

SERVUS CREDIT UNION LTD.

Interim Condensed Consolidated Financial Statements

For the three and nine months ended

July 31, 2022

(unaudited)

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

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

	Notes	July 31 2022	October 31 2021
Assets			
Cash and cash equivalents		\$ 291,921	\$ 603,208
Investments	3	1,266,243	1,036,401
Members' loans	4	16,096,273	15,314,479
Income taxes receivable		2,074	-
Assets held for sale		2,178	3,099
Other assets		32,282	33,689
Property and equipment		132,159	134,625
Leased assets		61,746	56,506
Investment property		5,733	5,908
Derivative financial assets	7	8,955	9,507
Investment in associate		201,880	199,886
Intangible assets		54,653	57,644
Total assets		18,156,097	17,454,952
Liabilities			
Borrowings		220,364	200,000
Securitization liabilities		651,411	766,784
Members' deposits		15,132,109	14,380,795
Trade payables and other liabilities		230,059	228,289
Lease liabilities		69,597	62,373
Income taxes payable		-	4,958
Allowance for off balance sheet credit instruments	4,5	4,736	5,578
Derivative financial liabilities	7	39,352	25,567
Investment shares		443	430
Defined benefit plans		5,467	5,516
Deferred income tax liabilities		8,431	10,580
Total liabilities		16,361,969	15,690,870
Equity			
Share capital		676,481	702,690
Retained earnings		1,110,796	1,050,939
Accumulated other comprehensive income		6,851	10,453
Total equity		1,794,128	1,764,082
Total liabilities and equity		\$ 18,156,097	\$ 17,454,952

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

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

Notes	Three months ended July 31 2022	Three months ended July 31 2021	Nine months ended July 31 2022	Nine months ended July 31 2021
Interest income				
Members' loans	\$ 144,882	\$ 129,114	\$ 401,239	\$ 387,387
Investments, including derivatives	8 3,927	2,033	(5,578)	861
Total interest income	148,809	131,147	395,661	388,248
Interest expense				
Members' deposits	31,569	18,942	65,440	66,908
Other interest expense	4,870	6,194	14,344	21,597
Total interest expense	36,439	25,136	79,784	88,505
Net interest income				
Other income	112,370	106,011	315,877	299,743
Share of (losses) profits from associate	34,748	35,740	105,942	103,463
	(193)	197	1,715	328
Net interest income and other income	146,925	141,948	423,534	403,534
Provision for (recovery of) credit losses	5 5,762	(8,842)	4,963	(13,334)
Net interest income and other income after provision for (recovery of) credit losses	141,163	150,790	418,571	416,868
Operating expenses				
Personnel	72,592	56,777	190,185	163,499
General	26,466	19,968	76,608	62,979
Occupancy	4,118	4,077	12,664	12,417
Member security	2,704	2,507	7,825	7,376
Depreciation	4,603	4,541	13,665	13,491
Organization	1,259	1,300	3,716	3,394
Impairment of assets	183	95	489	595
Amortization	2,790	2,936	8,405	8,978
Total operating expenses	114,715	92,201	313,557	272,729
Income before patronage allocation to members and income taxes				
	26,448	58,589	105,014	144,139
Patronage allocation to members	9,875	8,499	27,626	25,419
Income before income taxes	16,573	50,090	77,388	118,720
Income taxes	3,557	13,344	17,531	26,883
Net income	\$ 13,016	\$ 36,746	\$ 59,857	\$ 91,837

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

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

	Three months ended July 31 2022	Three months ended July 31 2021	Nine months ended July 31 2022	Nine months ended July 31 2021
Net income	\$ 13,016	\$ 36,746	\$ 59,857	\$ 91,837
Other comprehensive loss for the year, net of tax:				
Items that will not be reclassified to profit or loss:				
<i>Share of other comprehensive income (loss) from associate</i>				
Actuarial gain (loss) on defined benefit pension plans ⁽¹⁾	-	-	18	(134)
Change in unrealized (loss) gain on equity securities at fair value through other comprehensive income securities ⁽²⁾	(57)	(7)	3,484	(179)
Items that may be reclassified subsequently to profit or loss:				
<i>Share of other comprehensive (loss) income from associate</i>				
Change in unrealized loss on debt securities at fair value through other comprehensive income securities ⁽³⁾	(2,668)	(389)	(7,526)	(1,884)
Reclassification adjustments for realized gain (loss) on debt securities ⁽⁴⁾	173	(33)	422	108
Total other comprehensive loss	\$ (2,552)	\$ (429)	\$ (3,602)	\$ (2,089)
Total comprehensive income	\$ 10,464	\$ 36,317	\$ 56,255	\$ 89,748

