % of total assets	9.8%	9.3%	4.0%	4.0%
Retained earnings to assets	6.0%	5.6%	4.0%	N/A
Capital as a % of risk weighted assets	17.3%	17.1%	13.5%	11.5%

Margin

Margin income increased as interest expenses stayed much lower than the overall interest income on the loan book. Servus did experience a reduction in other interest income as we recognized unrealized losses on interest rate swaps. These swaps were put in early in the pandemic to protect against unprecedented potential for further drops in interest rates.

Other Income

Other income returned to the levels expected given the growth in the loan and deposit book. We saw a drop in 2020, but we returned to pre-pandemic income levels in 2021. Major changes were:

- Many members chose to pay pre-payment fees to take advantage of the lower rates to refinance mortgages, resulting in a bulge in other income.
- Wealth revenues increased 22.5% fueled by the rebound in the markets and a very strong sales year. Our wealth managers are focused on the financial fitness of our members and helping them achieve long-term goals — these results indicate our members' confidence in that advice.
- Mastercard fees also returned to the trends we saw pre-COVID. Our members increased their credit card usage as the economy recovered through this year and online spending became a new normal. As we work with members, our staff encourage them to use the credit card as a tool to assist in monitoring and achieving their spend goals while receiving loyalty rewards and Profit Share® Rewards cash.

Recovery of Provision for Credit Losses

When the pandemic took hold in March 2020, governments responded to the public health threat with restrictions to businesses and personal mobility. Lock downs and travel restrictions forced significant layoffs in the hospitality, small business and retail industries. Work from home requirements created additional vacancy in office towers. Income and cash flows for many people were threatened.

Governments created several support programs to support individuals impacted by income and work disruptions to afford their basic needs. At the time, we were uncertain how successful these programs would be and the unprecedented fluctuations in economic indicators created concern around future losses in our loan book.

Through 2021, it became evident that government stimulus programs and consumer behaviour changes were able to keep the actual loan losses to a level much lower than expected, and delay — or, in some cases, prevent — the losses from occurring at all. As a result, Servus recovered a significant amount of the excess expected losses, creating a large recovery for 2021.

Servus has continuously performed a variety of analyses and prepared for best, base and worst-case scenarios to predict results through the pandemic. We expect more loan write offs in the next year; however, we anticipate that the current expected credit loss should be sufficient to support these write offs.

Operating Expenses

Personnel Costs

Servus continues to work to balance the needs of its members for both in-person service and digital services, while providing the support services required to make everything function appropriately. We maintained our full-time equivalent workforce steady, decreasing only 0.5% in 2021. Cost of living increases offset this slight drop. Our strong financial results for the year also allowed Servus to reward our employees with an increase in incentive pay.

General Costs

To meet increasing consumer expectations of digital tools and technology for their banking needs, Servus has initiated several member and employee improvement projects. As a result, in 2021, consulting and computer-related costs increased.

With the increase in our Mastercard revenues, we also saw an increase in servicing costs related to Mastercards. These increases were offset by slight decreases in other administrative costs, as there were fewer incidental costs due to restrictions on travel and in-person activities in 2020 and 2021 preventing our business operations from returning to pre-pandemic norms.

Significant technology and strategic projects to help the members included:

- A new member portal for wealth accounts.
- Improvements to our Profit Share® program to improve rewards to members who do more business with Servus.
- Improvements to data structures to provide our employees with the information they need as they help shape member financial fitness.
- Enabling a mobilized workforce provided frontline staff with laptops and systems to meet members in settings other than the branch.
- Reducing time required for a member to set up an account with an advisor through new technology and processes.
- Modifying our Information Services department structure to allow faster development and delivery for technology and member services.
- Adding new goal categories to online banking, allowing members to create, monitor and adjust their own financial fitness goals.

As more technology solutions become available, we will continue to see an increase in depreciation and amortization for the company.

Other operating expenses did not fluctuate significantly.

2021 Balanced Scorecard Results

Servus uses a balanced scorecard to measure the success of its strategic plans. The scorecard is presented based on the results in the financial statements.

Objective	Measure	2021 Target	2021 Results	2020 Result
The value of being a member is clear and compelling	Member Satisfaction	80%	86.1%	87%
Servus members as advocates	Member loyalty index	70%	75.4%	77%
High Level employee engagement	Employee engagement	80%	86%	87%

Objective	Measure	2021 Target	2021 Results	2020 Result
Positive leadership Climate	Leadership Climate Index	75%	79%	74%
Financial growth	Operating income	126.5 million	179.2 million	114.4 million
Reduced dependency on interest-based income	Other income as a percentage of average assets	0.699%	0.806%	0.694%
Leveraging assets profitably	Return on assets	0.731%	1.035%	0.682%
Business process improvement for efficiency and effectiveness	Operating efficiency ratio	69.427%	69.101%	69.88%
	Operating expenses as a percentage of average assets	2.100%	2.140%	2.116%

The Servus Balanced Scorecard annually establishes and measures targets in several categories:

Member Experience

We provide exceptional member service and are rewarded with high member satisfaction. Our decisions reflect the best interests of our members, communities, employees and our organization.

Employee Experience

We provide a positive, safe and rewarding work environment, invest in our employees by engaging, developing and advancing them, and are broadly recognized as an exceptional employer by our people, our members and our communities.

Financial Performance

As a member-owned financial institution, we strive for financial sustainability and diversity so we can be profitable and serve our members' best interests for years to come.

Business Processes

We must continuously focus attention and resources on improving our processes, automate where it makes business sense and eliminate activities that cost more than the value they bring to our members, employees and the organization.

Governance and Credit Union Relations

Our board of directors governs with a focus on organization-wide policy and strategy, recognizes its responsibility and accountability to our member-owners and is committed to continuously improving effectiveness.

Servus is a leader in our industry and provides guidance within a strong credit union system provincially, nationally and internationally.

Economic Environment: 2022 Outlook

Following the post-pandemic rebound in 2021, the most recent IMF forecast suggests that global growth will press onwards at a rate of 4.9% in 2022. Speeding up the vaccination of the world population remains the top priority, as the economic recovery worldwide remains choppy and uneven. Accordingly, near-term divergences are expected between developed and emerging markets, as the world grapples with multidimensional challenges including subdued employment growth, rising inflation, food insecurity, supply-demand mismatches and climate change. [9]

[9] *IMF, World Economic Outlook, October 2021 (imf.org)*

The expectation is that the US economy will grow at 5.2% in 2022, boosted by the Biden administration's proposed spending plan, combined with receding COVID-19 case numbers. Further influencing the projections is the American Jobs Plan and American Families Plan which are still pending legislation. Headline inflation exceeding 4% is expected to continue in 2022 before subsiding towards end of the year. A year further along in the pandemic, and great uncertainty still surrounds economic prospects, primarily stemming from the path of the pandemic, the duration of supply disruptions and inflation expectations.

Supply disruptions and energy constraints are weighing on growth and pushing up prices in Canada too. Annual growth in economic activity is forecast to be around 4.3% in 2022 as high vaccination rates have reduced the risk to the economy of widespread closures per the Bank of Canada's October Monetary Policy Report. Even though the Delta variant is weighing on consumer confidence, domestic demand has continued to recover. Notwithstanding an unemployment rate that remains above its pre-pandemic level, firms are facing challenges finding workers and the output gap continues to close.

Although the Bank of Canada judges that the economy is likely to require continuing fiscal and monetary support, the recovery is becoming broader and self-sustaining. Production of oil and natural gas has struggled to keep up with strengthening demand, and rising energy prices will put further pressure on inflation, which is expected to continue at 3.4%. Household spending is expected to lead the economic recovery, supported by high levels of disposable income and spending of accumulated savings. Housing market activity is expected to remain elevated over 2022 as increased immigration and favorable financing conditions will support ongoing strength. Business investment outside energy is anticipated to rise as supply disruptions ease and business confidence improves. Investment in the oil and gas industry is projected to grow, but still lower than pre-pandemic levels. Easing of the Canada/US border restrictions are expected to provide a further boost to Canadian exports and investment activity. Against this backdrop, we expect the Bank of Canada will look to begin tightening its accommodative interest rate stance in mid-2022, and gradually raising rates well into 2023.

WTI is forecast to average out at approximately $75/barrel in 2022 while the CAD/USD exchange rate is projected to hover around the 0.80 level for the year.10

Following the steep decline to GDP in 2020, the Alberta economy is expected to post the strongest real GDP growth in Canada over the near-term, with growth of 5.9% in 2021 and 4.5% in 2022.[11] Alberta's unemployment rate in 2021 stands at 7.6%, higher than national levels, even though total employment has increased beyond the pre-pandemic levels.[12] Overall, the Alberta economy is making solid recovery but is not yet past the pandemic and economic uncertainties that cloud the current environment.

Setting the Direction: 2022 – 2024 Strategic Plan

Servus remains focused on our 10-year strategic plan which we implemented in 2019 and refer to as our 'Compelling Future.' We continue to be committed to achieving the long-term goals we have set in the plan to grow both the financial fitness of Servus and the financial fitness of our members. To address the immediate needs of our credit union, the 10-year plan is broken down into shorter three-year terms and targets all focused on directionally supporting Servus's long-term goals.

To increase Servus's financial fitness, in our 2022-2024 we will focus on:

- Areas of profitable growth
- Increasing the speed with which we execute and bring new services to market
- Continually improving our efficiency while also making necessary strategic investments

To increase the financial fitness of our members we will continue having conversations with them to discover their needs and support them in setting and achieving their goals. We will also focus on providing new products, services and tools unique to Servus and that promote the financial fitness of our members, their businesses and the communities we serve.

[10] *Bank of Canada October MPR*

[11] *Bloomberg Economic Forecasts*

[12] *https://economicdashboard.alberta.ca*

We will also continue the important foundational work with:

- Channel modernization transforming our banking platforms and channels to position Servus to adopt emerging technologies more quickly and nimbly enabling Servus to remain competitive and providing a high level of service to our member.
- Payment modernization providing safe, fast, reliable and seamless money movement with improved information about payment transactions.

Both areas are critical to achieving our Compelling Future and delivering the experiences our members want and expect from their primary financial institution.

As we move forward, Servus will continue to serve its members across the province and fulfill our noble purpose of shaping member financial fitness while we work towards our vision of building a better world one member at a time.

Corporate Governance

Servus embraces the credit union principle of democratic ownership through its board of directors. The Servus Credit Union Board of Directors represents member-owners, ensuring they have a voice in the direction of the credit union. By holding to the principles of openness, transparency, accountability, ethics and rule of law, the board is a strong and effective governing body that keeps members' interests top of mind. The Servus Board of Directors approves the strategic direction and puts in place the controls necessary for the credit union to be a success.

Board Mandate

The Board of Directors ensures that Servus creates and maintains value for stakeholders and serves the needs of members and their communities. The board sets the credit union's strategic direction, formulates and monitors policies, evaluates organizational performance and ensures that an effective risk management framework is in place.

The board uses a Servus customized policy governance model and functions in accordance with the Credit Union Act and Servus Credit Union bylaws. It is responsible for the election of the board chair and vice-chair and for the selection of directors to represent Servus on the Credit Union Central of Alberta (CUCA) board. The board also hires and supervises the President & Chief Executive Officer (CEO) and Senior Vice President of Risk and Audit.

Board Structure

The Board of Directors is made up of 12 Servus member-owners and has established committees to help govern Servus effectively and to better manage risk. The five board committees for 2021 are:

Audit & Finance Committee

The Audit & Finance Committee oversees the financial reporting process and management of financial risks such as liquidity and capital, reviews financial statements, liaises with internal and external auditors and regulators and reviews internal control procedures.

Enterprise Risk Management Committee (ERM)

The Enterprise Risk Management Committee oversees the identification, understanding and management of risks that may affect Servus.

Governance & Human Resources Committee (GHR)

The Governance & Human Resources Committee establishes and maintains effective governance guidelines, ensures the performance and succession of the CEO and ensures compliance with governance policies and Servus bylaws.

Nominating Committee

The Nominating Committee administers the board election process for the full board of directors.

CEO Succession Committee

With the former President & CEO's (Garth Warner) retirement announcement, the CEO Succession Committee was created to manage the recruitment and transition of Servus's new CEO, which was completed in April 2021.

Position Descriptions

Servus's directors provide strategic advice and oversight to the organization. They are required to act honestly and in good faith with a view to the best interests of the credit union. They must exercise care, diligence and skill.

The board regularly reviews the position descriptions for the board chair, committee chairs, directors and president and CEO.

Orientation and Education

New Servus directors must complete an orientation session within two months of their election and are encouraged to complete a policy governance course during their first year in office. They are expected to complete the online training curriculum for the Credit Union Director Achievement program within one year of their election.

These and other learning opportunities enable the directors to further develop their knowledge and skills and enhance their performance on the board. A board competency and skills matrix are used by the board to help determine training needs.

Ethical Conduct

The board is committed to ethical, professional and lawful conduct. Directors work to ensure that Servus meets all public, regulatory and member expectations in compliance with existing laws. Directors must represent loyalty without conflict to the interests of members. This accountability comes before any personal interest. Directors are required to declare any conflicts or perceived conflicts of interest immediately upon becoming aware of them.

Nomination

Servus holds an annual election to fill vacancies on the board. Directors serve four-year terms.

Directors may run for re-election at the end of their terms. Servus currently has no limit on the number of terms a director may serve.

The Nominating Committee plays an active role in identifying potential candidates for the board. Individuals interested in serving on the board must submit nomination papers that provide detailed information such as:

- Work experience
- Educational background
- A self-assessment of skills, knowledge and experience
- Previous board and volunteer experience

Candidates must also undergo a criminal record check.

Profiles of all board candidates are provided on servus.ca. Voting is held annually online and at every branch.

The Nominating Committee reviews the electoral process and makes recommendations for changes to the process to the board. Each candidate is interviewed by the Nominating Committee to confirm that the candidate's skills and competencies match those required by the organization going forward.

Director Remuneration

Servus provides each member of the board with an honorarium for their activities during their term. These activities include attending board, committee and general meetings; education and planning sessions; and credit union system conferences. Directors are reimbursed for all relevant expenses and paid a meeting and travel time per diem.

Honorariums

Director:	$30,000 per annum
Board chair:	additional $10,000 per annum
Board vice chair:	additional $5,000 per annum
Committee chair:	additional $4,000 per annum
Committee vice chair:	additional $2,000 per annum

Servus's management (or a third party on behalf of Servus) conducts regular compensation reviews to help determine the appropriate rate of remuneration for the board. Servus participates in biannual national credit union surveys that look at board remuneration. Expense reimbursement is excluded, and the total is reported separately in the financial statements.

Director remuneration and attendance November 1, 2020 to October 31, 2021

Director	Board Meetings	Committee Name	Committee Meetings	Total Remuneration: Honorarium + per diem (includes CPP)
John Lamb Board Chair (Nov 2020 – Oct 2021) CEO Succession Committee Chair (Nov 2020 – May 2021)	10 of 10	Chair/Vice/CEO Audit/Finance ERM Governance & HR Alberta Central AGM (days) AGM Committee CEO Succession	9 3 3 7 2 0 17	$93,233
Jon Holt Board Vice Chair (Mar 2020 – Oct 2021) AFC Vice Chair (Nov 2020 – Mar 2021)	10 of 10	Chair/Vice/CEO Audit/Finance ERM Alberta Central AGM (days) CEO Succession	4 8 4 2 4	$61,749
Amber Haworth Elected to Board March 2021	7 of 7	Audit/Finance ERM Governance & HR Nominating Alberta Central AGM (days) Board Orientation	1 3 1 1 2 1	$32,845
Amy Corrigan Nominating Committee Vice Chair (Nov 2020 – Oct 2021)	10 of 10	Audit/Finance ERM Governance & HR Nominating Alberta Central AGM (days) CEO Succession	2 1 8 4 2 4	$55,966
Danielle Ghai GHR Committee Chair (Nov 2020 – Oct 2021)	10 of 10	Audit/Finance ERM Governance & HR Nominating Alberta Central AGM (days) AGM Committee CEO Succession	2 1 8 2 2 6 16	$72,542

Darcy Mykytyshyn GHR Committee Vice Chair (Nov 2020 – Feb 2021) AFC Committee Vice Chair (Mar 2021 – Oct 2021)	10 of 10	Audit/Finance Governance & HR Alberta Central AGM (days) CEO Succession	6 4 1 4	$53,089
Doug Bristow Board Vice Chair (Nov 2020 – Mar 2021) AFC Committee Chair (Nov 2020 – Oct 2021)	10 of 10	Chair/Vice/CEO Audit/Finance Alberta Central AGM (days) CEO Succession	5 8 1 17	$69,456
Iris Evans CEO Succession Committee Vice Chair (Nov 2020 – May 2021)	10 of 10	Audit/Finance ERM Nominating AB Central Briefing Alberta Central AGM (days) CEO Succession	8 1 1 5 2 16	$59,083
Matthew Protti ERM Committee Chair (Nov 2020 – Oct 2021)	10 of 10	Audit/Finance ERM AB Central Briefing Alberta Central AGM (days) CEO Succession	2 4 5 2 4	$54,414
Omar Yaqub Elected to Board March 2021	6 of 7	Governance & HR Nominating Board Orientation	3 3 1	$31,639
Perry Dooley ERM Committee Vice Chair (Nov 2020 – Oct 2021)	10 of 10	Audit/Finance ERM Nominating AB Central Briefing Alberta Central AGM (days) CEO Succession	2 4 4 5 2 4	$58,469
Shawn Eltom Nominating Committee Chair (Mar 2021 – Oct 2021) GHR Committee Vice Chair (Mar 2021 – Oct 2021)	10 of 10	Audit/Finance ERM Governance & HR Nominating Alberta Central AGM (days) CEO Succession	2 2 8 3 2 4	$58,968
Donna Tona On Board Mar 2020 – Feb 2021	3 of 3	Audit/Finance AGM Committee CEO Succession	3 5 4	$26,336

- Board meetings include Servus's Annual General Meeting (AGM), annual board planning session, and ad hoc board teleconferences.
- Standing board committees include the Audit & Finance, Governance & Human Resources, Enterprise Risk Management and Nominating Committees. With the announced retirement of the President & CEO the Board created and activated a CEO Succession Committee in March 2020.
- The board of director chair is an ex officio member of all committees.
- Board members are assigned to one or two committees at the organizational meeting in March but can attend any committee meeting. Committee assignments can cross two fiscal years.
- The Nominating Committee members are never in the final year of their term. Candidate interviews were held November 1-3, 2021, in addition to a candidate orientation meeting.
- AGM Committee denotes Servus's board of directors' representative on the management AGM Committee.
- AB Central Briefing means the board member is on the CUCA board, and there may be overlap as appointments are made for the period April 1-March 31.
- Chair/Vice/CEO refers to briefing meetings.

- There are 39 community councils around the province. Meetings scheduled to take place after the March 4, 2020 AGM were cancelled due to the pandemic.

Performance Evaluation

Each year, the board members are evaluated to assess their effectiveness and to identify opportunities for improvement. Additional feedback is gathered for the board chair and each board committee chair regarding their performance and areas for improvement. The board assesses the CEO's performance each year by reviewing results against the balanced scorecard targets as well as looking at overall performance.

Board and Committee Meetings

- The board of directors held 9 board meetings last year, which included, the Servus Annual General meeting in March 2021 held virtually due to the pandemic, 2 two-day planning sessions in April and October, and additional ad hoc board meetings, as required, to deal with issues such as COVID-19.
- The Audit & Finance Committee met 8 times.
- The Enterprise Risk Management Committee met 4 times.
- The Governance & Human Resources Committee met 8 times.
- With the announced retirement of the President & CEO, the CEO Succession Committee was created and met 17 times in between November 1, 2020 and October 31, 2021.
- The 2021 Nominating Committee met 2 times in November 2020 and the 2022 Nominating Committee met 3 times between June and October 2021 and conducted three days of candidate interviews at the beginning of November 2021.
- Directors participated in the following:
- The Alberta Central (CUCA) Virtual Conference and Annual General Meeting on April 21 & 22, 2021

Risk Management

Servus has a risk management structure that enables it to adapt to changes in economic and operational environments. The following is an overview of this structure and the types of risk it is typically exposed to.

(See Note 31 on Financial Risk Management in the 2021 Consolidated Financial Statements for more details.)

Enterprise Risk Management

Servus uses an enterprise-wide approach to identify, measure, monitor and manage risk that is primarily based on the International Organization for Standardization's (ISO) 31000 risk management framework.

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the credit union's objectives and risk appetite and that there is an appropriate balance between risk and reward to maximize value for our member-owners.

Servus believes that effective enterprise risk management is a journey and not a destination. The program continues to grow, evolve and adapt. The framework provides processes for identifying risks and assessing the likelihood of their occurrence and potential impact. The framework is also used to establish policies, procedures and controls to ensure that risks are managed within acceptable risk tolerances.

Servus's enterprise risk management governance model begins with oversight by the board of directors, either directly or through its committees, as shown in Figure 1.

The President and Chief Executive Officer (CEO) is responsible and accountable for risk management.

Day-to-day monitoring and reporting on risk has been delegated to the Senior Vice President of Risk and Audit. Three management committees — the Asset Liability Committee, the Management Credit Committee and the Management Risk Committee — identify, assess and monitor risks through their work. Ownership of key risks is delegated to the appropriate Executive Leadership Team member.

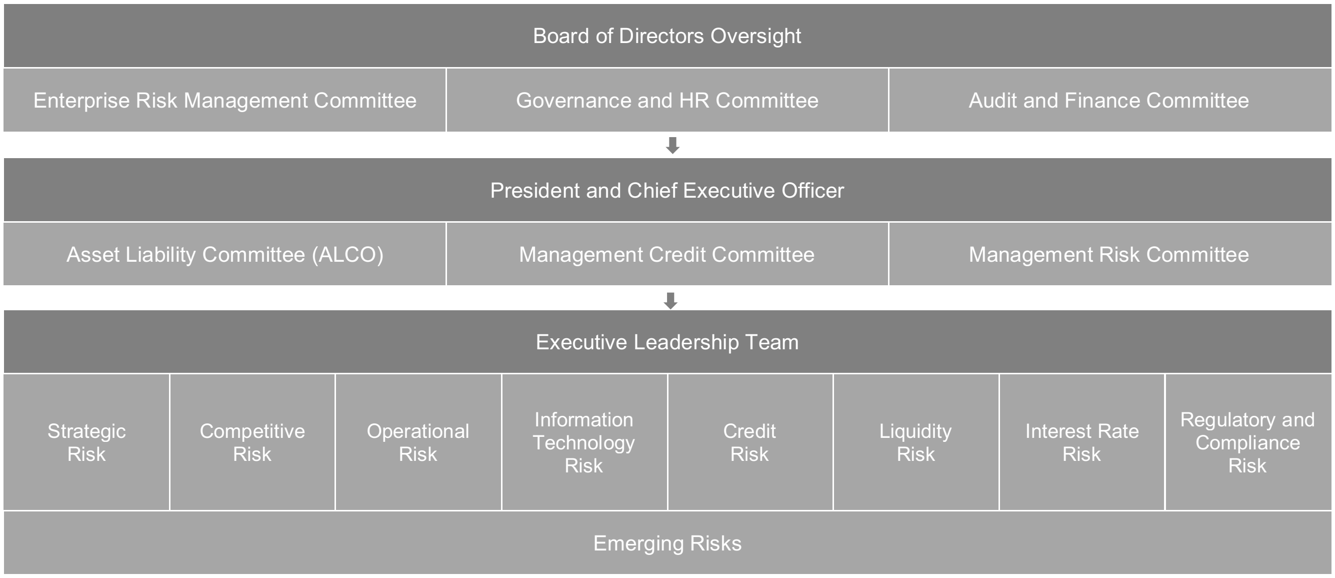

Figure 1: Servus Credit Union's Enterprise Risk Management Governance Model

Traditional risk management solutions tend to focus on negative events and often depend on diligent corporate compliance programs. Servus proactively elevates material risk issues to senior management and the board. This helps Servus find a better balance between loss prevention, risk mitigation efforts and entrepreneurial risk-taking.

Servus's risk management framework has four cornerstones (see Figure 2). They are reviewed and updated to ensure consistency with risk-taking activities and relevance to business and financial strategies, the Credit Union Deposit Guarantee Corporation (CUDGC) Standards of Sound Business Practices and the legislative environment.

Practices and the Legislative Environment

Policies, Strategies and Limits

The governance, risk management direction and extent of Servus's risk-taking activities are established through policies, strategies and limits. Policies are also developed based on the requirements of the regulator and require input from the board of directors and senior management.

Guidelines

Guidelines are the directives provided to implement the policies. Generally, these describe specific types of risks and exposures.

Processes and Standards

Processes are the activities associated with identifying, evaluating, documenting, reporting and controlling risk. Standards define the breadth and quality of information required to make a decision and the expectations in terms of quality of analysis and presentation.

Measurement and Reporting

Servus monitors its risk exposure to ensure it is operating within approved limits or guidelines. Breaches, if any, are reported to senior management and board committees (depending on the limit or guideline). Servus's Internal Audit department independently monitors the effectiveness of risk management policies, procedures and internal controls.

Policies, Strategies and Limits	Guidelines	Processes and Standards	Measurement and Reporting
Practices Legislative Environment			
CUDGC Standards of Sound Business and Financial Practices			

Figure 2: Servus Credit Union’s Risk Management Framework

Types of Risk

Servus groups its major risks into 9 categories:

1. Information Technology Risk

Information technology risk is the risk to Servus associated with the use, ownership, operation, influence and adoption of information technology (IT) within the enterprise. It includes risks associated with the security and protection of information, availability and recovery of services, accuracy and timeliness of data, performance and scalability of services, and agility and appropriateness of adoption. It also includes the risk of IT meeting the current business needs of the organization as well as the risk of IT meeting the future strategic needs of the organization. Servus is reliant on IT for processing large volumes of transactions and storing large amounts of data. Despite a strong dedication to confronting cyber security, Servus may not be able to fully mitigate against all such risks due to the complexity and high rate of change associated with IT and cyber threats. Any significant disruption to IT infrastructure could adversely affect Servus’s ability to conduct regular credit union operations. Servus maintains robust controls that guard the credit union and its members against cyber threats. These controls are regularly evaluated, updated and tested to ensure that IT risk is reduced to an acceptably low level.

2. Liquidity Risk

Liquidity risk is the risk that Servus will not be able to fund loan growth on a cost-effective basis or will be unable to generate or obtain sufficient cash to meet its short-term obligations.

Liquidity policies place limits on large individual deposits and require Servus to monitor items such as its liquidity coverage ratio, forecasted cash flows and deposit sources. These policies are designed to ensure Servus maintains sufficient amounts of operational liquidity from a stable base of core deposits spread across various sources. Servus’s liquidity management strategy includes the daily monitoring of expected cash inflows and outflows, as well as the tracking and forecasting of our liquidity position on a forward 90-day rolling basis. The board of directors approves and reviews liquidity risk policies at least annually, with regular reporting provided to its Enterprise Risk Management and Audit and Finance Committees.

3. Interest Rate and Market Risk

Interest rate and market risk relates to the threat of incurring significant losses from unfavourable changes in the values of assets or liabilities from changes in market prices related to interest rates, foreign exchange rates, equity or commodity prices and in the volatility of these prices.

To manage interest rate and market risk effectively, Servus’s Asset Liability Committee establishes policy guidelines and meets regularly to monitor Bank of Canada rates, economic indicators, trends in member behaviour and competitive pricing and uses these factors to determine pricing strategies. The board of directors approves and reviews interest rate risk policies at least annually, with regular reporting provided to its Enterprise Risk Management and Audit and Finance Committees.

4. Credit Risk

Credit risk is the risk of suffering a financial loss from the failure of a counterparty (e.g., borrower, debtor, issuer, guarantor, etc.) to honour its obligation to Servus. It arises any time Servus funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet. Servus manages credit risk through credit risk policies and limits to ensure broad diversification across Alberta and within various industries and product mixes. Risk is also managed through maximum limits on individual and connected accounts, participation in syndicated loans and minimum standards for loan quality. As well, Servus manages this risk through well-trained and experienced lenders, clearly documented decision-making authority and approval processes that include operational oversight from the Management Credit Committee.

5. Competitive Risk

Competitive risk is the likelihood and impact that competitive forces prevent growth, stifle revenues or prevent Servus from achieving its strategic goals. Market participants, consisting of major financial institutions and other participants operating within Alberta, are highly competitive. Emerging local and global competitive challenges coming from non-traditional competitors and emerging technologies are increasing, opaque and difficult to assess. Servus manages these risks through regular market assessments, emerging risk reviews and strategic planning.

Servus manages reputational risk as a subcomponent of competitive risk. We define reputational risk as any activity, inactivity or decision of Servus or one of its employees, business partners, affiliates or representatives that has the potential to impair the perception of Servus by stakeholders and negatively impact achievement of the credit union's objectives. Reputational risk can be influenced by factors external to Servus and may not be entirely within the control of the credit union.

Servus manages and measures reputation risk by monitoring the external media environment; conducting regular surveys of members, non-members and employees; and reviewing regular reports from the Management Risk Committee. In addition, the employee code of conduct, corporate values and Corporate Social Responsibility policy reinforce the standards and sound business practices that are essential to maintaining a good reputation.

6. Strategic Risk

Strategic risk is the risk that Servus makes inappropriate strategic choices or is unable to effectively implement its strategies and achieve its strategic objectives. To mitigate this risk, Servus has adopted a comprehensive annual strategic planning process that includes board and executive leadership involvement and the use of detailed analysis such as environmental scans and SWOT analyses, as well as integration with enterprise risk management processes and oversight. Responsibility for implementing strategic priorities is mandated to executive leaders with ongoing oversight from multiple management committees and the board.

7. Regulatory and Compliance Risk

Regulatory and compliance risk is the risk of Servus failing to comply with applicable laws, rules, regulations, prescribed practices or ethical standards in any jurisdiction in which it operates. Regulatory risk differs from other banking risks, such as credit risk or market risk, in that it is typically not a risk actively or deliberately assumed by management in expectation of a return. Rather, it occurs as part of the normal course of operating a regulated entity. Servus manages its regulatory risk through comprehensive policies, training, processes, oversight and maintaining a strong compliance culture. Individual business units are responsible for managing day-to-day regulatory and legal risk, while various compliance departments assist them by providing advice and oversight.

8. Operational Risk

Operational risk is the risk of suffering a significant loss or other damage resulting from inadequate or failed internal processes, people and/or systems or possibly from uncontrollable external events. Operational risk is segmented into several sub-categories such as business continuity risk, project risk, people risk, fraud risk and legal risk as well as many other risks specific to banking and wealth management activities. Servus manages this risk through its knowledgeable and experienced management team. The team members are committed to applying and enforcing key risk management policies and to promoting an ethical culture that guides operational risk-taking activities. Implementation of supporting policies and procedural controls includes the segregation of duties and built-in checks and balances. Additional controls include an established "whistleblower" process, an employee code of conduct, regular internal audits by an independent audit team and regular reviews and updates of systems, policies and procedures.

9. Emerging Risks

Servus monitors and reports to both the Management Risk Committee and the board Enterprise Risk Management Committee on risks that, although not fitting in any of the previous risk categories, may have an impact on its operations. These include emerging market trends, competitive forces or technologies, changing economic conditions, social and political trends, the impacts of industry and geographic concentrations, fraud and crime trends, financial system trends and other newsworthy items.

Servus Credit Union Ltd.
Consolidated Financial Statements

For the year ended October 31, 2021

SERVUS CREDIT UNION LTD.
Consolidated Financial Statements

SERVUS CREDIT UNION LTD.
Consolidated Financial Statements

Management's Responsibility for Financial Reporting

These Consolidated Financial Statements and all other information contained in the Annual Report have been prepared by the management of Servus Credit Union Ltd. (the Credit Union), who are responsible for their reliability, completeness and integrity. They were developed in accordance with requirements of the Credit Union Act of Alberta and conform in all material respects with International Financial Reporting Standards. Financial information presented elsewhere in this Annual Report is consistent with that in the Consolidated Financial Statements.

Systems of internal control and reporting procedures are designed to provide reasonable assurance that financial records are complete and accurate so as to safeguard the assets of the organization. These systems include the establishment and communication of standards of business conduct through all levels of the organization to prevent conflicts of interest and unauthorized disclosure, to provide assurance that all transactions are authorized and to ensure proper records are maintained. A function of the internal audit process is to provide management and the Board of Directors (the Board) with the ability to assess the adequacy of these controls.

The Board has approved the Consolidated Financial Statements. The Board has appointed an Audit and Finance Committee, comprising four directors, to review with management, advisers and auditors the annual Consolidated Financial Statements in detail prior to submission to the Board for final approval. The Audit and Finance Committee has also received regular reports on internal control findings from the Internal Auditor. KPMG LLP, the independent external auditors appointed by the Board, examined the Consolidated Financial Statements and accompanying notes of the Credit Union in accordance with Canadian generally accepted auditing standards. They have had full and free access to the internal audit staff, other management staff and the Audit and Finance Committee. Their independent auditor's report outlines the scope of their examination and their opinion.

Original signed by:

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Ian Burns, President and Chief Executive Officer

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Ryan Gobolos, Chief Financial Officer

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Edmonton, AB T5J 0H3
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INDEPENDENT AUDITORS' REPORT

To the Members of Servus Credit Union Ltd.

Opinion

We have audited the consolidated financial statements of Servus Credit Union Ltd. (the "Entity"), which comprise:

- the consolidated statement of financial position as at October 31, 2021;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at October 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter – Comparative Information

The financial statements for the year ended October 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on January 21, 2021.

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Management's Discussion and Analysis document as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Original signed by:

Chartered Professional Accountants

Edmonton, Canada

January 20, 2022

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

	Notes		October 31 2021		October 31 2020
Assets					
Cash and cash equivalents	5	$	**603,208**	$	188,954
Investments	6		**1,036,401**		1,627,385
Members' loans	7,9		**15,314,479**		14,845,263
Assets held for sale	10		**3,099**		6,671
Other assets	11		**33,689**		30,405
Property and equipment	12		**134,625**		137,342
Leased assets	13		**56,506**		53,487
Investment property	14		**5,908**		6,120
Derivative financial assets	15		**9,507**		13,030
Investment in associate	16		**199,886**		197,851
Intangible assets	17		**57,644**		61,786
Total assets			**17,454,952**		17,168,294
Liabilities					
Borrowings	19		**200,000**		200,000
Securitization liabilities	20		**766,784**		1,148,433
Members' deposits	21		**14,380,795**		13,856,560
Trade payables and other liabilities	22		**228,289**		222,113
Lease liabilities	13		**62,373**		58,124
Income taxes payable			**4,958**		830
Allowance for off balance sheet credit instruments	7,8		**5,578**		7,562
Derivative financial liabilities	15		**25,567**		4,673
Investment shares	24		**430**		434
Defined benefit plans	23		**5,516**		8,126
Deferred income tax liabilities	18		**10,580**		8,238
Total liabilities			**15,690,870**		15,515,093
Equity					
Share capital	24		**702,690**		686,549
Retained earnings			**1,050,939**		954,279
Accumulated other comprehensive income			**10,453**		12,373
Total equity			**1,764,082**		1,653,201
Total liabilities and equity		$	**17,454,952**	$	17,168,294

The accompanying notes are an integral part of these Consolidated Financial Statements.

Approved on behalf of the Board of Directors

Original signed by:

John Lamb, Chair, Board of Directors

Doug Bristow, Chair, Audit and Finance Committee

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

	Notes	Year ended October 31 2021	Year ended October 31 2020
Interest income			
Members' loans		**$ 516,198**	$ 558,801
Investments, including derivatives	25	**(8,809)**	25,463
Total interest income		**507,389**	584,264
Interest expense			
Members' deposits		**83,973**	152,218
Other interest expense	26	**26,855**	40,890
Total interest expense		**110,828**	193,108
Net interest income		**396,561**	391,156
Other income	27	**139,946**	116,395
Share of (losses) profits from associate	16	**(347)**	6,780
Net interest income and other income		**536,160**	514,331
(Recovery of) provision for credit losses	8	**(13,563)**	45,289
Net interest income and other income after (recovery of) provision for credit losses		**549,723**	469,042
Operating expenses			
Personnel		**219,955**	213,158
General		**88,534**	78,874
Occupancy		**16,876**	17,825
Member security		**9,820**	9,569
Depreciation	12,13,14	**18,076**	17,535
Organization		**4,707**	5,658
Impairment of assets	10,12,17	**680**	924
Amortization	17	**11,847**	11,106
Total operating expenses		**370,495**	354,649
Income before patronage allocation to members and income taxes		**179,228**	114,393
Patronage allocation to members	24	**36,127**	33,347
Income before income taxes		**143,101**	81,046
Income taxes	18	**32,180**	20,261
Net income		**$ 110,921**	$ 60,785

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	Notes		**Year ended October 31 2021**		Year ended October 31 2020
Net income		**$**	**110,921**	$	60,785
Other comprehensive (loss) income for the year, net of tax:					
Items that will not be reclassified to profit or loss:					
Actuarial gain (loss) on defined benefit pension plans [1]	23		**277**		(406)
Share of other comprehensive loss from associate					
Actuarial loss on defined benefit pension plans [2]			**(139)**		(278)
Change in unrealized loss on equity securities at fair value through other comprehensive income securities [3]			**(189)**		(22)
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive (loss) income from associate					
Change in unrealized (loss) gain on debt securities at fair value through other comprehensive income securities [4]			**(2,062)**		2,076
Reclassification adjustments for realized gain (loss) on debt securities [5]			**193**		(94)
Total other comprehensive (loss) income		**$**	**(1,920)**	$	1,276
Total comprehensive income		**$**	**109,001**	$	62,061

[1] *Net of income tax expense (recovery) for the year ended October 31, 2021 of $123 (2020 - $(132))*

[2] *Net of income tax (recovery) for the year ended October 31, 2021 of $(35) (2020 - $(83))*

[3] *Net of income tax (recovery) for the year ended October 31, 2021 of $(48) (2020 - $(7))*

[4] *Net of income tax (recovery) expense for the year ended October 31, 2021 of $(518) (2020 - $621)*

[5] *Net of income tax expense (recovery) for the year ended October 31, 2021 of $49 (2020 - (28))*

The accompanying notes are an integral part of these Consolidated Financial Statements.