⁽¹⁾ Net of income tax expense (recovery) for the nine months ended July 31, 2022 of \$6 (2021 - \$(40))

⁽²⁾ Net of income tax (recovery) expense for the three months ended July 31, 2022 of \$(17) (2021 - \$(2)), for the nine months ended July 31, 2022 of \$1,040 (2021 - \$(54))

⁽³⁾ Net of income tax (recovery) for the three months ended July 31, 2022 of \$(797) (2021 - \$(116)), for the nine months ended July 31, 2022 of \$(2,248) (2021 - \$(562))

⁽⁴⁾ Net of income tax expense (recovery) for the three months ended July 31, 2022 of \$52 (2021 - \$(10)), for the nine months ended July 31, 2022 of \$127 (2021 - \$32)

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

	Share Capital			Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
	Common Shares	Investment Shares	Total Share Capital			
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	28,976	-	28,976	-	-	28,976
Redemption of share capital	(28,369)	(3,730)	(32,099)	-	-	(32,099)
Net income	-	-	-	91,837	-	91,837
Share of other comprehensive loss from associate	-	-	-	-	(2,089)	(2,089)
Balance at July 31, 2021	\$ 566,982	\$ 116,444	\$ 683,426	\$ 1,046,116	\$ 10,284	\$ 1,739,826

	Share Capital			Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
	Common Shares	Investment Shares	Total Share Capital			
Balance at October 31, 2021	\$ 582,375	\$ 120,315	\$ 702,690	\$ 1,050,939	\$ 10,453	\$ 1,764,082
Changes in equity						
Issues of share capital	12,062	-	12,062	-	-	12,062
Redemption of share capital	(33,800)	(4,471)	(38,271)	-	-	(38,271)
Net income	-	-	-	59,857	-	59,857
Share of other comprehensive loss from associate	-	-	-	-	(3,602)	(3,602)
Balance at July 31, 2022	\$ 560,637	\$ 115,844	\$ 676,481	\$ 1,110,796	\$ 6,851	\$ 1,794,128

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

	Nine months ended July 31 2022	Nine months ended July 31 2021
Cash flows from (used in) operating activities		
Net income	\$ 59,857	\$ 91,837
Adjustments for non-cash items and others		
Net interest income ⁽¹⁾	(315,877)	(299,743)
Provision for (recovery of) credit losses	4,963	(13,334)
Share of profits from investment in associate	(1,715)	(328)
Depreciation	13,665	13,491
Amortization	8,405	8,978
Impairment of assets	489	595
Gain on leased assets	(3)	(30)
Gain on assets held for sale	(136)	(772)
Loss on disposal of property and equipment	185	401
Gain on loan modifications	-	(2,596)
Income taxes	17,531	26,883
Adjustments for net changes in operating assets and liabilities		
Change in members' loans	(781,281)	(380,955)
Change in members' deposits	747,052	479,640
Change in assets held for sale	(1,966)	(6,805)
Change in derivatives, net	14,337	13,610
Change in other assets, provisions, and trade payables and other liabilities, net	6,534	(6,893)
Income taxes paid, net	(26,712)	(16,975)
Interest received	386,490	427,273
Interest paid	(74,711)	(119,623)
Net cash from operating activities	57,107	214,654
Cash flows from (used in) investing activities		
Additions to intangible assets	(5,414)	(5,973)
Additions to property and equipment, and investment property	(6,624)	(6,415)
Proceeds on disposal of property and equipment, and investment property	70	161
Proceeds on disposal of assets held for sale	2,534	10,710
Purchase of Alberta Central shares	(7,196)	(8,418)
Distributions from Alberta Central	2,239	3,287
(Purchase of) proceeds from investments, net	(226,989)	359,319
Net cash (used in) from investing activities	(241,380)	352,671
Cash flows from (used in) financing activities		
Term loans and lines of credit	20,364	-
Advances of securitization liabilities	137,044	41,637
Repayments of securitization liabilities	(254,266)	(447,746)
Repayments of principal portion of lease liabilities	(3,947)	(3,814)
Shares issued	12,062	28,976
Shares redeemed	(38,271)	(32,099)
Net cash used in financing activities	(127,014)	(413,046)
(Decrease) increase in cash and cash equivalents	(311,287)	154,279
Cash and cash equivalents, beginning of period	603,208	188,954
Cash and cash equivalents, end of period	\$ 291,921	\$ 343,233