SERVUS CREDIT UNION LTD.
Consolidated Statement of Changes in Equity
(Canadian $ thousands)

	Notes	Share Capital: Common Shares	Share Capital: Investment Shares	Total Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
Balance at October 31, 2019		$ 560,793	$ 121,055	$ 681,848	$ 909,369	$ 11,097	$ 1,602,314
Changes in equity							
Issues of share capital	24	19,816	-	19,816	-	-	19,816
Redemption of share capital	24	(30,571)	(5,570)	(36,141)	-	-	(36,141)
Dividends on share capital	24	16,337	4,689	21,026	-	-	21,026
Net income		-	-	-	60,785	-	60,785
Dividend (net of income tax recovery of $5,151)	24	-	-	-	(15,875)	-	(15,875)
Actuarial loss on defined benefit plans	23	-	-	-	-	(406)	(406)
Share of other comprehensive income from associate		-	-	-	-	1,682	1,682
Balance at October 31, 2020		$ 566,375	$ 120,174	$ 686,549	$ 954,279	$ 12,373	$ 1,653,201

	Notes	**Share Capital: Common Shares**	**Share Capital: Investment Shares**	**Total Share Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Total Equity**
Balance at October 31, 2020		**$ 566,375**	**$ 120,174**	**$ 686,549**	**$ 954,279**	**$ 12,373**	**$ 1,653,201**
Changes in equity							
Issues of share capital	24	**34,017**	**-**	**34,017**	**-**	**-**	**34,017**
Redemption of share capital	24	**(32,356)**	**(4,041)**	**(36,397)**	**-**	**-**	**(36,397)**
Dividends on share capital	24	**14,339**	**4,182**	**18,521**	**-**	**-**	**18,521**
Net income		**-**	**-**	**-**	**110,921**	**-**	**110,921**
Dividend (net of income tax recovery of $4,260)	24	**-**	**-**	**-**	**(14,261)**	**-**	**(14,261)**
Actuarial gain on defined benefit plans	23	**-**	**-**	**-**	**-**	**277**	**277**
Share of other comprehensive loss from associate		**-**	**-**	**-**	**-**	**(2,197)**	**(2,197)**
Balance at October 31, 2021		**$ 582,375**	**$ 120,315**	**$ 702,690**	**$ 1,050,939**	**$ 10,453**	**$ 1,764,082**

The accompanying notes are an integral part of these Consolidated Financial Statements.

SERVUS CREDIT UNION LTD.
Consolidated Statement of Cash Flows
(Canadian $ thousands)

		Year ended October 31 2021		Year ended October 31 2020
Cash flows from (used in) operating activities				
Net income	**$**	**110,921**	$	60,785
Adjustments for non-cash items and others				
Net interest income [(1)]		**(396,561)**		(391,156)
(Recovery of) provision for credit losses		**(13,563)**		45,289
Share of losses (profits) from investment in associate		**347**		(6,780)
Depreciation		**18,076**		17,535
Amortization		**11,847**		11,106
Impairment of assets		**680**		924
(Gain) loss on leased assets		**(30)**		33
(Gain) loss on assets held for sale		**(919)**		378
Loss on disposal of property and equipment		**573**		507
Loss on disposal of intangible assets		**-**		170
(Gain) loss on loan modifications		**(2,596)**		2,596
Income taxes		**32,180**		20,261
Adjustments for net changes in operating assets and liabilities				
Change in members' loans		**(491,569)**		(317,288)
Change in members' deposits		**554,748**		733,588
Change in assets held for sale		**(8,953)**		(13,903)
Change in derivatives, net		**24,417**		(9,011)
Change in other assets, provisions, and trade payables and other liabilities, net		**23,309**		13,803
Income taxes paid, net		**(21,450)**		(10,256)
Interest received		**545,965**		551,221
Interest paid		**(140,009)**		(192,405)
Net cash from operating activities		**247,413**		517,397
Cash flows from (used in) investing activities				
Additions to intangible assets		**(7,705)**		(12,823)
Additions to property and equipment, and investment property		**(9,815)**		(11,181)
Proceeds on disposal of property and equipment, and investment property		**162**		321
Proceeds on disposal of assets held for sale		**12,764**		18,198
Purchase of Alberta Central shares		**(8,418)**		(963)
Distributions from Alberta Central		**3,287**		5,872
Proceeds from investments, net		**588,937**		(427,837)
Net cash from (used in) investing activities		**579,212**		(428,413)
Cash flows from (used in) financing activities				
Advances of securitization liabilities		**155,618**		494,939
Repayments of securitization liabilities		**(560,518)**		(481,236)
Repayments of principal portion of lease liabilities		**(5,091)**		(5,168)
Shares issued		**34,017**		19,816
Shares redeemed		**(36,397)**		(36,141)
Net cash used in financing activities		**(412,371)**		(7,790)
Increase in cash and cash equivalents		**414,254**		81,194
Cash and cash equivalents, beginning of year		**188,954**		107,760
Cash and cash equivalents, end of year	**$**	**603,208**	$	188,954

[(1)] Net interest income includes a fair value loss (gain) on derivatives for the year ended October 31, 2021 of $17,514 (2020 - $(680))

The accompanying notes are an integral part of these Consolidated Financial Statements.

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, serving 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 Consolidated Financial Statements (financial statements) of the Credit Union have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The significant accounting policies applied in the preparation of the financial statements are described in Note 3.

The financial statements for the year ended October 31, 2021, were authorized for issue by the Board of Directors on January 20, 2022.

Basis of Measurement
The financial statements have been prepared using the historical cost basis except for financial instruments classified as fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI).

Functional Currency
The financial statements are presented in Canadian dollars (Canadian $), which is the Credit Union's functional currency.

Use of Estimates, Assumptions and Critical Judgments
The preparation of the financial statements requires management to make estimates, assumptions and critical judgments 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 and assumptions have been used in the following areas: income taxes; deferred tax assets and liabilities; fair values of financial instruments; expected credit losses; measurement of provisions; the useful lives of property, equipment, and intangible assets; valuation of leased assets and lease liabilities; credit card points liability; 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.

Critical judgments have been made in the following areas: impairment of non-financial assets, modification and derecognition of assets, expected credit losses (ECL), classification of financial instruments, valuation of leased assets and lease liabilities, consolidation of structured entities and accounting for investment in associate.

The COVID-19 pandemic continues to have an impact on judgments as well as significant estimates and assumptions made by management in preparing the Condensed Consolidated Financial Statements. Refer to Note 8 for more information on significant judgments made to estimate the ECL.

In response to the COVID-19 pandemic, beginning in 2020, the Credit Union put in place relief measures for personal and business members who are having trouble meeting their financial obligations and participated in the Canada Emergency Business Account (CEBA) program, Business Credit Availability Program (BCAP), and the Highly Affected Sectors Credit Availability Program (HASCAP) of the Government of Canada.

2. BASIS OF PRESENTATION (CONTINUED)

The main effects that the COVID-19 pandemic has had on the Credit Union's profit and loss and consolidated statement of financial position as at October 31, 2021 are:

- Reduced interest income and expense due to lower interest rates; however margin has improved.
- Various government programs have also significantly mitigated the strong economic turbulence and the Credit Union is not experiencing the significant loan losses that were expected at October 31, 2020. Significant recoveries are recorded in 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation
The financial statements of the Credit Union include the assets, liabilities, income and expenses of subsidiaries and structured entities after elimination of inter-company transactions.

Subsidiaries are entities controlled by the Credit Union. Control is achieved when all of the following conditions are met:

- Existing rights that give the investor the ability to direct the relevant activities of the investee (the activities that significantly affect the investee's returns)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of investor's return

The financial statements of subsidiaries are included in the Credit Union's Consolidated Financial Statements from the date that control commences until the date that control ceases. The financial statements of the subsidiaries have been prepared using accounting policies consistent with the Credit Union.

Subsidiaries
Included in the financial statements are the accounts of the Credit Union and the following subsidiaries:

- The Credit Union's 100% ownership interest of Servus Wealth Strategies Ltd., which provides wealth management services
- The Credit Union's 100% ownership interest of 2190730 Alberta Ltd. and 2190769 Alberta Ltd., which provide registry services
- The Credit Union controls the benefits of three registry services, which are structured entities and have been consolidated

Investment in Associate
Investment in associate include any entities over which the Credit Union has significant influence but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Credit Union Central of Alberta (Alberta Central) is the only entity classified as investment in associate for the reporting period.

The Credit Union holds over 50% of the common shares in Alberta Central; however, the Credit Union is limited, by the bylaws, to only 5 positions out of a possible 14 appointed board members. The remaining shares are owned by various credit unions within Alberta. Based on Alberta Central's governance structure, which requires 66.6% majority vote to change, management has concluded that the Credit Union does not control Alberta Central. Refer to Note 16 for the Credit Union's percentage of ownership in Alberta Central.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in associate is accounted for using the equity method and is initially recognized at cost. Subsequent to the date of acquisition, the carrying amount is increased or decreased to recognize the Credit Union's share of the associates' net income or loss, including the proportionate share of the associates' other comprehensive income. Dividends received are recorded as a reduction in the carrying amount.

Financial Instruments — Classification and Measurement

All financial assets are measured either at amortized cost, FVOCI or FVTPL based on their contractual cash flow characteristics and the business model for managing the financial assets. All financial instruments are initially measured at fair value and are recognized at the trade date, when the Credit Union becomes a party to the contractual provisions of the instrument. Transaction costs on financial instruments classified as FVTPL are expensed as incurred. For all other classifications of financial instruments, only initial transaction costs are capitalized.

The solely payment of principal and interest (SPPI) test is used to assess the classification and requires that the contractual terms of the financial asset (as a whole) give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding i.e. cash flows that are consistent with a basic lending arrangement. Principal is defined as the fair value of the asset at initial recognition. Interest for the purpose of this test is defined as the consideration for the time value of money and credit risk, which are most significant elements of interest within the lending arrangement.

The Credit Union's business models are determined in a manner that reflects how groups of financial assets are managed in order to generate cash flows, that is, they reflect whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Determining business models requires the use of judgment and is based on all relevant evidence available at the date of the assessment.

The Credit Union's business models are defined as follows:

- Held to collect contractual cash flows;
- Held to collect contractual cash flows and sell;
- Other business models: The objective is not consistent with any of the above mentioned business models and represent business objectives where assets are managed on a fair value basis.

Financial assets are not reclassified following their initial recognition, unless the business model for managing those financial assets changes.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The below table outlines how the Credit Union has classified its financial assets and liabilities:

Classification and Measurement	Amortized Cost	Fair Value Through Other Comprehensive Income (FVOCI)	Fair Value Through Profit or Loss (FVTPL)
Cash and cash equivalents	▼		
Accounts receivable	▼		
Investments - term deposits with Alberta Central	▼		
Investments - term deposits with other financial institutions	▼		
Investment shares in entities			▼
Shares in Concentra Trust			▼
Members' loans	▼		
Securitized mortgage pools	▼		
Derivatives - interest rate swaps			▼
Derivatives - equity linked options			▼
Members' deposits	▼		
Trade payables and other liabilities	▼		
Borrowings and securitization liabilities	▼		
Investment share liability portion			▼

Financial Assets Measured at Amortized Cost
Financial assets under the held to collect contractual cash flows business model and with contractual cash flows that pass the SPPI test are measured at amortized cost. The assets are initially recognized at fair value which is the cash consideration to originate or purchase the asset, including any transaction costs, and is subsequently measured at amortized cost using the effective interest rate method. Financial assets measured at amortized cost are reported in the consolidated statement of financial position as cash and cash equivalents, accounts receivable, term deposits in Alberta Central, term deposits held with other financial institutions, and members' loans. Interest is included in the consolidated statement of income as part of net interest income.

For member loans, ECL are reported as a deduction in the loan’s carrying value on the consolidated statement of financial position and are recognized in the consolidated statement of income as a provision for credit losses.

Financial Assets at Fair Value through Other Comprehensive Income
Financial assets under the held to collect contractual cash flows and sell business model and where contractual cash flows meet the SPPI test are measured at FVOCI. Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income (OCI). Interest income is included in the consolidated statements of income in net interest income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets and Liabilities at Fair Value through Profit and Loss
Financial assets that are measured at FVTPL fall into two categories:

- Financial assets that are required to be measured at fair value as a result of the business model for managing those assets.
- Financial assets designated by the Credit Union as FVTPL upon initial recognition.

Interest income and expense on these financial assets designated as FVTPL are included in net interest income.

Equity instruments are measured at FVTPL. Fair value changes are recorded as part of other income in the consolidated statement of income.

The liability portion of investment shares and derivative contracts are also measured at FVTPL. Gains and losses arising from changes in fair value are included in the consolidated statement of income as part of net interest income.

In the ordinary course of business, the Credit Union enters into various derivative contracts, including interest rate forwards, swaps, and options. The Credit Union enters into such contracts principally to manage its exposure to interest rate fluctuations as part of its asset/liability management program. The Credit Union does not apply hedge accounting to its derivative portfolio.

The Credit Union may also designate any financial asset or liability as FVTPL where the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Liabilities Measured at Amortized Cost
Financial liabilities that do not meet the criteria for the FVTPL classification fall into this category and include members' deposits, borrowings, securitization liabilities and trade payables and other liabilities. These are measured at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

Impairment of Financial Assets
The Credit Union records an allowance for credit losses for all financial assets that are measured at amortized cost or at FVOCI. This also includes loan commitments and financial guarantee contracts. Equity investments are not subject to impairment. Impairment losses are measured based on the estimated amount and timing of future cash flows, and collateral values.

For loans carried at amortized cost, impairment losses are recognized at each reporting date as an expected credit loss deduction from the financial asset on the consolidated statement of financial position, and as a provision for credit losses on the consolidated statement of income. Losses are based on a three-stage impairment model outlined below.

For financial assets measured at FVOCI, the calculated expected credit loss does not reduce the carrying amount in the consolidated statement of financial position, which remains at fair value. Instead, the allowance is recognized in OCI as an accumulated impairment amount with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is reclassified to profit and loss when the asset is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement of Expected Credit Losses
At each reporting date, the Credit Union recognizes an ECL allowance based on an impairment model that comprises three different stages:

- Stage 1: For financial instruments that have not had a significant increase in credit risk since initial recognition and are not considered credit impaired financial assets at initial recognition, a loss allowance amounting to 12-month expected credit losses is recognized.
- Stage 2: For financial instruments that have had a significant increase in credit risk since initial recognition but are not considered credit impaired financial assets, a loss allowance amounting to the lifetime expected credit losses is recognized.
- Stage 3: For financial instruments considered credit impaired, a loss allowance amounting to the lifetime expected credit losses continues to be recognized.

Stage 1 and 2 are considered to be performing loans and Stage 3 consists of credit impaired loans. Financial instruments may, over their life, move from one impairment model stage to another based on the improvement or deterioration in their credit risk and the level of expected credit losses. Instruments are categorized based on the change in credit risk from origination (initial recognition) to current reporting date.

Forward-Looking Information
Forward-looking information (FLI) is incorporated into the measurement of ECL. The following factors have been determined to be most relevant to the Credit Union:

- Alberta unemployment rate
- Canadian unemployment rates (Mastercard book only)
- Alberta housing price index
- Spread between the three month Banker's Acceptance rate and the three month Government of Canada bond rate

These factors are customized to each major loan grouping, taking into account any lag factors and are updated quarterly. The model includes forecasts for these FLIs for the next 20 quarters and then uses a weighted average of three scenarios (base, best, and worst) of these FLIs to calculate ECL. These scenarios are intended to address the variety of possible outcomes in the forecast. The weighting of these scenarios is assessed quarterly by a committee comprised of accounting, credit, risk and banking operations.

As the inputs used may not capture all factors, particular region specific qualitative adjustments (management overlays) may be applied at the reporting date.

Expected Life
For loans in Stages 2 and 3, ECL allowances are calculated over the loan’s expected remaining lifetime. For most loans, the life is based on the remaining contractual term. Exceptions can apply if the loan has the following characteristics:

- includes both a loan and an undrawn commitment component;
- the lender has the contractual ability to demand repayment and cancel the undrawn commitment; and
- there is no stated contractual term (i.e., credit cards, home equity lines of credit (HELOC's) and revolving lines of credit).

In these cases, ECL's are estimated using a conditional survival curve to determine the expected remaining lifetime.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Increase in Credit Risk
Movement in the stages relies on judgment to assess whether a loan's credit risk has significantly increased relative to the date the loan was initially recognized. For this assessment, an increase in credit risk is considered at the instrument level.

Assessing for significant increases in credit risk is performed quarterly based on the following factors. Should any of these factors indicate a significant increase in credit risk, the loan is moved to the appropriate stage:

- Credit risk ratings: commercial and agriculture loans use an internal risk rating, personal and residential mortgages use FICO scores
- Loans 30 days past due are typically considered to have experienced a significant increase in credit risk (Stage 2)
- Loans 90 days past due are typically considered to be credit impaired (Stage 3) unless other factors are known
- Other factors known by the Credit Union are also used as appropriate to determine staging if different from above. This can include, but is not limited to, information gathered in the collections process.

If a member's credit risk increases significantly from initial recognition, the loan associated with that member will increase to the next stage level. If these conditions reverse and the member's credit risk recovers to its initial rating or better, the loan will move back a stage.

Financial assets with low credit risk are considered to have a low risk of default, as the borrower is still able to fulfill their contractual obligations even under stress scenarios. These financial assets have been assessed collectively and include Alberta Central term deposits, term deposits held with other financial institutions, accounts receivable, letters of credit and letters of guarantee.

Default
The Credit Union has defined default as any credit instrument that meets at least one of the following criteria:

- 90 or more days past due, unless other factors rebut this presumption.
- Less than 90 days past due but the Credit Union has information indicating that the member is unlikely to pay their credit obligations in full. Examples include member bankruptcy and breach of covenants.

Write-Offs
The Credit Union seeks to work with members to bring their accounts to a current status before taking possession of collateral. Amounts are written off where there is no realistic prospect of future recovery. The amount charged to the allowance consists of the remaining balance after cost to collect and collateral has been realized. Credit cards are written off after 180 days past due. These balances could however still be subject to enforcement actions. In subsequent periods, any recoveries of amounts previously written off are credited to the allowance for credit losses in the consolidated statement of financial position.

Modifications
A modification is when a loan's original terms, payment schedule, interest rate or limit are renegotiated, or an existing financial asset is replaced with a new one resulting in a change to the loan's contractual cash flows. The Credit Union can modify the contractual terms to provide more competitive pricing or to grant concessions to a borrower experiencing financial difficulty.

When a modification occurs, it must be assessed to determine if the financial asset should be derecognized. If the result is a modification, the origination date used to determine a significant increase in credit risk does not change. When the modification is considered substantial, the financial asset is derecognized and the date of the modification becomes the new origination date and the loan is recognized at its fair value at that date. Other derecognition criteria is described in the following section.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The impact of a modification is calculated by taking the net present value of the new contractual cash flows, discounted at the original effective interest rate (EIR) less the current carrying value, with the difference recognized as a gain or loss. The gain or loss is recorded in other income in the consolidated statement of income.

Financial Instruments — Derecognition
Financial assets are derecognized when the rights to receive cash flows from the asset have expired or substantially all the risks and rewards of the assets have been transferred. If the Credit Union has neither transferred nor retained substantially all the risks and rewards of the financial asset, it will assess whether it has retained control over the asset. If the Credit Union determines that control has not been retained, it will derecognize the transferred asset.

In the securitization of residential and commercial mortgage loans, the Credit Union retains all the risks and rewards. These mortgages are not derecognized and a liability for cash proceeds from securitization is recognized in the consolidated statement of financial position.

Financial liabilities are derecognized when the obligation has been discharged, cancelled or expired.

Impairment of Non-Financial Assets
The Credit Union assesses at each reporting date whether there is an indication that an asset may be impaired. If there is an indication of impairment, the Credit Union performs an impairment test. In addition, intangible assets that are not yet available for use or that have indefinite lives are tested for impairment annually.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. Fair value is estimated based on recent transactions for similar assets within the same industry. Value in use is estimated based on discounted net cash flows from continuing use and the ultimate disposal of an asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows.

The Credit Union also assesses at each reporting date whether the conditions that caused a previous impairment to be recognized no longer exist. If the conditions that cause an impairment no longer exist, the recoverable amount is reassessed and the previous impairment loss reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Impairments and reversals of impairment are recognized within impairment of assets expense in the consolidated statement of income.

Cash and Cash Equivalents
Cash and cash equivalents, which comprise cash on hand, ATM cash, cash held in foreign currencies, the current account with Alberta Central, cash in other financial institutions and items in transit, are recorded at amortized cost in the consolidated statement of financial position. Cash equivalents are highly liquid financial assets with maturities of three months or less from the acquisition date and are used by the Credit Union in the management of short-term commitments.

Derivative Financial Instruments
Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, equity instrument or index.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative contracts are used to manage financial risks associated with movements in interest rates and other financial indices. The Credit Union does not use derivative instruments for trading or speculative purposes. Quotes are based on current observable market data to estimate the fair value of all derivative financial instruments on the consolidated statement of financial position.

Derivatives with positive fair values are recorded in derivative financial assets, while derivatives with negative fair values are recorded in derivative financial liabilities. The realized and unrealized gains and losses on derivative financial instruments are recorded in net interest income in the consolidated statement of income.

Derivative financial instruments may also be embedded in other financial instruments. For financial assets containing an embedded derivative, the entire contract is classified based on the business model and contractual terms. Derivative financial instruments embedded in financial liabilities and non-financial contracts are separated from the host contract and accounted for separately when certain criteria are met: their economic characteristics and risks are not closely related to the host contract, they meet the definition of a derivative financial instrument, and the host contract is not classified as FVTPL.

Estimated Fair Value
The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When financial instruments are subsequently remeasured to fair value, quoted market prices or dealer price quotations in an active market provide the best evidence of fair value, and when such prices are available, the Credit Union uses them to measure financial instruments. Where independent quoted market prices are not available, fair value is determined by reference to arm's-length market transactions for similar instruments, the current fair value of other instruments having substantially the same terms, conditions and risk characteristics or through the use of valuation techniques.

Through valuation techniques, fair value is estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows. Some of the inputs to these models may not be market observable and are therefore based on assumptions.

Some of the Credit Union's financial instruments classified as FVTPL lack an available trading market and are intended to be held to maturity; therefore, fair values are based on estimates using present value and other valuation techniques. These techniques are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk. Due to this estimation process the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The level in the fair value hierarchy within which the financial assets or liabilities are categorized is based on the lowest level of input that is significant to the fair value measurement. Financial assets and liabilities held at fair value through profit or loss are classified in their entirety in one of following three levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held for Sale

Assets that are expected to be recovered principally through sale rather than through continuing use are classified as held for sale. Assets held for sale include property and land previously used by the Credit Union and property that has been repossessed following foreclosure on loans that are in default. The Credit Union follows procedures in place to dispose of these assets.

Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell and are not depreciated. An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell but not exceeding any cumulative impairment losses previously recognized. Impairment losses are recognized in the impairment of assets expense and gains are recognized in general operating expenses on the consolidated statement of income.

If the Credit Union has classified an asset as held for sale, but the recognition criteria are no longer met, then the Credit Union ceases to classify the asset as held for sale. The Credit Union measures an asset that ceases to be classified as held for sale at the lower of either:

(i) The carrying amount before the asset was classified as held for sale, adjusted for any depreciation that would have been recognized had the asset not been classified as held for sale

(ii) Its recoverable amount at the date of the subsequent decision not to sell

Any required adjustments to the carrying amount of an asset that ceases to be classified as held for sale will be recognized in general operating expenses in the period in which the recognition criteria are no longer met.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures and borrowing costs that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing items and restoring the site on which they are located.

When parts of property and equipment have different useful lives, they are accounted for as separate items of property and equipment. Additions and subsequent expenditures are capitalized if they enhance the future economic benefits expected to be derived from the assets. The cost of day-to-day servicing of property and equipment is recognized as general operating expenses as incurred.

Depreciation is calculated based on the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recorded commencing in the month the asset becomes available for use; no depreciation is recorded in the month of disposal. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized within general operating expenses.

Depreciation is recognized within operating expenses on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	10 to 40 years
Furniture, office equipment and vehicles	4 to 15 years
Leasehold improvements	Lease term plus any applicable extensions
Computer equipment	3 to 5 years

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property and equipment are reviewed annually.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Property
The Credit Union's investment property consists of land and buildings held to earn rental income. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Property held for use in the supply of service to members or for administrative use, that has a portion that earns rental income, is allocated between investment property and property and equipment based on the floor space usage when the rental space is more than 10%.

Depreciation is recorded commencing in the month the asset becomes available for use. No depreciation is recorded in the month of disposal. An investment property is derecognized upon disposal or the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized within general operating expenses in the year of the disposal.

Depreciation is recognized within operating expenses on a straight-line basis over the estimated useful life of the investment property. Land is not depreciated.

The estimated useful lives used for investment property are consistent with property and equipment.

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of investment property are reviewed annually.

Intangible Assets
Intangible assets with a finite life are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and borrowing costs.

The cost of internally generated assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Intangible assets that are developed for internal use are capitalized only if it is probable that future economic benefits will be obtained from use of the asset and that the development costs can be measured reliably. Other development expenditures are recognized within operating expenses as incurred. Additions and subsequent expenditures are capitalized only when it increases the future economic benefits expected to be derived from the specific asset to which it relates.

Amortization is calculated based on the amortizable amount, which is the cost of an asset less its residual value. Amortization is recorded commencing in the month the asset becomes available for use; no amortization is recorded in the month of disposal. Gains and losses on disposal of an intangible asset are determined by comparing the proceeds from disposal with the asset's carrying amount and are recognized within general operating expenses.

Amortization is recognized within operating expenses on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for the current and comparative periods are as follows:

Computer software and development costs	3 to 15 years
Credit card related intangible	10 years
Computer software under development	Indefinite life

Amortization rates, methods and the residual values underlying the calculation of amortization of items of intangible assets are reviewed annually.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases
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. Leases are recognized at the lease commencement date.

The Credit Union as a Lessee
At initial recognition, the leased asset (right-of-use 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. Lease liability is measured at amortised cost using the effective interest rate (EIR). 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 leases. 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.

Provisions
A provision is recognized if, as a result of a past event, the Credit Union has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the present value of the expected amount required to settle the obligation, taking into account the risks and uncertainties surrounding the obligation.

Employee Benefits
The Credit Union provides certain pension and other benefits to employees as follows:

Short-Term Employee Benefits
Short-term employee benefits, such as salaries, incentive pay programs, vacation, medical benefits, allowances, paid absences, and other benefits including any related payroll taxes, are accounted for on an accrual basis over the period in which employees provide the related services. The benefits are expensed as part of personnel expenses in the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Termination Benefits
Termination benefits are recognized when the Credit Union is committed to terminating the employment of a current employee according to a formal plan without possibility of withdrawal. Termination benefits are expensed as part of personnel expenses in the consolidated statement of income.

Post-Employment Benefits
Defined Contribution Registered Retirement Savings Plan
The Credit Union offers employees a defined contribution registered retirement savings plan where contributions are made by both the Credit Union and the employee. Contributions are based on a percentage of salary, and no further contributions are required once the employee retires or leaves the Credit Union. Obligations for contributions to defined contribution plans are recognized in personnel expense in the consolidated statement of income when they are due.

Defined Benefit Plans
The Credit Union provides a defined benefit supplemental pension plan and a post-retirement benefits plan to qualifying employees. Post-retirement benefits include extended health care, dental care and life insurance. The Credit Union's net obligation in respect of both defined benefit plans is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of turnover rates, salary escalation, retirement ages, expected health care costs and other actuarial factors. The present value of the obligation is determined by discounting the estimated future cash outflows. The discount rate is the yield at the reporting date on high-quality fixed income investments that have maturity dates approximating the terms of the Credit Union's obligations.

Past service costs are recognized immediately within personnel expense, unless the changes to the plan are conditional on employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period. The Credit Union recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income.

Members' Shares
Members' share capital includes common and investment shares and are recorded as a part of equity unless there is right to redemption that is unrestricted which is then recorded as a liability. Dividends on shares are recognized as a liability in the year in which they are declared by the Board of Directors. Dividends will be calculated on the Credit Union fiscal year end and paid annually. Cash dividends are recorded through retained earnings.

Shares that provide the member with the right to request redemption subject to the Credit Union maintaining adequate regulatory capital are initially measured at the fair value of a similar liability without a right to redemption option.

Revenue Recognition
Interest Income and Expense
Interest income and expense earned and charged on members' loans, deposits, credit cards and investments are recognized within interest income and interest expense using the effective interest method. The effective interest method calculates the amortized cost of a financial asset or financial liability and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts the estimated future cash receipts through the expected life of the financial asset or liability. The calculation of the effective interest rate includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Commissions and Fees
Commissions and fees that are considered an integral part of the effective interest rate are amortized over the life of the loan and included in net interest income. Typically, commissions and fees that are not an integral part of the effective interest rate, including insurance commissions and mortgage prepayment penalties, are recognized as income when charged to members. Other fees and commissions, such as mutual fund trailer fees, are recognized when earned.

Other Revenue
Other revenue is recognized using a principle based five step model to be applied to all contracts with customers, either at a point in time or recognized over time, based on when performance obligations are satisfied.

Credit Card Fees
Revenue from interchange fees related to loyalty points are deferred and are recognized at a point in time as points are redeemed, as this is when the performance obligation is satisfied.

Other Income
Other income such as account service charges, safety deposit box rentals, and income from registries are recognized at a point in time when the services are provided, which is when the performance obligations are satisfied.

Patronage Allocation to Members
Patronage allocations to members are recognized in the consolidated statement of income when circumstances indicate that the Credit Union has a constructive obligation where it has little or no discretion to deny payment and where it can make a reasonable estimate of the amount required to settle the obligation.

Income Taxes
Income tax expense comprises current and deferred tax and is recognized in the consolidated statement of income except to the extent that it relates to items that are recognized in other comprehensive income or directly in equity. Tax impacts that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years. Current tax for current and prior years is recognized as a liability to the extent that it is unpaid.

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination, and that affects neither accounting nor taxable profit or loss, and
- differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured on the tax rates that are expected to be in effect in the period the asset is realized, or the liability is settled based on the tax rate and tax laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same authority on the same taxable entity or on different tax entities but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

Financial Guarantees
Financial guarantees represent an irrevocable obligation to make payments to a third party in certain situations. Guarantees include contracts or indemnities that contingently require the Credit Union to make payments (either in the form of an asset or in the form of services) to another party based on changes in an asset, liability or equity the other party holds; failure of a third party to perform under an obligation agreement; or failure of a third party to pay its indebtedness when due. The term of these guarantees varies according to the contract.

Foreign Currencies
Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing on the reporting date. Income and expenses denominated in foreign currencies are translated into Canadian dollars at average rates through the year. Gains and losses resulting from translation are recorded in other income.

4. CURRENT AND FUTURE ACCOUNTING CHANGES

Adoption of Standards in the Current Year

In the current year, the Credit Union has adopted the following accounting standards and determined that they do not have an impact on the financial statements:

<u>Conceptual Framework</u>
In March 2018, the IASB issued the revised Conceptual Framework for financial reporting, which includes revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation, and disclosure. The conceptual framework is used to develop accounting policies when no IFRS applies to a transaction.

<u>IFRS 3 Business Combinations</u>
In October 2018, the IASB issued amendments to IFRS 3 clarifying the definition of a business and is aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments include changes to Appendix A Defined Terms, the application guidance, and the illustrative examples of IFRS 3 only.

<u>IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</u>
In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

<u>Interest Rate Benchmark Reform</u>
In September 2019, the IASB issued amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Financial Instruments: Disclosures. The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. In addition, specific disclosures relating to the reform and its impact on entities’ hedging relationships is required.

4. CURRENT AND FUTURE ACCOUNTING CHANGES (CONTINUED)

Covid-19-Related Rent Concessions
In March 2021, the IASB issued COVID-19 Related Rent Concessions Beyond June 30, 2021 (amendment to IFRS 16) to extend the May 2020 amendment by one year. The amendment provides lessees with an exemption from assessing whether a COVID 19-related rent concession granted until June 30, 2022 (previously June 2021) is a lease modification. The amendment is effective for annual reporting beginning on or after April 1, 2021. Earlier application is also permitted. The Credit Union has early adopted this amendment and has no COVID-19 related rent concessions.

Future Accounting Changes

Effective for the Credit Union — November 1, 2021

The Credit Union has assessed the following accounting standards effective November 1, 2021 and determined that they will have no impact on the financial statements:

Interest Rate Benchmark Interbank Offered Rate Reform Phase 2
In August 2020, the IASB published proposals for amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts, and IFRS 16 Leases. The amendments provide guidance to address issues that may affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The proposed amendments relate to the modification of financial assets and financial liabilities, including lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the Board's proposals for classification and measurements and hedge accounting.

Effective for the Credit Union — November 1, 2022

The impact to the Credit Union of the standards effective November 1, 2022 is not yet assessed:

Annual Improvements to IFRS Standards 2018–2020
In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020, amending a number of standards as part of their annual improvements project. The amendment made to IFRS 9 Financial Instruments clarifies which fees are included when applying the "10% test" to assess whether a financial liability is derecognized. To enhance clarity of the treatment of lease incentives under IFRS 16 Leases, Illustrative Example 13 has been amended to remove the illustration of the reimbursements made by the lessor for leasehold improvements.

IAS 16 Property, Plant and Equipment
In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16). The amendment prohibits deducting from the cost of property, plant, and equipment any proceeds from selling items produced while readying the assets for use. Instead, the proceeds from selling such items, and the cost of producing those items, must be recognized in profit or loss.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets
In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37). The amendment clarifies that the cost of fulfilling a contract is included for the purposes of determining whether a contract is onerous or not. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate of fulfilling the contract.

(Canadian $ thousands, except per share amounts)

4. CURRENT AND FUTURE ACCOUNTING CHANGES (CONTINUED)

Effective for the Credit Union — November 1, 2023

The impact to the Credit Union of the standards effective November 1, 2023 is not yet assessed:

IAS 1 Presentation of Financial Statements
In January 2020, the IASB issued amendments to IAS 1 to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. In July 2020, the IASB issued amendments to IAS 1 to defer the effective date of the January 2020 amendments from annual periods beginning on or after January 1, 2022 to January 1, 2023.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). IAS 1 amendments require an entity to disclose its material accounting policies instead of its significant accounting policies and provide guidance on how an entity can identify material accounting policy information. In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

Definition of Accounting Estimates (Amendments to IAS 8)
In February 2021, the IASB published Definition of Accounting Estimates (Amendments to IAS 8). The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates, where accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
In May 2021, the IASB published Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

5. CASH AND CASH EQUIVALENTS

		As at October 31 2021		As at October 31 2020
Cash on hand	**$**	**16,953**	$	12,868
ATM cash		**9,001**		9,385
Cash held in foreign currencies		**388**		529
Cash with Alberta Central		**377,270**		166,337
Cash with other financial institutions		**200,000**		-
Cheques and items in transit		**(404)**		(165)
Total	**$**	**603,208**	$	188,954

(Canadian $ thousands, except per share amounts)

6. INVESTMENTS

	As at October 31 2021	As at October 31 2020
Term deposits with Alberta Central	$ 1,035,562	$ 1,274,511
Term deposits with other financial institutions	-	350,000
Other	288	276
	1,035,850	1,624,787
Accrued interest	552	2,599
	1,036,402	1,627,386
ECL allowance on investments	(1)	(1)
Total	$ 1,036,401	$ 1,627,385

7. 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 October 31, 2021						
Residential mortgages	$ 8,132,740	$ 503,687	$ 9,124	$ 8,645,551	$ 4,996	$ 8,640,555
Commercial and agriculture	5,439,573	177,727	37,707	5,655,007	23,136	5,631,871
Consumer and credit card	978,675	72,402	2,504	1,053,581	11,528	1,042,053
Total members' loans	$ 14,550,988	$ 753,816	$ 49,335	$ 15,354,139	$ 39,660	$ 15,314,479
As at October 31, 2021						
Residential mortgages	$ 2,107,012	$ 15,253	$ 837	$ 2,123,102	$ 379	$ 2,122,723
Commercial and agriculture	1,290,848	4,402	141	1,295,391	813	1,294,578
Consumer and credit card	1,066,550	15,595	626	1,082,771	4,303	1,078,468
Loan commitments and guarantees *	47,906	-	-	47,906	83	47,823
Total off balance sheet credit instruments	$ 4,512,316	$ 35,250	$ 1,604	$ 4,549,170	$ 5,578	$ 4,543,592

*collectively assessed

	Performing		Impaired			
	Stage 1	Stage 2	Stage 3	Total	Allowance for Credit Losses	Total Net of Allowance
As at October 31, 2020						
Residential mortgages	$ 7,879,028	$ 578,863	$ 23,075	$ 8,480,966	$ 6,983	$ 8,473,983
Commercial and agriculture	4,850,499	386,648	53,031	5,290,178	43,807	5,246,371
Consumer and credit card	1,041,674	95,557	3,822	1,141,053	16,144	1,124,909
Total members' loans	$ 13,771,201	$ 1,061,068	$ 79,928	$ 14,912,197	$ 66,934	$ 14,845,263
As at October 31, 2020						
Residential mortgages	$ 2,040,368	$ 13,881	$ 910	$ 2,055,159	$ 360	$ 2,054,799
Commercial and agriculture	1,153,117	4,925	245	1,158,287	1,394	1,156,893
Consumer and credit card	1,045,693	17,239	673	1,063,605	5,749	1,057,856
Loan commitments and guarantees *	46,651	-	-	46,651	59	46,592
Total off balance sheet credit instruments	$ 4,285,829	$ 36,045	$ 1,828	$ 4,323,702	$ 7,562	$ 4,316,140

*collectively assessed

8. ALLOWANCE FOR CREDIT LOSSES

Key Data and Assumptions
Estimating the allowance for ECL is based on a set of inputs, assumptions and methodologies placed around credit risk and future looking macroeconomic indicators and therefore requires significant judgment. Management has made complex and subjective judgments to assess the adequacy of the assumptions used to calculate the ECL at October 31, 2021.