⁽¹⁾ Net interest income includes a fair value loss on derivatives for the nine month ended July 31, 2022 of \$11,265 (2021 - \$6,390)

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

SERVUS CREDIT UNION LTD.
Notes to Interim Condensed Consolidated Financial Statements
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1. BASIS OF PRESENTATION

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with Servus Credit Union Ltd.'s ("Servus" or the "Credit Union") 2021 audited annual consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Audit and Finance Committee on September 22, 2022.

Use of Estimates, Assumptions and Critical Judgments

The preparation of the interim condensed consolidated 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 (ECL); 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, ECL, classification and valuation of financial instruments, valuation of leased assets and lease liabilities, consolidation of structured entities and accounting for investment in associate.

While market volatility associated with COVID-19 has eased, current economic conditions within Alberta such as high inflation, rising interest rates, and falling unemployment levels continue to have a significant impact on the estimates and assumptions made by management in preparing the interim consolidated financial statements. Refer to Note 5 for more information on significant judgments made to estimate the ECL.

2. ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared following the same accounting policies and methods as those used in preparing the Credit Union's 2021 annual consolidated financial statements, with the exception of Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ("the Phase 2 amendments"). The adoption of these amendments effective November 1, 2021 have no impact on the financial statements.

3. INVESTMENTS

	As at July 31 2022	As at October 31 2021
Term deposits with Alberta Central	\$ 1,262,518	\$1,035,562
Other	321	288
	1,262,839	1,035,850
Accrued interest	3,405	552
	1,266,244	1,036,402
ECL allowance on investments	(1)	(1)
Total	\$ 1,266,243	\$1,036,401

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Notes to Interim Condensed Consolidated Financial Statements
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4. 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	Total	Allowance for Credit Losses	Total Net of Allowance
	Stage 1	Stage 2	Stage 3	Stage 3			
As at July 31, 2022							
Residential mortgages	\$ 8,306,894	\$ 464,182	\$ 13,636	\$ 8,784,712	\$ 4,078	\$ 8,780,634	
Commercial and agriculture	6,025,136	144,712	33,451	6,203,299	22,013	6,181,286	
Consumer and credit card	1,076,476	67,508	2,702	1,146,686	12,333	1,134,353	
Total members' loans	\$ 15,408,506	\$ 676,402	\$ 49,789	\$ 16,134,697	\$ 38,424	\$ 16,096,273	

As at July 31, 2022						
Residential mortgages	\$ 2,177,135	\$ 16,758	\$ 7,163	\$ 2,201,056	\$ 302	\$ 2,200,754
Commercial and agriculture	1,499,871	9,286	924	1,510,081	1,007	1,509,074
Consumer and credit card	1,097,399	18,832	1,562	1,117,793	3,427	1,114,366
Total off balance sheet credit instruments	\$ 4,774,405	\$ 44,876	\$ 9,649	\$ 4,828,930	\$ 4,736	\$ 4,824,194

	Performing			Impaired	Total	Allowance for Credit Losses	Total Net of Allowance
	Stage 1	Stage 2	Stage 3	Stage 3			
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	1,338,754	4,402	141	1,343,297	896	1,342,401
Consumer and credit card	1,066,550	15,595	626	1,082,771	4,303	1,078,468
Total off balance sheet credit instruments	\$ 4,512,316	\$ 35,250	\$ 1,604	\$ 4,549,170	\$ 5,578	\$ 4,543,592

5. 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 July 31, 2022.

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 (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, 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 (Credit Card book only)
- Alberta housing price index
- The rate spread between the three-month Bank of Canada bond and three-month Bankers' Acceptance rates.

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5. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

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 best, base and worst-case scenarios and determining the probability of each scenario. At July 31, 2022, management concluded that weighting to be used is a 60% base, 20% best and 20% worst-case (October 31, 2021 - 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 July 31, 2022, management has applied an overlay of \$3.5 million (October 31, 2021 - \$3.5 million) on the commercial, consumer, residential mortgages, and credit card book.