These inputs and assumptions are assessed each reporting period considering both positive and negative aspects of the current economic environment. ECL models use some historical information in their methodologies and assumptions, and therefore are not able to address all considerations of the current economic state. Additional analysis and an amount added to model results as a management overlay, which is calculated outside of the model based on analyses, may be required. The best information available as at the reporting date is used in the model and in all additional analysis.

The Credit Union uses a model created by Central 1 Credit Union (the model) to estimate the ECL. Changes in inputs and the assumptions used have an impact on the assessment of significant increase in credit risk and the measurement of ECLs. The main areas where judgment is used in the ECL model is in the assessment of whether there is a significant increase in credit risk on 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 macroeconomic factors used in the model that affect the Credit Union ECL calculations are:
- Alberta unemployment rates
- Canadian unemployment rates (Mastercard book only)
- Alberta housing price index
- The rate spread between the three-month Bank of Canada bond and three-month Bankers' Acceptance rates.

Each factor is forecast in three scenarios, a base case, a best case and a worst-case scenario. These scenarios are weighted, and the weighted average is used to build the calculated estimate for ECL. Sensitivities around the weights of the FLIs are also performed each reporting period by assessing the forecasts for each of the base, best and worst-case scenarios and determining the probability of each scenario. At October 31, 2021, management concluded that weighting to be used is a 60% base, 20% best and 20% worst-case (October 31, 2020 - 60% base, 20% best and 20% worst-case).

Where a sensitivity analysis shows that the loan book has a risk that is not adequately covered by the model calculation, the sensitivity is used to provide justification for a management overlay to be applied to the ECL calculated by the model. These analyses are performed and assessed each reporting period to estimate the amount of a management overlay amount to add to the model results.

At October 31, 2021, management has applied an overlay of $3.5 million (October 31, 2020 - $14.0 million) on the commercial, consumer, and credit card book.

(Canadian $ thousands, except per share amounts)

8. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

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 October 31, 2020	**$**	**7,343**	**$**	**45,201**	**$**	**21,893**	**$**	**59**	**$**	**74,496**
Recoveries of previous loan write-offs		**25**		**421**		**5,519**		**-**		**5,965**
Provision (recovery) charged to net income		**1,674**		**(14,361)**		**(900)**		**24**		**(13,563)**
		9,042		**31,261**		**26,512**		**83**		**66,898**
Loans written off		**(3,667)**		**(7,312)**		**(10,681)**		**-**		**(21,660)**
As at October 31, 2021	**$**	**5,375**	**$**	**23,949**	**$**	**15,831**	**$**	**83**	**$**	**45,238**
Presented on Consolidated Statement of Financial Position as:										
Netted with members' loans		**4,996**		**23,136**		**11,528**		**-**		**39,660**
Off balance sheet credit instruments [(2)]		**379**		**813**		**4,303**		**83**		**5,578**
Total	**$**	**5,375**	**$**	**23,949**	**$**	**15,831**	**$**	**83**	**$**	**45,238**

		Residential Mortgages		Commercial and Agriculture		Consumer and Credit Card		Collectively Assessed [(1)]		Total
As at October 31, 2019	$	5,107	$	19,543	$	20,176	$	112	$	44,938
Recoveries of previous loan write-offs		1		280		4,978		-		5,259
Provision (recovery) charged to net income		4,466		28,419		12,458		(53)		45,290
		9,574		48,242		37,612		59		95,487
Loans written off		(2,231)		(3,041)		(15,719)		-		(20,991)
As at October 31, 2020	$	7,343	$	45,201	$	21,893	$	59	$	74,496
Presented on Consolidated Statement of Financial Position as:										
Netted with members' loans		6,983		43,807		16,144		-		66,934
Off balance sheet credit instruments [(2)]		360		1,394		5,749		59		7,562
Total	$	7,343	$	45,201	$	21,893	$	59	$	74,496

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

The (recovery) provision charged to net income is:

			Year Ended October 31 2021		Year Ended October 31 2020
Loans		**$**	**(13,563)**	$	45,290
Investments	Note 6		**-**		(1)
(Recovery of) provision for credit losses		**$**	**(13,563)**	$	45,289

(Canadian $ thousands, except per share amounts)

8. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

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

Allowance for credit losses – Residential Mortgages

	Performing		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at October 31, 2020	**$ 1,996**	**$ 3,858**	**$ 1,489**	**$ 7,343**
Transfers				
Stage 1 (1)	**460**	**(458)**	**(2)**	**-**
Stage 2 (1)	**(1,845)**	**2,060**	**(215)**	**-**
Stage 3 (1)	**(219)**	**(1,145)**	**1,364**	**-**
New originations (2)	**643**	**607**	**-**	**1,250**
Repayments (3)	**(337)**	**(337)**	**(821)**	**(1,495)**
Remeasurements (4)	**1,583**	**(2,090)**	**2,426**	**1,919**
Loans written off	**-**	**-**	**(3,667)**	**(3,667)**
Recoveries	**-**	**-**	**25**	**25**
As at October 31, 2021	**$ 2,281**	**$ 2,495**	**$ 599**	**$ 5,375**
Presented on Consolidated Statement of Financial Position as:				
Netted with members' loans	**1,968**	**2,430**	**598**	**4,996**
Off balance sheet credit instruments	**313**	**65**	**1**	**379**
Total	**$ 2,281**	**$ 2,495**	**$ 599**	**$ 5,375**

	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
As at October 31, 2019	$ 1,547	$ 2,679	$ 881	$ 5,107
Transfers				
Stage 1 (1)	479	(473)	(6)	-
Stage 2 (1)	(1,772)	1,936	(164)	-
Stage 3 (1)	(672)	(1,279)	1,951	-
New originations (2)	478	941	-	1,419
Repayments (3)	(228)	(330)	(347)	(905)
Remeasurements (4)	2,164	384	1,404	3,952
Loans written off	-	-	(2,231)	(2,231)
Recoveries	-	-	1	1
As at October 31, 2020	$ 1,996	$ 3,858	$ 1,489	$ 7,343
Presented on Consolidated Statement of Financial Position as:				
Netted with members' loans	1,708	3,786	1,489	6,983
Off balance sheet credit instruments	288	72	-	360
Total	$ 1,996	$ 3,858	$ 1,489	$ 7,343

(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, model parameters and management overlay*

(Canadian $ thousands, except per share amounts)

8. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Allowance for credit losses – Commercial and Agriculture

	Performing		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at October 31, 2020	**$ 7,645**	**$ 14,471**	**$ 23,085**	**$ 45,201**
Transfers				
Stage 1 [(1)]	**813**	**(811)**	**(2)**	**-**
Stage 2 [(1)]	**(1,950)**	**2,067**	**(117)**	**-**
Stage 3 [(1)]	**(900)**	**(3,545)**	**4,445**	**-**
New originations [(2)]	**1,232**	**50**	**49**	**1,331**
Repayments [(3)]	**(722)**	**(743)**	**(457)**	**(1,922)**
Remeasurements [(4)]	**(1,859)**	**(7,996)**	**(3,915)**	**(13,770)**
Loans written off	**-**	**-**	**(7,312)**	**(7,312)**
Recoveries	**-**	**-**	**421**	**421**
As at October 31, 2021	**$ 4,259**	**$ 3,493**	**$ 16,197**	**$ 23,949**
Presented on Consolidated Statement of Financial Position as:				
Netted with members' loans	**3,485**	**3,479**	**16,172**	**23,136**
Off balance sheet credit instruments	**774**	**14**	**25**	**813**
Total	**$ 4,259**	**$ 3,493**	**$ 16,197**	**$ 23,949**

	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
As at October 31, 2019	$ 3,226	$ 1,321	$ 14,996	$ 19,543
Transfers				
Stage 1 [(1)]	265	(148)	(117)	-
Stage 2 [(1)]	(2,305)	5,045	(2,740)	-
Stage 3 [(1)]	(12,176)	(3,190)	15,366	-
New originations [(2)]	1,569	73	124	1,766
Repayments [(3)]	(464)	(1,749)	(1,065)	(3,278)
Remeasurements [(4)]	17,530	13,119	(718)	29,931
Loans written off	-	-	(3,041)	(3,041)
Recoveries	-	-	280	280
As at October 31, 2020	$ 7,645	$ 14,471	$ 23,085	$ 45,201
Presented on Consolidated Statement of Financial Position as:				
Netted with members' loans	6,313	14,451	23,043	43,807
Off balance sheet credit instruments	1,332	20	42	1,394
Total	$ 7,645	$ 14,471	$ 23,085	$ 45,201

(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, model parameters and management overlay

(Canadian $ thousands, except per share amounts)

8. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Allowance for credit losses – Consumer and Credit Card

	Performing		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at October 31, 2020	**$ 8,925**	**$ 11,337**	**$ 1,631**	**$ 21,893**
Transfers				
Stage 1 (1)	**1,057**	**(1,040)**	**(17)**	**-**
Stage 2 (1)	**(4,850)**	**5,096**	**(246)**	**-**
Stage 3 (1)	**(727)**	**(3,072)**	**3,799**	**-**
New originations (2)	**2,924**	**676**	**1**	**3,601**
Repayments (3)	**(983)**	**(820)**	**(2,668)**	**(4,471)**
Remeasurements (4)	**431**	**(4,227)**	**3,766**	**(30)**
Loans written off	**-**	**-**	**(10,681)**	**(10,681)**
Recoveries	**-**	**-**	**5,519**	**5,519**
As at October 31, 2021	**$ 6,777**	**$ 7,950**	**$ 1,104**	**$ 15,831**
Presented on Consolidated Statement of Financial Position as:				
Netted with members' loans	**3,494**	**6,963**	**1,071**	**11,528**
Off balance sheet credit instruments	**3,283**	**987**	**33**	**4,303**
Total	**$ 6,777**	**$ 7,950**	**$ 1,104**	**$ 15,831**

	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
As at October 31, 2019	$ 7,162	$ 9,433	$ 3,581	$ 20,176
Transfers				
Stage 1 (1)	1,371	(1,321)	(50)	-
Stage 2 (1)	(5,647)	6,254	(607)	-
Stage 3 (1)	(1,896)	(5,278)	7,174	-
New originations (2)	2,945	987	-	3,932
Repayments (3)	(921)	(729)	(3,265)	(4,915)
Remeasurements (4)	5,911	1,991	5,539	13,441
Loans written off	-	-	(15,719)	(15,719)
Recoveries	-	-	4,978	4,978
As at October 31, 2020	$ 8,925	$ 11,337	$ 1,631	$ 21,893
Presented on Consolidated Statement of Financial Position as:				
Netted with members' loans	4,638	9,904	1,602	16,144
Off balance sheet credit instruments	4,287	1,433	29	5,749
Total	$ 8,925	$ 11,337	$ 1,631	$ 21,893

(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, model parameters and management overlay*

(Canadian $ thousands, except per share amounts)

9. CREDIT QUALITY OF MEMBERS' LOANS

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

Risk Assessment	Residential Mortgage FICO Score Range	Consumer & Credit Card FICO 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

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

As at October 31, 2021	**Residential Mortgages**	**Commercial and Agriculture**	**Consumer and Credit Card**	**Total**
Risk Categories				
Very low risk	**$ 3,369,197**	**$ 27,661**	**$ 294,297**	**$ 3,691,155**
Low risk	**3,745,741**	**2,255,221**	**412,635**	**6,413,597**
Medium risk	**1,047,651**	**3,200,714**	**179,254**	**4,427,619**
High risk	**473,838**	**133,704**	**164,891**	**772,433**
Impaired	**9,124**	**37,707**	**2,504**	**49,335**
Total members' loans	**$ 8,645,551**	**$ 5,655,007**	**$ 1,053,581**	**$ 15,354,139**

As at October 31, 2020	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
Risk Categories				
Very low risk	$ 3,206,045	$ 25,629	$ 312,475	$ 3,544,149
Low risk	3,600,997	2,098,574	440,835	6,140,406
Medium risk	1,148,203	2,981,280	195,509	4,324,992
High risk	502,646	131,664	188,412	822,722
Impaired	23,075	53,031	3,822	79,928
Total members' loans	$ 8,480,966	$ 5,290,178	$ 1,141,053	$ 14,912,197

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

As at October 31, 2021	**Residential Mortgages**	**Commercial and Agriculture**	**Consumer and Credit Card**	**Loan Commitments and Guarantees**	**Total**
Risk Categories					
Very low risk	**$ 1,018,692**	**$ 148,711**	**$ 599,418**	**$ -**	**$ 1,766,821**
Low risk	**1,046,300**	**900,380**	**312,200**	**47,906**	**2,306,786**
Medium risk	**49,999**	**245,408**	**59,865**	**-**	**355,272**
High risk	**7,274**	**751**	**110,662**	**-**	**118,687**
Impaired	**837**	**141**	**626**	**-**	**1,604**
Total off balance sheet credit instruments	**$ 2,123,102**	**$ 1,295,391**	**$ 1,082,771**	**$ 47,906**	**$ 4,549,170**

(Canadian $ thousands, except per share amounts)

9. CREDIT QUALITY OF MEMBERS' LOANS (CONTINUED)

As at October 31, 2020	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Loan Commitments and Guarantees	Total
Risk Categories					
Very low risk	$ 1,012,280	$ 122,718	$ 597,912	$ -	$ 1,732,910
Low risk	985,866	803,924	306,116	46,651	2,142,557
Medium risk	48,904	230,836	60,050	-	339,790
High risk	7,199	564	98,854	-	106,617
Impaired	910	245	673	-	1,828
Total off balance sheet credit instruments	$ 2,055,159	$ 1,158,287	$ 1,063,605	$ 46,651	$ 4,323,702

Loans Past Due, as at October 31, 2021	**Up to 30 Days**	**31 to 59 Days**	**60 to 89 Days**	**Over 90 Days**	**Total**
Stage 1					
Residential mortgages	**$ 64,995**	**$ -**	**$ -**	**$ -**	**$ 64,995**
Commercial and agriculture	**8,532**	**-**	**-**	**-**	**8,532**
Consumer and credit card	**16,425**	**-**	**-**	**-**	**16,425**
Stage 2					
Residential mortgages	**27,744**	**33,195**	**9,529**	**10,113**	**80,581**
Commercial and agriculture	**7,297**	**23,476**	**20,543**	**47,641**	**98,957**
Consumer and credit card	**6,413**	**5,288**	**1,994**	**56**	**13,751**
Stage3					
Residential mortgages	**-**	**-**	**-**	**8,986**	**8,986**
Commercial and agriculture	**236**	**71**	**109**	**21,478**	**21,894**
Consumer and credit card	**-**	**-**	**-**	**2,441**	**2,441**
Total	**$ 131,642**	**$ 62,030**	**$ 32,175**	**$ 90,715**	**$ 316,562**

Loans Past Due, as at October 31, 2020	Up to 30 Days	31 to 59 Days	60 to 89 Days	Over 90 Days	Total
Stage 1					
Residential mortgages	$ 87,933	$ -	$ -	$ -	$ 87,933
Commercial and agriculture	15,698	-	-	-	15,698
Consumer and credit card	17,884	-	-	-	17,884
Stage 2					
Residential mortgages	34,333	26,947	6,188	7,797	75,265
Commercial and agriculture	1,832	36,052	1,730	40,413	80,027
Consumer and credit card	7,495	5,838	2,005	486	15,824
Stage3					
Residential mortgages	-	-	-	22,467	22,467
Commercial and agriculture	19	15,190	182	33,698	49,089
Consumer and credit card	-	-	-	3,768	3,768
Total	$ 165,194	$ 84,027	$ 10,105	$ 108,629	$ 367,955

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 risk exposure risk.

(Canadian $ thousands, except per share amounts)

9. CREDIT QUALITY OF MEMBERS' LOANS (CONTINUED)

Loans by Security		As at October 31 2021		As at October 31 2020
Insured loans and mortgages	**$**	**3,043,315**	$	3,013,715
Secured by mortgage		**10,879,690**		10,413,991
Secured by other		**892,306**		954,541
Unsecured loans		**318,493**		319,736
Unsecured mastercard		**220,335**		210,214
Total	**$**	**15,354,139**	$	14,912,197

10. ASSETS HELD FOR SALE

		As at October 31 2021		As at October 31 2020
Foreclosed property	**$**	**2,608**	$	5,633
Other land and buildings		**491**		1,038
Total	**$**	**3,099**	$	6,671

Management has concluded that an impairment on assets held for sale was required to be recorded by the Credit Union. An impairment loss of $680 (2020 – $730) has been recorded in the consolidated statement of income.

11. OTHER ASSETS

		As at October 31 2021		As at October 31 2020
Accounts receivable and other receivables	**$**	**12,124**	$	8,128
Prepaid expenses		**21,565**		22,277
Total	**$**	**33,689**	$	30,405

(Canadian $ thousands, except per share amounts)

12. PROPERTY AND EQUIPMENT

	Land	Buildings	Leasehold Improvement	Furniture, Office Equipment and Vehicles	Computer Equipment	Leased Equipment	Total
Cost							
Balance as at October 31, 2019	$ 26,843	$ 157,302	$ 41,485	$ 30,238	$ 22,083	$ 853	$ 278,804
Additions	-	2,401	1,343	2,467	4,970	-	11,181
Impairment	-	(3)	-	-	-	-	(3)
Disposals	-	(618)	(1,917)	(2,826)	(1,725)	-	(7,086)
Transfer (to) from assets held for sale	(489)	(1,278)	-	3	-	-	(1,764)
Transfer to investment property	-	(215)	-	-	-	-	(215)
Transfer to leased assets	-	-	-	-	-	(853)	(853)
Balance as at October 31, 2020	$ 26,354	$ 157,589	$ 40,911	$ 29,882	$ 25,328	$ -	$ 280,064
Additions	-	1,963	1,287	4,075	2,490	-	9,815
Disposals	-	(451)	(1,333)	(2,743)	(549)	-	(5,076)
Transfer to investment property	-	(87)	-	-	-	-	(87)
Balance as at October 31, 2021	**$ 26,354**	**$ 159,014**	**$ 40,865**	**$ 31,214**	**$ 27,269**	**$ -**	**$ 284,716**
Accumulated Depreciation							
Balance as at October 31, 2019	$ -	$ 71,226	$ 30,132	$ 22,076	$ 15,324	$ 231	$ 138,989
Depreciation	-	4,637	1,858	2,247	2,402	-	11,144
Disposals	-	(494)	(1,904)	(2,764)	(1,599)	-	(6,761)
Transfer to assets held for sale	-	(428)	-	-	-	-	(428)
Transfer from investment property	-	9	-	-	-	-	9
Transfer to leased assets	-	-	-	-	-	(231)	(231)
Balance as at October 31, 2020	$ -	$ 74,950	$ 30,086	$ 21,559	$ 16,127	$ -	$ 142,722
Depreciation	-	4,454	1,869	2,184	3,187	-	11,694
Disposals	-	(256)	(967)	(2,573)	(545)	-	(4,341)
Transfer from investment property	-	16	-	-	-	-	16
Balance as at October 31, 2021	**$ -**	**$ 79,164**	**$ 30,988**	**$ 21,170**	**$ 18,769**	**$ -**	**$ 150,091**
Net Book Value							
At October 31, 2020	26,354	82,639	10,825	8,323	9,201	-	137,342
At October 31, 2021	**26,354**	**79,850**	**9,877**	**10,044**	**8,500**	**-**	**134,625**

(Canadian $ thousands, except per share amounts)

13. LEASES

	Land	Buildings	Other Equipment	Computer Equipment	Total
Cost					
Balance as at October 31, 2019	$ -	$ -	$ -	$ -	$ -
Transition adjustment	2,871	51,373	492	-	54,736
Balance as at November 1, 2019	$ 2,871	$ 51,373	$ 492	$ -	$ 54,736
Additions	104	6,337	42	-	6,483
Transfer from property and equipment	-	-	-	853	853
Disposals	-	(2,465)	(25)	-	(2,490)
Balance as at October 31, 2020	$ 2,975	$ 55,245	$ 509	$ 853	$ 59,582
Additions	-	9,548	132	210	9,890
Disposals	(16)	(1,076)	(7)	-	(1,099)
Balance as at October 31, 2021	**$ 2,959**	**$ 63,717**	**$ 634**	**$ 1,063**	**$ 68,373**
Accumulated Depreciation					
Balance as at October 31, 2019	$ -	$ -	$ -	$ -	$ -
Depreciation	143	5,678	66	213	6,100
Transfer from property and equipment	-	-	-	231	231
Disposals	-	(225)	(11)	-	(236)
Balance as at October 31, 2020	$ 143	$ 5,453	$ 55	$ 444	$ 6,095
Depreciation	146	5,612	56	253	6,067
Disposals	(10)	(280)	(5)	-	(295)
Balance as at October 31, 2021	**$ 279**	**$ 10,785**	**$ 106**	**$ 697**	**$ 11,867**
Net Book Value					
At October 31, 2020	2,832	49,792	454	409	53,487
At October 31, 2021	**2,680**	**52,932**	**528**	**366**	**56,506**

For the year ended October 31, 2021, the Credit Union had non-cash additions to leased assets of $9,890 (2020 - $6,483), lease liabilities of $10,173 (2020 - $6,619) and interest expense related to leases of $2,436 (2020 - $2,408). Lease interest expense is recorded in occupancy expense and leased assets depreciation is recorded in depreciation expense in the consolidated statement of income.

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

Present value of future lease payments are as follows:

	As at October 31 2021	As at October 31 2020
Within 1 year	**$ 7,787**	$ 7,471
Between 1 and 5 years	**24,818**	24,712
After 5 years	**50,348**	43,823
Total future lease payments	**$ 82,953**	$ 76,006
Less present value discount	**20,580**	17,882
Total lease liabilities	**$ 62,373**	$ 58,124

(Canadian $ thousands, except per share amounts)

14. INVESTMENT PROPERTY

		Land		Buildings		Total
Cost						
Balance as at October 31, 2019	$	1,645	$	8,389	$	10,034
Transfer from property and equipment		-		215		215
Transfer from assets held for sale		381		1,692		2,073
Disposals		(503)		-		(503)
Balance as at October 31, 2020	$	1,523	$	10,296	$	11,819
Transfer from property and equipment		-		87		87
Balance as at October 31, 2021	**$**	**1,523**	**$**	**10,383**	**$**	**11,906**
Accumulated Depreciation						
Balance as at October 31, 2019	$	-	$	5,417	$	5,417
Depreciation		-		291		291
Transfer to property and equipment		-		(9)		(9)
Balance as at October 31, 2020	$	-	$	5,699	$	5,699
Depreciation		-		315		315
Transfer to property and equipment		-		(16)		(16)
Balance as at October 31, 2021	**$**	**-**	**$**	**5,998**	**$**	**5,998**
Net Book Value						
At October 31, 2020		1,523		4,597		6,120
At October 31, 2021		**1,523**		**4,385**		**5,908**

The fair value of investment property held is $12,320 (2020 – $12,320).

Income Related to Investment Property		**As at October 31 2021**		As at October 31 2020
Rental income	**$**	**1,152**	$	1,207
Direct operating expense from property generating rental income		**805**		766
Total	**$**	**347**	$	441

Future rental payments receivable are as follows:

		As at October 31 2021		As at October 31 2020
Less than 1 year	**$**	**1,662**	$	645
Between 1 and 5 years		**3,791**		636
More than 5 years		**12**		75
Total	**$**	**5,465**	$	1,356

(Canadian $ thousands, except per share amounts)

15. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at October 31, 2021			As at October 31, 2020		
	Gross Financial Assets	**Gross Financial Liabilities**	**Net**	Gross Financial Assets	Gross Financial Liabilities	Net
Equity-linked options	**$ 9,507**	**$ (9,385)**	**$ 122**	$ 4,353	$ (4,271)	$ 82
Interest rate swaps	**-**	**(16,182)**	**(16,182)**	8,677	(402)	8,275
Total	**$ 9,507**	**$ (25,567)**	**$ (16,060)**	$ 13,030	$ (4,673)	$ 8,357

As of the current reporting date there are no derivative financial instrument contracts subject to an enforceable master netting agreement.

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 October 31 2021**	As at October 31 2020
Interest rate swaps					
receive fixed, pay floating	**$ -**	**$ -**	**$ 850,000**	**$ 850,000**	$ 1,850,000
Equity-linked options	**-**	**2,300**	**91,850**	**94,150**	46,025
Total	**$ -**	**$ 2,300**	**$ 941,850**	**$ 944,150**	$ 1,896,025

Equity-linked Options
Equity-linked options are used to fix costs on term deposit liabilities that pay a return to the deposit holder based on the change in equity market indices. The embedded derivative in the term deposit liability 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 consolidated statement of financial position.

16. INVESTMENT IN ASSOCIATE

Alberta Central, the central banking facility, service bureau and trade association for Alberta credit unions, is the only entity classified as investment in associate for the reporting period. The proportion of ownership interest held by the Credit Union as at October 31, 2021, is 57.6% (2020 – 57.3%).

The table below is summarized from monthly financial statements provided by Alberta Central:

Financial Information from Alberta Central	**As at October 31 2021**	As at October 31 2020
Assets	**$ 3,712,622**	$ 3,584,296
Liabilities	**3,358,076**	3,231,601
Revenues	**25,091**	49,427
Income before distributions	**(1,955)**	9,276
Other comprehensive income	**(4,816)**	3,812

(Canadian $ thousands, except per share amounts)

16. INVESTMENT IN ASSOCIATE (CONTINUED)

Investment in Associate - Alberta Central	**As at October 31 2021**	As at October 31 2020
Opening balance	**$ 197,851**	$ 193,795
Purchase of additional shares	**8,418**	963
Share of (losses) profits	**(347)**	6,780
Share of other comprehensive (loss) income	**(2,749)**	2,185
Distributions	**(3,287)**	(5,872)
Total	**$ 199,886**	$ 197,851

The summary of outstanding balances in the consolidated statement of financial position and transactions in the consolidated statement of income with associate is as follows:

Alberta Central	**As at October 31 2021**	As at October 31 2020
Cash	**$ 377,270**	$ 166,337
Term deposits	**1,035,562**	1,274,511
Accrued interest on term deposits	**489**	1,271
Other assets	**2,680**	8,402
Trade payables and other liabilities	**1,471**	586

	2021	2020
Interest income	**$ 6,267**	$ 23,402
Interest expense	**757**	1,432
Other income	**753**	662
Membership fees expense	**3,108**	4,499
Other expense	**2,244**	2,249

(Canadian $ thousands, except per share amounts)

17. INTANGIBLE ASSETS

	Purchased Software and Other	Internally Developed Software	Computer Software Under Development	Credit Card Related Intangible	Total
Cost					
Balance as at October 31, 2019	$ 3,822	$ 76,665	$ 1,004	$ 28,707	$ 110,198
Additions	264	-	12,559	-	12,823
Disposals	(556)	(74)	-	-	(630)
Impairment	-	-	(191)	-	(191)
Transfers	-	6,886	(6,886)	-	-
Balance as at October 31, 2020	$ 3,530	$ 83,477	$ 6,486	$ 28,707	$ 122,200
Additions	1,600	-	6,105	-	7,705
Disposals	(88)	(1,165)	-	-	(1,253)
Transfers	-	2,947	(2,947)	-	-
Balance as at October 31, 2021	**$ 5,042**	**$ 85,259**	**$ 9,644**	**$ 28,707**	**$ 128,652**
Accumulated Amortization					
Balance as at October 31, 2019	$ 2,578	$ 42,166	$ -	$ 5,024	$ 49,768
Amortization	512	7,723	-	2,871	11,106
Disposals	(387)	(73)	-	-	(460)
Balance as at October 31, 2020	$ 2,703	$ 49,816	$ -	$ 7,895	$ 60,414
Amortization	476	8,501	-	2,870	11,847
Disposals	(88)	(1,165)	-	-	(1,253)
Balance as at October 31, 2021	**$ 3,091**	**$ 57,152**	**$ -**	**$ 10,765**	**$ 71,008**
Net Book Value					
At October 31, 2020	827	33,661	6,486	20,812	61,786
At October 31, 2021	**1,951**	**28,107**	**9,644**	**17,942**	**57,644**

(Canadian $ thousands, except per share amounts)

18. INCOME TAXES

Income tax expense:

The significant components of tax expense included in the consolidated statement of income are:

Income Tax Expense	2021	2020
Current tax expense		
Based on current year taxable income	**$ 29,623**	$ 23,905
Adjustments for (over) under provision in prior periods	**(215)**	230
Sub total	**29,408**	24,135
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**2,749**	(3,686)
Adjustments for under (over) provision in prior periods	**23**	(188)
Sub total	**2,772**	(3,874)
Total	**$ 32,180**	$ 20,261

Reconciliation of effective tax rate:

	2021		2020	
Income before income taxes	**$ 143,101**		$ 81,046	
Income tax expense based on statutory rate	**32,913**	**23.00%**	19,848	24.49%
Effect on non-deductible expenses	**(481)**	**(0.34%)**	(167)	(0.21%)
Effect of tax rate change	**-**	**-**	411	0.51%
Adjustments for (over) under provision in prior periods	**(192)**	**(0.13%)**	42	0.05%
Other	**(60)**	**(0.04%)**	127	0.16%
Total income tax expense	**$ 32,180**	**22.49%**	$ 20,261	25.00%

(Canadian $ thousands, except per share amounts)

18. INCOME TAXES (CONTINUED)

Deferred tax assets and liabilities:

The movement in deferred tax assets and liabilities is:

Deferred Tax Assets and Liabilities	As at October 31 2020	Recognized in Net Income	Recognized in OCI	As at October 31 2021
Servus deferred tax liability:				
Member loans	$ 11,815	$ (5,047)	$ -	$ 6,768
Property and equipment	(13,884)	1,465	-	(12,419)
Derivative instruments	(170)	254	-	84
Investment in associate	(11,124)	915	552	(9,657)
Employee benefits & other payables	4,059	(641)	(123)	3,295
Leases	1,066	283	-	1,349
Total	(8,238)	(2,771)	429	(10,580)
Net consolidated deferred tax	$ (8,238)	$ (2,771)	$ 429	$ (10,580)

	As at October 31 2019	IFRS 16 Reclassification	Recognized in Net Income	Recognized in OCI	As at October 31 2020
Servus deferred tax liability:					
Member loans	$ 6,787	$ -	$ 5,028	$ -	$ 11,815
Property and equipment	(13,322)	-	(562)	-	(13,884)
Derivative instruments	(18)	-	(152)	-	(170)
Investment in associate	(10,413)	-	(209)	(502)	(11,124)
Employee benefits & other payables	5,224	(154)	(1,143)	132	4,059
Leases	-	154	912	-	1,066
Total	(11,742)	-	3,874	(370)	(8,238)
Net consolidated deferred tax	$ (11,742)	$ -	$ 3,874	$ (370)	$ (8,238)

19. BORROWINGS

	As at October 31 2020	Advances	Repayments	As at October 31 2021	Interest and Fee Payments
Line of credit	$ -	$ 168,248	$ (168,248)	$ -	$ 14
Revolving	-	-	-	-	469
Non-Revolving	200,000	-	-	200,000	2,007
Total	$ 200,000	$ 168,248	$ (168,248)	$ 200,000	$ 2,490

	As at October 31 2019	Advances	Repayments	As at October 31 2020	Interest and Fee Payments
Line of credit	$ -	$ 359,871	$ (359,871)	$ -	$ 47
Revolving	-	101,000	(101,000)	-	596
Non-Revolving	200,000	-	-	200,000	3,301
Total	$ 200,000	$ 460,871	$ (460,871)	$ 200,000	$ 3,944

Alberta Central

The Credit Union has a credit facility agreement with Alberta Central in the aggregate amount of $1,180,000 comprising a revolving demand operating line of credit and revolving term loans. Included in the $1,180,000 available loan is a US dollar line of credit up to a Canadian-dollar equivalent of $7,250. Interest on the line of credit is payable monthly at Alberta Central's prime rate for Canadian-dollar advances and Alberta Central's US base rate on US-dollar advances, in both cases plus or minus the applicable discount or margin of Alberta Central in effect from time to time. The facility is renewable annually.

19. BORROWINGS (CONTINUED)

Revolving term loans are due on demand or repayable in terms of 1 to 24 months for each advance with interest calculated at Alberta Central's prime rate plus or minus the applicable discount or margin of Alberta Central in effect from time to time or, at the option of the Credit Union, for terms of more than 30 days at a fixed rate equal to Alberta Central's money market deposit rate or the equivalent paid fixed swap rate for the term plus the applicable discount or margin. A general assignment of book debts and hypothecation of investments with Alberta Central are pledged as collateral.

Caisse Centrale Desjardins
The Credit Union has a credit facility agreement with Caisse Centrale Desjardins (CCD). The facility consists of a three year revolving term loan available in Canadian dollars, with a maximum credit available of $75,000. The maturity date of the credit facility is October 30, 2023.

The loans may be structured as either due on demand or repayable for periods of one to three months for each advance. Interest is calculated at CCD prime rate or CCD cost of funds depending on the facility and duration chosen as determined from time to time. A standby fee is paid quarterly for any undrawn amounts from the facility.

Borrowings are secured by eligible residential mortgages and by a debenture in favor of CCD, creating a floating charge over eligible residential mortgages of the Credit Union.

Canadian Imperial Bank of Commerce
Revolving Credit Facility
The Credit Union has a credit facility agreement with the Canadian Imperial Bank of Commerce (CIBC). The facility allows for multiple advances within 364 days available in Canadian dollars renewable annually, with a maximum credit available of $200,000.

The advances drawn may be structured as either due on demand or repayable for periods of one to three months for each advance. Interest is calculated at CIBC prime rate or banker's acceptances depending on the facility and duration chosen as determined from time to time. A standby fee is paid quarterly for any undrawn amounts from the facility.

Borrowings are secured by eligible residential mortgages and by a debenture in favour of CIBC, creating a floating charge over eligible residential mortgages of the Credit Union.

Non-Revolving Credit Facility
The Credit Union has a $200,000 loan facility that was funded with CIBC on February 1, 2018 and amended on December 18, 2019.

The amended facility is a non-revolving credit facility with interest calculated at a spread above the 30 day banker's acceptance rate. The maturity date of the amended credit facility is February 1, 2022.

Borrowings are secured by eligible residential mortgages and by a debenture in favor of CIBC, creating a floating charge over eligible residential mortgages of the Credit Union.

(Canadian $ thousands, except per share amounts)

20. SECURITIZATION LIABILITIES

	Maturity Date	Interest Rate		**As at October 31 2021**		As at October 31 2020
Securitization liabilities	Nov 5, 2021 to Dec 1, 2028	0.332% to 2.475%	**$**	**766,784**	$	1,148,433

Securitization liabilities interest payments made for the year are $19,204 (2020 - $25,775). Interest received for unsold mortgage pools during the year are $3,829 (2020 - $4,546).

Securitization of residential and commercial mortgage loans guaranteed by the Canada Mortgage and Housing Corporation through the Canada Mortgage Bonds program, or to third party investors provide the Credit Union with additional sources of liquidity.

The carrying amount as at October 31, 2021, of the associated residential and commercial mortgages held as security is $981,110 (2020 – $1,399,919). As a result of the transaction, the Credit Union receives the net differential between the monthly interest receipts of the mortgages and the interest expense on the liabilities.

21. MEMBERS' DEPOSITS

		As at October 31 2021		As at October 31 2020
Demand accounts	**$**	**8,248,673**	$	7,682,446
Term deposits		**3,634,222**		4,001,873
Registered plans		**2,461,747**		2,105,399
Other deposits		**13,171**		13,347
		14,357,813		13,803,065
Accrued interest		**22,982**		53,495
Total	**$**	**14,380,795**	$	13,856,560

22. TRADE PAYABLES AND OTHER LIABILITIES

		As at October 31 2021		As at October 31 2020
Cheques and other items in transit	**$**	**23,004**	$	20,635
Accounts payable		**152,682**		153,484
Credit card points liability		**9,249**		8,505
Dividend and patronage to members		**35,208**		32,452
Deferred income		**7,949**		6,780
Legal provisions		**197**		257
Total	**$**	**228,289**	$	222,113

In the ordinary course of business, the Credit Union and its subsidiaries are involved in various legal and regulatory actions. The Credit Union establishes legal provisions when it becomes probable that the Credit Union will incur a loss and the amount can be reliably estimated. The Credit Union's provisions represent the Credit Union's best estimates based upon currently available information for actions for which estimates can be made.

(Canadian $ thousands, except per share amounts)

22. TRADE PAYABLES AND OTHER LIABILITIES (CONTINUED)

Legal and Contractual Claims		
Balance at October 31, 2019	$	314
Additional provisions recognized		3
Amounts incurred and charged against existing provisions		(55)
Unused amounts reversed		(5)
Balance at October 31, 2020	$	257
Additional provisions recognized		87
Unused amounts reversed		(147)
Balance at October 31, 2021	**$**	**197**

23. EMPLOYEE BENEFITS

		2021		2020
Short-term employee benefits	**$**	**208,601**	$	200,175
Post-employment benefits		**9,698**		9,725
Termination benefits		**215**		1,770
Total	**$**	**218,514**	$	211,670

Other expenses related to employees that are not classified as the type of benefits listed above are also included in personnel expenses.