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

	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
As at October 31, 2021	\$ 5,375	\$ 24,032	\$ 15,831	\$ 45,238
Recoveries of previous loan write-offs	3	99	3,939	4,041
(Recovery) provision charged to net income	(355)	2,615	2,703	4,963
	5,023	26,746	22,473	54,242
Loans written off	(643)	(3,726)	(6,713)	(11,082)
As at July 31, 2022	\$ 4,380	\$ 23,020	\$ 15,760	\$ 43,160
Presented on Interim Condensed Consolidated Statement of Financial Position as:				
Netted with members' loans	4,078	22,013	12,333	38,424
Off balance sheet credit instruments ⁽¹⁾	302	1,007	3,427	4,736
Total	\$ 4,380	\$ 23,020	\$ 15,760	\$ 43,160

	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
As at October 31, 2020	\$ 7,343	\$ 45,260	\$ 21,893	\$ 74,496
Recoveries of previous loan write-offs	25	421	5,519	5,965
Provision (recovery) charged to net income	1,674	(14,337)	(900)	(13,563)
	9,042	31,344	26,512	66,898
Loans written off	(3,667)	(7,312)	(10,681)	(21,660)
As at October 31, 2021	\$ 5,375	\$ 24,032	\$ 15,831	\$ 45,238
Presented on Interim Condensed Consolidated Statement of Financial Position as:				
Netted with members' loans	4,996	23,136	11,528	39,660
Off balance sheet credit instruments ⁽¹⁾	379	896	4,303	5,578
Total	\$ 5,375	\$ 24,032	\$ 15,831	\$ 45,238

⁽¹⁾ Off balance sheet credit instruments consisting of undrawn commitments and financial guarantees

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5. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The provision (recovery) charged to net income is:

	Nine months ended July 31 2022	Nine months ended July 31 2021
Loans	\$ 4,963	\$ (13,335)
Investments	-	1
Provision for (recovery of) credit losses	\$ 4,963	\$ (13,334)

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		Total
	Stage 1	Stage 2	Stage 3		
As at October 31, 2021	\$ 2,281	\$ 2,495	\$ 599	\$	5,375
Transfers					
Stage 1 ⁽¹⁾	104	(104)	-		-
Stage 2 ⁽¹⁾	(481)	491	(10)		-
Stage 3 ⁽¹⁾	(162)	(266)	428		-
New originations ⁽²⁾	341	334	8		683
Repayments ⁽³⁾	(232)	(284)	(183)		(699)
Remeasurements ⁽⁴⁾	(59)	(696)	416		(339)
Loans written off	-	-	(643)		(643)
Recoveries	-	-	3		3
As at July 31, 2022	\$ 1,792	\$ 1,970	\$ 618	\$	4,380
Presented on Interim Condensed Consolidated Statement of Financial Position as:					
Netted with members' loans	1,535	1,927	616		4,078
Off balance sheet credit instruments	257	43	2		302
Total	\$ 1,792	\$ 1,970	\$ 618	\$	4,380

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
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 Interim Condensed 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

⁽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

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5. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Allowance for credit losses – Commercial and Agriculture

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
As at October 31, 2021	\$ 4,342	\$ 3,493	\$ 16,197	\$	24,032
Transfers					
Stage 1 ⁽¹⁾	23	(23)	-		-
Stage 2 ⁽¹⁾	(264)	289	(25)		-
Stage 3 ⁽¹⁾	(1,159)	(2,148)	3,307		-
New originations ⁽²⁾	992	44	145		1,181
Repayments ⁽³⁾	(416)	(1,076)	(683)		(2,175)
Remeasurements ⁽⁴⁾	1,394	2,037	178		3,609
Loans written off	-	-	(3,726)		(3,726)
Recoveries	-	-	99		99
As at July 31, 2022	\$ 4,912	\$ 2,616	\$ 15,492	\$	23,020
Presented on Interim Condensed Consolidated Statement of Financial Position as:					
Netted with members' loans	4,006	2,584	15,423		22,013
Off balance sheet credit instruments	906	32	69		1,007
Total	\$ 4,912	\$ 2,616	\$ 15,492	\$	23,020

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
As at October 31, 2020	\$ 7,728	\$ 14,471	\$ 23,085	\$	45,284
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	\$ 4,342	\$ 3,493	\$ 16,197	\$	24,032
Presented on Interim Condensed Consolidated Statement of Financial Position as:					
Netted with members' loans	3,485	3,479	16,172		23,136
Off balance sheet credit instruments	857	14	25		896
Total	\$ 4,342	\$ 3,493	\$ 16,197	\$	24,032