Plan Cost		**Pension Plans**		**Other Benefit Plans**		**2021**		2020
Net benefit plan cost in net income								
Current service cost	**$**	**154**	**$**	**-**	**$**	**154**	$	167
Interest cost		**101**		**33**		**134**		184
Total		**255**		**33**		**288**		351
Defined contribution registered retirement savings plan - Credit Union contributions		**10,054**		**-**		**10,054**		9,750
Total		**10,309**		**33**		**10,342**		10,101
Actuarial loss (gain) recognized in other comprehensive income		**1,096**		**(775)**		**321**		721
Total	**$**	**11,405**	**$**	**(742)**	**$**	**10,663**	$	10,822

Accrued Benefit Obligation and Liability		**Pension Plans**		**Other Benefit Plans**		**As at October 31 2021**		As at October 31 2020
Unfunded accrued benefit obligation								
Balance, beginning of year	**$**	**6,252**	**$**	**1,874**	**$**	**8,126**	$	7,555
Current service cost (1)		**154**		**-**		**154**		167
Interest cost (1)		**101**		**33**		**134**		184
Benefits paid		**(2,442)**		**(56)**		**(2,498)**		(318)
Actuarial (gain) loss		**(277)**		**(123)**		**(400)**		538
Balance, end of year	**$**	**3,788**	**$**	**1,728**	**$**	**5,516**	$	8,126

(1) Current service cost and Interest cost are included in personnel operating expenses on the consolidated statement of income

(Canadian $ thousands, except per share amounts)

23. EMPLOYEE BENEFITS (CONTINUED)

	Pension Plans		Other Benefit Plans	
	2021	2020	**2021**	2020
Discount rate	**2.70%**	1.90%	**2.50%**	1.80%

Changes in the assumed health care cost trend rates for the post-retirement benefit plans for the year ended October 31, 2021, are:

Effect on:	**Inflation increased by 1%**	**Discount rate decreased by 1%**
Accrued benefit obligation	$ 7	$ 181

Experience Adjustments	**2021**	2020
Accrued benefit obligation and plan deficit	**$ 5,516**	$ 8,126
Experience (gain) loss	**(400)**	538
Tax expense (recovery)	**123**	(132)
Net experience (gain) loss	**$ (277)**	$ 406
Defined benefit contributions expected to be paid in 2022	**$ 303**	

24. SHARE CAPITAL

Common Shares

Common shares have the following characteristics:

a) Authorized for issue in unlimited number
b) A par value of $1, but issuable as fractional shares
c) Transferable in restricted circumstances
d) Non-assessable
e) Redeemable at par value, subject to the Credit Union’s redemption policy, which includes approval of the Board of Directors and restrictions contained in the Act and Regulations, including limitation to 10% of outstanding balances
f) Adult members must hold a minimum of one share to retain membership in the Credit Union
g) Carries the right to vote at a general meeting

Series A to G Investment Shares

Series A to G Investment Shares have the following characteristics:

a) No par value
b) No voting rights
c) Non-assessable
d) Transferable under limited circumstances
e) Callable at the discretion of the Credit Union upon five years' written notice
f) Dividends are not cumulative and subject to the Credit Union’s dividend policy and approval of the Board of Directors
g) Redeemable at $1 subject to the Credit Union’s redemption policy, including limitation to no more than 10% of the outstanding balance and approval by the Board of Directors

(Canadian $ thousands, except per share amounts)

24. SHARE CAPITAL (CONTINUED)

In addition to the above, Series E Investment Shares contain a right to redemption. A financial liability representing the right to redemption of these shares has been recognized.

	Issued and Outstanding as at October 31 2020	Issued	Redeemed and Transferred	Dividends Declared	Issued and Outstanding as at October 31 2021	Investment Share Liability Portion
Common shares total	$ 566,375	$ 34,017	$ (32,356)	$ 14,339	$ 582,375	
Investment shares						
Series A	53,322	-	(1,375)	1,864	53,811	-
Series B	8,164	-	(345)	281	8,100	-
Series C	21,012	-	(678)	729	21,063	-
Series D	32,308	-	(1,413)	1,108	32,003	-
Series E	4,434	-	(216)	167	4,385	430
Series F	582	-	(7)	21	596	-
Series G	352	-	(7)	12	357	-
Investment shares total	$ 120,174	$ -	$ (4,041)	$ 4,182	$ 120,315	$ 430
Share capital total	$ 686,549	$ 34,017	$ (36,397)	$ 18,521	$ 702,690	

	Issued and Outstanding as at October 31 2019	Issued	Redeemed and Transferred	Dividends Declared	Issued and Outstanding as at October 31 2020	Investment Share Liability Portion
Common shares total	$ 560,793	$ 19,816	$ (30,571)	$ 16,337	$ 566,375	
Investment shares						
Series A	54,116	-	(2,868)	2,074	53,322	-
Series B	8,101	-	(254)	317	8,164	-
Series C	20,903	-	(707)	816	21,012	-
Series D	32,670	-	(1,618)	1,256	32,308	-
Series E	4,317	-	(72)	189	4,434	434
Series F	578	-	(19)	23	582	-
Series G	370	-	(32)	14	352	-
Investment shares total	$ 121,055	$ -	$ (5,570)	$ 4,689	$ 120,174	$ 434
Share capital total	$ 681,848	$ 19,816	$ (36,141)	$ 21,026	$ 686,549	

Patronage and Dividends Payable in Cash or Shares	**2021**	2020
Patronage allocation to members in cash	**$ 36,127**	$ 33,347
Common share dividend	**14,339**	16,337
Investment share dividend	**4,182**	4,689
Total	**$ 54,648**	$ 54,373

Common share dividends are paid to members by the issuance of additional common shares and are allocated to members' accounts as determined by the Board of Directors. Series A, B, C, D, E, F and G investment share dividends are paid in additional Series A, B, C, D, E, F and G investment shares, respectively.

Dividend Rate (%)	**2021**	2020
Common share	**2.60%**	3.05%
Investment share	**3.60%**	4.05%

(Canadian $ thousands, except per share amounts)

25. INVESTMENT INCOME

		2021		2020
Investment income on term deposits and other	**$**	**6,332**	$	16,048
Unrealized (loss) gain on derivative instruments		**(17,370)**		672
Realized gain on derivative instruments		**2,229**		8,743
Total	**$**	**(8,809)**	$	25,463

26. OTHER INTEREST EXPENSE

		2021		2020
Term loans	**$**	**2,339**	$	3,942
Line of credit		**14**		47
Securitization liabilities		**24,437**		36,324
Other		**65**		577
Total	**$**	**26,855**	$	40,890

27. OTHER INCOME

		2021		2020
Commissions and fees	**$**	**73,683**	$	58,178
Account service charges		**32,254**		32,197
Credit card fee revenue		**26,681**		24,308
Foreign exchange income		**2,816**		2,398
Operating lease income		**951**		931
Gain (loss) on loan modifications		**2,596**		(2,596)
Other		**965**		979
Total	**$**	**139,946**	$	116,395

28. CAPITAL MANAGEMENT

The Credit Union provides financial services to its members and is subject to capital requirements set out in the Act and as may be established by the Corporation. The Credit Union has complied with all requirements as set out in the Act.

Objectives, Policy and Processes

The purpose of the Credit Union's Capital Policy, in addition to complying with the Act, is to provide an overall framework for ensuring the Credit Union has:

- Sufficient capital to remain viable through periods of economic weakness and to maintain the security of member deposits
- Clear direction on the desired composition of the Credit Union's capital
- A capital plan that can be used to help make appropriate patronage and profitability decisions

The Credit Union's policy is to hold capital in a range of different forms and from diverse sources. Retained earnings represent the highest quality, most stable and least expensive form of permanent capital. The Credit Union's long-term plan is to maintain adjusted retained earnings at an amount sufficient on its own to meet regulatory requirements for capital as a percent of total assets.

The Credit Union has established processes to meet its objectives and comply with regulation and policies that are approved by the Board of Directors. Management reviews capital levels on a regular basis and reports capital adequacy and financial results to the Board of Directors or its committees. Management also sets budgets and reports variances to these budgets. Financial results and capital adequacy are reported to the Corporation. The capital plan is updated annually and provides a forecast of capital requirements over a three-year planning cycle. The Board has approved an Internal Capital Adequacy Assessment Process that takes a long-term perspective of capital requirements using various scenarios.

Should the Credit Union not comply with its legislated capital adequacy requirements, the Chief Executive Officer and Chief Financial Officer would immediately notify the Board Chair, the Audit and Finance Committee Chair and the Corporation. The Board of Directors would be informed at its next scheduled meeting. Per the Act, redemption of common shares would be suspended. An explanation and action plan would be presented and enacted. Finally, the Credit Union may be subjected to intervention of the Corporation as provided for in the Act.

Regulatory Capital

Capital requirements are established by the Act and regulated by the Corporation using a risk-weighted and total asset approach. Total capital consists of both primary and secondary capital. The inputs to primary capital and secondary capital are noted below.

Risk-weighted assets are determined by reviewing each grouping of loans and other assets and assigning a risk weighting using definitions and formulas set out in the Act, Credit Union (Principal) Regulations, and by the Corporation. The more risk associated with an asset, the higher the weighting assigned. The total amount of capital is then divided into this figure. This method allows the Credit Union to measure capital relative to the possibility of loss, with more capital required to support assets that are seen as being high risk.

It is the Credit Union’s policy to comply at all times with regulatory requirements establishing required capital balances. As at October 31, 2021, and 2020, the Credit Union's capital ratio was greater than the minimum requirement.

The chart below details the amounts that are included in the 2021 and 2020 capital calculations. Regulator and internal management capital requirements are noted after this chart.

(Canadian $ thousands, except per share amounts)

28. CAPITAL MANAGEMENT (CONTINUED)

		As at October 31 2021		As At October 31 2020
Primary Capital:				
Retained earnings	**$**	**1,050,939**	$	954,279
Common shares		**582,375**		566,375
Investment shares (qualifying as primary)		**108,670**		108,547
Accumulated other comprehensive income		**10,453**		12,373
Total primary capital		**1,752,437**		1,641,574
Secondary Capital:				
Credit loss allowance - performing		**27,339**		48,292
Deferred income tax liabilities		**10,580**		8,238
Investment shares (qualifying as secondary)		**12,075**		12,061
Total secondary capital		**49,994**		68,591
Deductions From Primary Capital:				
Intangible assets		**57,644**		61,786
Subsidiary and affiliate investments		**42,703**		49,086
Total deductions from capital		**100,347**		110,872
Total capital available	**$**	**1,702,084**	$	1,599,293
Capital as % of Risk Weighted Assets				
Total capital as % of risk weighted assets		**17.35%**		17.09%
Legislated minimum		**8.00%**		8.00%
Minimum supervisory requirement		**11.50%**		11.50%
Management internal minimum		**13.50%**		13.50%
Capital as % of Total Assets				
Total capital as % of assets		**9.75%**		9.32%
Legislated minimum		**4.00%**		4.00%

(Canadian $ thousands, except per share amounts)

29. GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees
A guarantee is a contract that contingently requires the guarantor to make payments to a third party based on:

(i) Changes in an underlying interest rate or other variable, including the occurrence or non-occurrence of an event that is related to an asset or liability held by the guaranteed party
(ii) An indemnification provided to a third party with the characteristics listed above
(iii) Another entity's failure to perform under an obligation agreement
(iv) Another party's failure to fulfil their related debt obligations

The various guarantees and indemnifications that the Credit Union provides to its members and other third parties are not required to be recorded in the financial statements but are presented in the tables below.

Standby Letters of Credit and Letters of Guarantee
Standby letters of credit and letters of guarantee are issued at the request of a Credit Union member in order to secure the member's payment or performance obligations to a third party. These guarantees represent an irrevocable obligation of the Credit Union to pay the third party beneficiary upon presentation of the guarantee and satisfaction of the documented requirements stipulated therein, without investigation as to the validity of the beneficiary's claim against the member.

Generally, the term of these guarantees does not exceed three years. The types and amounts of collateral security held by the Credit Union for these guarantees is generally the same as for loans. Standby letters of credit and letters of guarantee outstanding were $47,906 (2020 - $46,651). This represents the maximum potential amount of future payments.

Indemnification of Directors and Officers
The Credit Union has directors' and officers' insurance coverage that limits its exposure to certain events or occurrences while the director or officer is or was serving at the Credit Union's request. This insurance coverage enables the Credit Union to recover a portion of any future amounts paid. The maximum potential amount of future payments is $20,000 per claim subject to an annual maximum of $30,000.

Other Indirect Commitments
In the normal course of business, various indirect commitments are outstanding that are not reflected on the consolidated statement of financial position. These may include:

(i) Commercial letters of credit that require the Credit Union to honour drafts presented by a third party when specific activities are completed
(ii) Commitments to extend credit that represent undertakings to make credit available in the form of loans or other financings for specific amounts and maturities, subject to specific conditions

The financial commitments are subject to the Credit Union's normal credit standards, financial controls and monitoring procedures. The following table provides a detailed breakdown of the Credit Union's other indirect commitments expressed in terms of the contractual amounts of the related commitment or contract that are not reflected on the consolidated statement of financial position.

Commitments to Extend Credit		**As at October 31 2021**		As at October 31 2020
Original term to maturity of one year or less	**$**	**4,409,209**	$	4,260,687
Original term to maturity of more than one year		**92,055**		16,364
Total	**$**	**4,501,264**	$	4,277,051

(Canadian $ thousands, except per share amounts)

29. GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Property and Equipment and Intangible Assets Expenditure Commitments		**As at October 31 2021**		As at October 31 2020
Total contractual amount	**$**	**229**	$	49
Cost to date		**40**		17
Remaining commitment	**$**	**189**	$	32

The Credit Union also has a callable unfunded capital commitment of $111 (2020 - $126) to a co-operative investment fund.

Contractual Obligations

The Credit Union has various obligations under long-term, non-cancellable contracts, which include service contracts and operating costs for leased buildings and equipment. The future minimum payments for such obligations for the next five fiscal years and thereafter are as follows:

		Property Operating Costs		**Other Contractual Obligations**		**As at October 31 2021**		As at October 31 2020
Within 1 year	**$**	**3,363**	**$**	**9,803**	**$**	**13,166**	$	12,761
Between 1 and 5 years		**6,311**		**13,490**		**19,801**		19,937
After 5 years		**2,991**		**2,003**		**4,994**		5,429
Total	**$**	**12,665**	**$**	**25,296**	**$**	**37,961**	$	38,127

As of October 31, 2021, the Credit Union is committed to one lease that has been signed but has not yet commenced. The leased asset value of this contract is $1,934 (2020 - $2,747) at the time of commencement. This contract is not included in the leased assets or leased liabilities presented in the consolidated financial statements.

Contingent Liabilities

There are various legal proceedings and actions that arise from the normal course of business and are pending at October 31, 2021. The aggregate contingent liability of these proceedings and actions are not considered material to these consolidated financial statements.

(Canadian $ thousands, except per share amounts)

30. 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 and financial liabilities.

As at October 31, 2021	**Note**		**Carrying Value**		**Fair Value**		**Fair Value Difference**
Financial Instrument Assets							
Cash and cash equivalents	**a**	**$**	**603,208**	**$**	**603,208**	**$**	**-**
Interest bearing deposits with financial institutions	**c,e**		**1,036,113**		**1,036,554**		**441**
Assets at fair value through profit or loss	**d**		**9,785**		**9,785**		**-**
Members' loans	**b,c,e**		**15,314,479**		**15,373,576**		**59,097**
Other	**a**		**12,134**		**12,134**		**-**
Total financial instrument assets			**16,975,719**		**17,035,257**		**59,538**
Financial Instrument Liabilities							
Members' deposits	**b,c**		**14,380,795**		**14,391,257**		**(10,462)**
Liabilities at fair value through profit or loss	**d**		**25,567**		**25,567**		**-**
Borrowings	**b**		**200,000**		**200,000**		**-**
Securitization liabilities	**c**		**766,784**		**779,625**		**(12,841)**
Payables and other financial liabilities	**a**		**220,573**		**220,573**		**-**
Total financial instrument liabilities		**$**	**15,593,719**	**$**	**15,617,022**	**$**	**(23,303)**

As at October 31, 2020	Note		Carrying Value		Fair Value		Fair Value Difference
Financial Instrument Assets							
Cash and cash equivalents	a	$	188,954	$	188,954	$	-
Interest bearing deposits with financial institutions	c,e		1,627,109		1,627,525		416
Assets at fair value through profit or loss	d		13,300		13,300		-
Members' loans	b,c,e		14,845,263		15,030,156		184,893
Other	a		8,134		8,134		-
Total financial instrument assets			16,682,760		16,868,069		185,309
Financial Instrument Liabilities							
Members' deposits	b,c		13,856,560		13,905,470		(48,910)
Liabilities at fair value through profit or loss	d		4,673		4,673		-
Borrowings	b		200,000		200,000		-
Securitization liabilities	c		1,148,433		1,190,374		(41,941)
Payables and other financial liabilities	a		215,510		215,510		-
Total financial instrument liabilities		$	15,425,176	$	15,516,027	$	(90,851)

(a) The fair values of cash, other financial assets 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, member deposits and borrowings 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.

(Canadian $ thousands, except per share amounts)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(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) Allowances, which are netted against the fair value determined as per footnote c and d, use forward-looking information in the calculation of ECL.

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 October 31, 2021		**Level 1**		**Level 2**		**Level 3**		**Total**
Derivative assets	**$**	**-**	**$**	**9,507**	**$**	**-**	**$**	**9,507**
Investment shares in entities [1]		**-**		**-**		**51**		**51**
Shares in Concentra Trust [1]		**-**		**-**		**227**		**227**
Financial assets held at fair value	**$**	**-**	**$**	**9,507**	**$**	**278**	**$**	**9,785**
Member shares - Series E		**-**		**(430)**		**-**		**(430)**
Derivative liabilities		**-**		**(25,567)**		**-**		**(25,567)**
Financial liabilities held at fair value	**$**	**-**	**$**	**(25,997)**	**$**	**-**	**$**	**(25,997)**

Fair value measurements using Level 3 inputs		
Balance at October 31, 2020	$	270
Fair value through profit and (loss)		12
Purchases		13
Sales		(17)
Balance at October 31, 2021	**$**	**278**

As at October 31, 2020		Level 1		Level 2		Level 3		Total
Derivative assets	$	-	$	13,030	$	-	$	13,030
Investment shares in entities [1]		-		-		43		43
Shares in Concentra Trust [1]		-		-		227		227
Financial assets held at fair value	$	-	$	13,030	$	270	$	13,300
Member shares - Series E		-		(434)		-		(434)
Derivative liabilities		-		(4,673)		-		(4,673)
Financial liabilities held at fair value	$	-	$	(5,107)	$	-	$	(5,107)

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

[1] Investment shares in entities and shares in Concentra Trust are included in investments on consolidated statement of financial position

31. FINANCIAL RISK MANAGEMENT

The Credit Union is exposed to the following risk as a result of holding financial instruments: credit risk, market risk and liquidity risk. The following is a description of those risks and how the Credit Union manages exposure to them.

Credit Risk
Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Credit Union. The Credit Unions' products with credit risk include members' loans, investments, guarantees, letters of credit, debt securities, and derivatives.

Risk Measurement
The Credit Union employs a risk measurement process for its loan portfolio. Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. Risk is measured by reviewing exposure to individual borrowers and by reviewing qualitative and quantitative factors that impact the loan portfolio. Qualitative and quantitative analyses of a borrower's financial information are important factors used in determining the financial state of the counterparty.

Loan exposures are managed and monitored through facility limits for individual borrowers and a credit review process. These reviews ensure that the borrower complies with internal policy and underwriting standards. The Credit Union relies on collateral security typically in the form of a fixed and floating charge over the assets and underwriting of its borrowers. Credit risk is also managed through regular analysis of the ability of members and potential members to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Credit risk for counterparties in other financial instruments, such as investments and derivatives, is assessed through published credit ratings.

Credit Quality Performance
Refer to Note 9 for additional information on the credit quality performance of members' loans.

Objectives, Policies and Processes
The Credit Union employs and is committed to a number of important principles to manage credit risk exposure:
- A conservative credit risk appetite based on accepting risk which can be understood, measured, is transparent and can be managed.
- A diversified portfolio to minimize industry and concentration risk.
- Prudent lending risk policies, supporting safety and soundness of the credit union.
- Ongoing review of risk through account monitoring, financial covenant testing, and credit reviews.

Market Risk
Market risk arises from changes in interest rates and foreign-exchange rates that affect the Credit Union's income. The Credit Union's objective is to earn an acceptable return on these portfolios, without taking unreasonable risk, while meeting members' needs.

Interest Rate Risk
The Credit Union's risk position is measured by the difference between interest rate sensitive assets and liabilities. The Treasury department manages day-to-day market risk within approved policies and reports on a regular basis to management's Asset Liability Committee (ALCO) to ensure policy compliance. Management provides quarterly reports on these matters to the Board's Audit and Finance Committee. Tools to measure this risk include the income sensitivity analysis and gap analysis, which shows the sensitivity between interest rate sensitive assets and liabilities.

(Canadian $ thousands, except per share amounts)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Objectives, Policies and Processes
The Treasury department is responsible for managing the Credit Union's interest rate risk, monitoring approved limits and maintaining compliance with policies. The Credit Union manages market risk by developing and implementing asset and liability management policies. These policies are approved by the Board and monitored by ALCO. The Credit Union's goal is to achieve adequate profitability, liquidity and stability. The Credit Union makes use of financial modelling based on possible interest rate scenarios and matching analysis to measure and manage its market risk. At least annually, the Board's Audit and Finance Committee reviews the Credit Union's investment and asset liability management policies.

Since October 31, 2020, there have been no significant changes in the Credit Union's market risk policies and procedures.

The following table provides the potential before-tax impact of an immediate and sustained 1% increase or decrease in interest rates on net interest income. These measures are based on assumptions made by senior management and validated by experience. All interest rate risk measures are based upon exposures at a specific time and continuously change as a result of business activities and risk management initiatives.

Before Tax Impact of:		**2021**		2020
1% increase in rates	**$**	**(3,179)**	$	2,179
1% decrease in rates	**$**	**(7,008)**	$	(8,885)

Foreign Exchange Risk
Foreign exchange risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risks exist mainly as a result of the existence of financial assets, derivatives and financial liabilities denominated in foreign currencies. The risk associated with changing foreign currency values is managed under the Credit Union's foreign exchange risk management policy. As at October 31, 2021, the Credit Union's net difference between assets and liabilities in foreign currencies was $128 (2020 – $1,581).

Liquidity Risk
Liquidity risk is the risk of having insufficient financial resources to meet either the Credit Union's cash and funding requirements, statutory liquidity requirements or both.

Risk Measurement
The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgment pertaining to current and prospective market conditions and the related behaviour of its members and counterparties. The Credit Union measures and manages its liquidity position from three perspectives:

- Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over-reliance on short-term liabilities to fund long-term illiquid assets
- Tactical liquidity risk, which addresses the day-to-day funding requirements that are managed by imposing prudential limits on net fund outflows
- Contingent liquidity risk, which assesses the impact of and the intended responses to sudden stressful events

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Objectives, Policies and Processes
The acceptable amount of risk is defined by policies approved by the Board and monitored by ALCO.

The Credit Union's liquidity policies and practices include:

- Measurement and forecast of cash flows
- Maintenance of a pool of high-quality liquid assets
- A stable base of core deposits from retail and commercial customers
- Limits on single deposits and sources of deposits
- Monitoring of wholesale demand and term deposits
- Diversification of funding resources
- Monthly liquidity coverage ratio (LCR) analysis and reporting

The Credit Union manages liquidity by monitoring, forecasting and managing cash flows and the concentration of loans and deposits within approved policies. The Treasury department manages day-to-day liquidity within these policies and reports regularly to ALCO to ensure policy compliance. Management provides monthly reports on these matters to the Board's Audit and Finance Committee.

The Credit Union will maintain statutory liquidity levels as required by regulations and Alberta Central bylaws. Statutory liquidity deposits must be held with Alberta Central at a minimum of 9.0% of average liabilities for the second prior month. Statutory liquidity includes eligible deposits and shares of Alberta Central. Immediate corrective action will be taken if the ratio approaches the regulatory minimum. Based on the average liabilities at August 2021, the Credit Union's liquidity as at October 31, 2021, exceeds the minimum requirement.

Under the Liquidity Policy and Regulations, the Credit Union is required to maintain and report LCR monthly. LCR is calculated as the Credit Union's high quality liquid assets divided by net cash outflows over a 30-day stress scenario. High Quality Liquid Assets (HQLA) are assets that can be easily converted into cash at little or no loss of value and include eligible investments held as liquidity reserve deposits at Alberta Central. The Credit Union seeks to maintain this ratio greater than 100%, with an internal target minimum of 125%. During the year the Credit Union maintained internal liquidity adequacy targets that exceeded regulatory requirements.

Key features of liquidity management include:

- Daily monitoring of expected cash inflows and outflows, as well as tracking and forecasting the liquidity position on a 90-day rolling basis
- Consideration of the term structure of loans and deposits, with emphasis on deposit maturities, as well as expected loan funding and other commitments to ensure the Credit Union can maintain required levels of liquidity while meeting its obligations

(Canadian $ thousands, except per share amounts)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table comprises aggregating cash flows into maturity dates of the Credit Union's non-derivative financial assets and financial liabilities. Subject to member behavior and applicability to the Credit Union's asset and liability management policy, this table represents the position at the close of business day.

Financial Assets

- Fixed and variable rate assets, such as residential mortgage loans, consumer loans, commercial loans and investments are reported based on scheduled repayments and maturities.

Financial Liabilities

- Fixed and variable rate liabilities, such as term deposits, securitization financing and borrowings are reported at scheduled maturity.
- Payables and other liabilities with no defined maturity are reported within the non-maturities category.

As at October 31, 2021	**Non-Maturities**	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**Over 5 Years**	**Total**
Financial Assets						
Cash and cash equivalents	**$ 603,208**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 603,208**
Investments	**351**	**960,631**	**37,408**	**38,011**	**-**	**1,036,401**
Members' loans	**2,009,115**	**4,069,825**	**5,023,780**	**4,086,133**	**125,626**	**15,314,479**
Accounts receivable	**-**	**11,889**	**-**	**-**	**-**	**11,889**
Total financial assets	**$ 2,612,674**	**$ 5,042,345**	**$ 5,061,188**	**$ 4,124,144**	**$ 125,626**	**$ 16,965,977**
Financial Liabilities						
Members' deposits	**9,167,598**	**3,653,082**	**1,444,397**	**115,706**	**12**	**14,380,795**
Trade payables and other liabilities	**430**	**219,902**	**242**	**-**	**-**	**220,574**
Borrowings	**-**	**200,000**	**-**	**-**	**-**	**200,000**
Securitization liabilities	**-**	**242,869**	**404,619**	**115,223**	**4,073**	**766,784**
Total financial liabilities	**$ 9,168,028**	**$ 4,315,853**	**$ 1,849,258**	**$ 230,929**	**$ 4,085**	**$ 15,568,153**
Net maturities	**$ (6,555,354)**	**$ 726,492**	**$ 3,211,930**	**$ 3,893,215**	**$ 121,541**	**$ 1,397,824**

As at October 31, 2020	Non-Maturities	Less than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Financial Assets						
Cash and cash equivalents	$ 188,954	$ -	$ -	$ -	$ -	$ 188,954
Investments	275	1,585,404	20,122	21,584	-	1,627,385
Members' loans	2,137,457	4,207,060	5,193,487	3,200,436	106,823	14,845,263
Accounts receivable	-	7,868	-	-	-	7,868
Total financial assets	$ 2,326,686	$ 5,800,332	$ 5,213,609	$ 3,222,020	$ 106,823	$ 16,669,470
Financial Liabilities						
Members' deposits	8,130,516	4,221,124	1,352,096	152,706	118	13,856,560
Trade payables and other liabilities	434	214,368	708	-	-	215,510
Borrowings	-	-	200,000	-	-	200,000
Securitization liabilities	-	365,180	560,367	218,740	4,146	1,148,433
Total financial liabilities	$ 8,130,950	$ 4,800,672	$ 2,113,171	$ 371,446	$ 4,264	$ 15,420,503
Net maturities	$ (5,804,264)	$ 999,660	$ 3,100,438	$ 2,850,574	$ 102,559	$ 1,248,967

(Canadian $ thousands, except per share amounts)

32. INTEREST RATE SENSITIVITY

The principal values of interest rate-sensitive assets and liabilities and the notional amount of swaps and other derivative financial instruments used to manage interest rate risk are presented below in the periods in which they next reprice to market rates or mature. These are summed to show the interest rate sensitivity gap. Accrued interest amounts are included in the non-interest-sensitive section. The average rates presented are weighted average effective yield based on the maturity dates. Additional information on how the Credit Union uses derivative financial instruments to manage interest rate risk is included in Note 15. Information on how the Credit Union manages interest rate risk is included in Note 31.

As at October 31, 2021	**Floating Rate**	**0 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**More Than 1 Year**	**Non Interest Sensitive**	**Total**
Assets							
Cash and cash equivalents	**$ 577,270**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 25,938**	**$ 603,208**
Effective yield (%)	***0.30%***	**-**	**-**	**-**	**-**	**-**	***0.29%***
Investment in associate	**-**	**-**	**-**	**-**	**-**	**199,886**	**199,886**
Investments	**-**	**683,608**	**187,763**	**88,771**	**74,407**	**1,852**	**1,036,401**
Effective yield (%)	**-**	***0.28%***	***0.21%***	***0.30%***	***1.46%***	**-**	***0.35%***
Members' loans	**3,299,138**	**819,293**	**720,311**	**1,612,238**	**8,634,516**	**228,983**	**15,314,479**
Effective yield (%)	***3.48%***	***3.16%***	***3.17%***	***3.15%***	***3.13%***	**-**	***3.16%***
Other assets	**-**	**-**	**-**	**-**	**-**	**300,978**	**300,978**
	3,876,408	**1,502,901**	**908,074**	**1,701,009**	**8,708,923**	**757,637**	**17,454,952**
Liabilities and Equity							
Members' deposits	**7,035,574**	**1,221,058**	**746,662**	**1,669,531**	**2,380,923**	**1,327,047**	**14,380,795**
Effective yield (%)	***0.18%***	***0.98%***	***1.12%***	***0.84%***	***0.84%***	**-**	***0.46%***
Other liabilities	**-**	**-**	**-**	**-**	**-**	**343,291**	**343,291**
Borrowings	**-**	**200,000**	**-**	**-**	**-**	**-**	**200,000**
Effective yield (%)	**-**	***0.93%***	**-**	**-**	**-**	**-**	***0.93%***
Securitization liabilities	**-**	**47,609**	**35,614**	**159,833**	**524,825**	**(1,097)**	**766,784**
Effective yield (%)	**-**	***4.08%***	***1.74%***	***2.22%***	***2.27%***	**-**	***2.35%***
Equity	**-**	**-**	**-**	**-**	**-**	**1,764,082**	**1,764,082**
	7,035,574	**1,468,667**	**782,276**	**1,829,364**	**2,905,748**	**3,433,323**	**17,454,952**
Off Statement of Financial Position							
Notional value of assets derivative financial instruments	**-**	**-**	**-**	**-**	**850,000**	**-**	**850,000**
Notional value of liabilities derivative financial instruments	**(850,000)**	**-**	**-**	**-**	**-**	**-**	**(850,000)**
Sub total	**(850,000)**	**-**	**-**	**-**	**850,000**	**-**	**-**
Net 2021 position	**$ (4,009,166)**	**$ 34,234**	**$ 125,798**	**$ (128,355)**	**$ 6,653,175**	**$ (2,675,686)**	**$ -**

As at October 31, 2020	Floating Rate	0 to 3 Months	3 to 6 Months	6 to 12 Months	More Than 1 Year	Non Interest Sensitive	Total
Assets							
Cash and cash equivalents	$ 166,337	$ -	$ -	$ -	$ -	$ 22,617	$ 188,954
Effective yield (%)	*0.25%*	-	-	-	-	-	*0.22%*
Investment in associate	-	-	-	-	-	197,851	197,851
Investments	-	1,009,644	158,758	414,403	40,366	4,214	1,627,385
Effective yield (%)	-	*0.30%*	*0.52%*	*0.93%*	*2.05%*	-	*0.52%*
Members' loans	3,483,134	859,162	682,462	1,608,272	7,986,960	225,273	14,845,263
Effective yield (%)	*3.48%*	*3.20%*	*3.23%*	*3.29%*	*3.51%*	-	*3.40%*
Other assets	-	-	-	-	-	308,841	308,841
	3,649,471	1,868,806	841,220	2,022,675	8,027,326	758,796	17,168,294
Liabilities and Equity							
Members' deposits	5,961,624	1,078,733	1,129,279	1,947,467	2,564,807	1,174,650	13,856,560
Effective yield (%)	*0.19%*	*1.71%*	*2.07%*	*1.54%*	*1.08%*	-	*0.80%*
Other liabilities	-	-	-	-	-	310,100	310,100
Borrowings	-	200,000	-	-	-	-	200,000
Effective yield (%)	-	*0.97%*	-	-	-	-	*0.97%*
Securitization liabilities	-	78,768	85,428	201,141	785,255	(2,159)	1,148,433
Effective yield (%)	-	*2.19%*	*2.35%*	*2.26%*	*2.58%*	-	*2.49%*
Equity	-	-	-	-	-	1,653,201	1,653,201
	5,961,624	1,357,501	1,214,707	2,148,608	3,350,062	3,135,792	17,168,294
Off Statement of Financial Position							
Notional value of assets derivative financial instruments	-	800,000	200,000	-	850,000	-	1,850,000
Notional value of liabilities derivative financial instruments	(1,850,000)	-	-	-	-	-	(1,850,000)
Sub total	(1,850,000)	800,000	200,000	-	850,000	-	-
Net 2020 position	$ (4,162,153)	$ 1,311,305	$ (173,487)	$ (125,933)	$ 5,527,264	$ (2,376,996)	$ -

(Canadian $ thousands, except per share amounts)

33. RELATED PARTY DISCLOSURES

Related parties of the Credit Union include subsidiaries, key management personnel, close family members of key management personnel, entities subject to significant influence and employees of the Credit Union.

Associates
Refer to Note 16 for a summary of related party transactions with Alberta Central.

Key Management Personnel
During the year, the following compensation amounts were included in personnel expense in the consolidated statement of income for directors and management personnel of the Credit Union who have the authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly.

		Salary and Bonus		Benefits		Post Employment Benefits		2021
Chief Executive Officer (CEO) (1)	**$**	**722**	**$**	**36**	**$**	**148**	**$**	**906**
Chief Executive Officer (CEO) (2)		**740**		**30**		**60**		**830**
Chief Financial Officer (CFO)		**591**		**34**		**28**		**653**
Chief Operating Officer (COO)		**599**		**33**		**28**		**660**
Chief Information Officer (CIO) (3)		**90**		**4**		**4**		**98**
Chief Information & Payment Officer (CIPO)		**538**		**30**		**28**		**596**
Chief Credit Officer (CCO)		**537**		**30**		**28**		**595**
Chief People & Corporate Services Officer (CPO)		**524**		**36**		**28**		**588**
Chief Marketing & Digital Banking Officer (CMO)		**527**		**30**		**27**		**584**
Chief Member Experience Officer (CMEO) (4)		**388**		**20**		**129**		**537**
Total	**$**	**5,256**	**$**	**283**	**$**	**508**	**$**	**6,047**

(1) *The CEO position was occupied by 2 officers during the year. Amount reported relates to prior officer.*
(2) *The CEO position was occupied by 2 officers during the year. Amount reported relates to current officer.*
(3) *The CIO position was eliminated effective December 2020.*
(4) *The CMEO position was eliminated effective May 2021.*

		Salary and Bonus		Benefits		Post Employment Benefits		2020
Chief Executive Officer (CEO)	$	1,112	$	65	$	225	$	1,402
Chief Financial Officer (CFO)		475		32		27		534
Chief Operating Officer (COO)		449		29		27		505
Chief Information Officer (CIO)		476		31		27		534
Chief Information & Payment Officer (CIPO) (1)		190		12		11		213
Chief Credit Officer (CCO)		431		27		27		485
Chief People & Corporate Services Officer (CPO)		457		36		27		520
Chief Marketing & Digital Banking Officer (CMO)		437		29		27		493
Chief Member Experience Officer (CMEO) (2)		525		33		27		585
Total	$	4,552	$	294	$	425	$	5,271

(1) *The CIPO position is new as of June 8, 2020.*
(2) *In addition to the amounts shown, the CMEO is entitled to an early retirement package of $525K, as well as an additional amount based on Credit Union results, which will be calculated in the future and distributed over a two year period beginning 2021. The position is being eliminated effective April 2021.*

Directors' Compensation and Expenses		**2021**		2020
Compensation to directors	**$**	**727**	$	691
Expenses incurred by directors		**20**		36
Total	**$**	**747**	$	727

Compensation to directors ranged from $26 (2020 – $15) to $93 (2020 – $81) with an average of $56 (2020 – $49).

(Canadian $ thousands, except per share amounts)

33. RELATED PARTY DISCLOSURES (CONTINUED)

Short-term employee benefits include employee benefits that are payable within 12 months after October 31 of each year and include salary, bonus, benefits and allowances. Post-employment benefits are employee benefits that are payable after the completion of employment and include compensation made to retirement and pension plans. Other long-term benefits are benefits that are payable more than 12 months after October 31 of each year. Termination benefits are benefits payable as a result of an employee's employment being terminated and include severance payments and accruals for pending severance offers.

The Credit Union makes loans, primarily residential mortgages, and offers deposits, primarily fixed-term deposits, to its management and employees at various preferred rates and terms. The value of the difference in rates is included in short-term employee benefits (see Note 23). Board of Director loans and deposits are at member rates. All loans are in good standing and are granted in accordance with the Credit Union's standard credit practices.

Members' Loans		**As at October 31 2021**		As at October 31 2020
Key management personnel	**$**	**2,027**	$	2,860
Board of directors		**4,842**		4,515
Other employees		**401,074**		386,831
Total	**$**	**407,943**	$	394,206

Members' Deposits		**As at October 31 2021**		As at October 31 2020
Key management personnel	**$**	**640**	$	12,087
Board of directors		**2,841**		3,165
Other employees		**170,836**		175,663
Total	**$**	**174,317**	$	190,915

34. COMPARATIVE FIGURES

Certain comparative figures in the consolidated statements and note disclosures have been reclassified to conform to the current year's presentation.

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