⁽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

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5. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Allowance for credit losses – Consumer and Credit Card

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
As at October 31, 2021	\$ 6,777	\$ 7,950	\$ 1,104	\$	15,831
Transfers					
Stage 1 ⁽¹⁾	213	(211)	(2)		-
Stage 2 ⁽¹⁾	(1,576)	1,604	(28)		-
Stage 3 ⁽¹⁾	(602)	(610)	1,212		-
New originations ⁽²⁾	2,623	374	3		3,000
Repayments ⁽³⁾	(438)	(289)	(97)		(824)
Remeasurements ⁽⁴⁾	(261)	(1,114)	1,902		527
Loans written off	-	-	(6,713)		(6,713)
Recoveries	-	-	3,939		3,939
As at July 31, 2022	\$ 6,736	\$ 7,704	\$ 1,320	\$	15,760
Presented on Interim Condensed Consolidated Statement of Financial Position as:					
Netted with members' loans	4,450	6,601	1,282		12,333
Off balance sheet credit instruments	2,286	1,103	38		3,427
Total	\$ 6,736	\$ 7,704	\$ 1,320	\$	15,760

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
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 Interim Condensed 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

⁽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

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6. 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 and 5
High risk/impaired	624 or less	649 or less	6 ,7, 8, and 9

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

As at July 31, 2022	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
Risk Categories				
Very low risk	\$ 3,487,892	\$ 23,332	\$ 277,479	\$ 3,788,703
Low risk	3,842,145	2,528,241	401,130	6,771,516
Medium risk	1,010,413	3,541,527	177,721	4,729,661
High risk	430,626	76,748	287,654	795,028
Impaired	13,636	33,451	2,702	49,789
Total members' loans	\$ 8,784,712	\$ 6,203,299	\$ 1,146,686	\$ 16,134,697

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

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

As at July 31, 2022	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
Risk Categories				
Very low risk	\$ 1,058,774	\$ 153,612	\$ 632,575	\$ 1,844,961
Low risk	1,081,381	1,093,615	342,235	2,517,231
Medium risk	45,886	259,985	86,377	392,248
High risk	7,852	1,945	55,044	64,841
Impaired	7,163	924	1,562	9,649
Total off balance sheet credit instruments	\$ 2,201,056	\$ 1,510,081	\$ 1,117,793	\$ 4,828,930

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6. CREDIT QUALITY OF MEMBERS' LOANS (CONTINUED)

As at October 31, 2021	Residential Mortgages	Commercial and Agriculture	Consumer and Credit Card	Total
Risk Categories				
Very low risk	\$ 1,018,692	\$ 148,711	\$ 599,418	\$ 1,766,821
Low risk	1,046,300	948,286	312,200	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	\$ 1,343,297	\$ 1,082,771	\$ 4,549,170

Loans Past Due, as at July 31, 2022	Up to 30 Days	31 to 59 Days	60 to 89 Days	Over 90 Days	Total
Stage 1					
Residential mortgages	\$ 79,967	\$ -	\$ -	\$ -	\$ 79,967
Commercial and agriculture	31,082	-	-	-	31,082
Consumer and credit card	21,253	-	-	-	21,253
Stage 2					
Residential mortgages	26,812	36,292	9,167	7,882	80,153
Commercial and agriculture	1,439	43,672	10,351	19,912	75,374
Consumer and credit card	5,635	6,944	2,010	58	14,647
Stage 3					
Residential mortgages	-	-	-	13,438	13,438
Commercial and agriculture	22	433	300	18,797	19,552
Consumer and credit card	-	-	-	2,655	2,655
Total	\$ 166,210	\$ 87,341	\$ 21,828	\$ 62,742	\$ 338,121

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
Stage 3					
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

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

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

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6. CREDIT QUALITY OF MEMBERS' LOANS (CONTINUED)

Loans by Security	As at July 31 2022	As at October 31 2021
Insured loans and mortgages	\$ 3,040,849	\$ 3,043,315
Secured by mortgage	11,561,564	10,879,690
Secured by other	961,070	892,306
Unsecured loans	334,025	318,493
Unsecured mastercard	237,189	220,335
Total	\$ 16,134,697	\$ 15,354,139

7. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at July 31, 2022			As at October 31, 2021		
	Gross Financial Assets	Gross Financial Liabilities	Net	Gross Financial Assets	Gross Financial Liabilities	Net
Equity-linked options	\$ 8,955	\$ (8,839)	\$ 116	\$ 9,507	\$ (9,385)	\$ 122
Interest rate swaps	-	(30,513)	(30,513)	-	(16,182)	(16,182)
Total	\$ 8,955	\$ (39,352)	\$ (30,397)	\$ 9,507	\$ (25,567)	\$ (16,060)

As of July 31, 2022, 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 July 31 2022	As at October 31 2021
Interest rate swaps					
receive fixed, pay floating	\$ -	\$ 250,000	\$ 600,000	\$ 850,000	\$ 850,000
Equity-linked options	-	11,975	101,850	113,825	94,150
Total	\$ -	\$ 261,975	\$ 701,850	\$ 963,825	\$ 944,150

Equity-linked Options

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

Interest Rate Swaps

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

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

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8. INVESTMENT INCOME

	Three months ended July 31 2022	Three months ended July 31 2021	Nine months ended July 31 2022	Nine months ended July 31 2021
Investment Income				
Investment income on term deposits and other	\$ 4,593	\$ 1,382	\$ 8,009	\$ 5,194
Unrealized gain (loss) on derivative instruments	1,821	349	(11,242)	(6,267)
Realized (loss) gain on derivative instruments	(2,487)	302	(2,345)	1,934
Total	\$ 3,927	\$ 2,033	\$ (5,578)	\$ 861

9. 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 July 31, 2022	Note	Carrying Value	Fair Value	Fair Value Difference
Financial Instrument Assets				
Cash and cash equivalents	a	\$ 291,921	\$ 291,921	\$ -
Interest bearing deposits with financial institutions	c,e	1,265,922	1,255,909	(10,013)
Assets at fair value through profit or loss	d	9,258	9,258	-
Members' loans	b,c,e	16,096,273	15,477,497	(618,776)
Other	a	11,562	11,562	-
Total financial instrument assets		17,674,936	17,046,147	(628,789)
Financial Instrument Liabilities				
Members' deposits	b,c	15,132,109	15,040,958	(91,151)
Liabilities at fair value through profit or loss	d	39,352	39,352	-
Borrowings	a	220,364	220,364	-
Securitization liabilities	c	651,411	635,904	(15,507)
Payables and other financial liabilities	a	222,001	222,001	-
Total financial instrument liabilities		\$ 16,265,237	\$ 16,158,579	\$ (106,658)

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9. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at October 31, 2021	Note	Carrying Value	Fair Value	Fair Value Difference
<i>Financial Instrument Assets</i>				
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
<i>Financial Instrument Liabilities</i>				
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

(a) The fair values of cash, other financial assets, borrowings and other liabilities are assumed to approximate book values, due to their short-term nature.

(b) The estimated fair values of floating rate member loans, 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.

(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.

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9. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

As at July 31, 2022	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative assets	\$ -	\$ 8,955	\$ -	\$ 8,955
Investment shares in entities ⁽¹⁾	-	-	76	76
Shares in Concentra Trust ⁽¹⁾	-	-	227	227
Total	\$ -	\$ 8,955	\$ 303	\$ 9,258
Financial Liabilities				
Member shares - Series E	-	443	-	443
Derivative liabilities	-	39,352	-	39,352
Total	\$ -	\$ 39,795	\$ -	\$ 39,795

Fair value measurements using Level 3 inputs

Balance at October 31, 2021	\$ 278
Purchases	25
Balance at July 31, 2022	\$ 303

As at October 31, 2021	Level 1	Level 2	Level 3	Total
<i>Financial Assets</i>				
Derivative assets	\$ -	\$ 9,507	\$ -	\$ 9,507
Investment shares in entities ⁽¹⁾	-	-	51	51
Shares in Concentra Trust ⁽¹⁾	-	-	227	227
Total	\$ -	\$ 9,507	\$ 278	\$ 9,785
<i>Financial Liabilities</i>				
Member shares - Series E	-	430	-	430
Derivative liabilities	-	25,567	-	25,567
Total	\$ -	\$ 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

⁽¹⁾ Investment shares in entities and Shares in Concentra Trust are included in investments on the interim condensed consolidated statement of financial position

10. COMPARATIVE FIGURES

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