2020 Annual Report

TRANSCANADA CREDIT UNION Ltd.

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Mission

The mission of TransCanada Credit Union is to be our members' preferred and competitive alternative for select banking services.

Values

- Personal service
- Return for members through profit sharing
- No service charges
- Competitive rates

Goals

The primary goal of the TransCanada Credit Union is to continue to provide basic financial services, at competitive rates and reasonable cost, to the extended TC Energy community, with a personal touch.

History

In early 1958, the TransCanada Employees' Credit Union officially commenced operations in Toronto after much behind the scenes negotiations by John G.C. Weir, the first President of TransCanada Credit Union.

In 1990, after 32 years of operating in Toronto, the TransCanada Credit Union had the unique privilege of being the first Credit Union in Canadian history to move to another province.

For All Your Insurance Needs,

We Offer Very Competitive Group Rates to Trans Canada Credit Union members!

Home

Auto

RV

Business

Marine

Travel

TransCanada Credit Union is pleased to announce that Bow Valley Insurance is offering members of the credit union a Group Insurance Plan at preferred rates. Bow Valley Insurance Services have been serving Canadians for the past 40 years and represent over several insurance companies which will ensure that all insurance needs of the members are met.

BVI

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"Proudly Serving Canadians for 40 years"

9805 Horton Road SW
Calgary, Alberta T2V 2X5
Tel. (403) 297-9400
1-800-332-1308
Fax (403) 297-9425

info@bvinsurance.ca
www.bvinsurance.ca

PROUDLY SERVING CANADIANS FOR 40 YEARS

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Jacquelyn Chong
President
Audit & Finance
Committee Chair

Al Moosa
Vice President

Andrew Pittet
Secretary

Riz Mirza
Credit Committee
Chair

Arnoldo Soto
Director

Claudiu Nandrea
Director

Jennifer Lewis
Director

Brad Walman
Director

Staff

Neil Davison - General Manager

Neil has been with the credit union since 2013 and has over 11 years experience in the Canadian credit union system and over 24 years in financial services.

Terri Myroon - Loans Officer

Terri has been with the credit union since May 2019 and brings with her a wealth of experience in the financial services sector

Muriel Meyers - Member Services Representative Muriel joined the Credit Union in May 2018 and has become a firm favorite with our members due to her excellent customer service and friendly attitude.

President's Report

We saw 2019 end with the promise of better things to come and then hit 2020! As the effects of the worldwide pandemic impacted everyone around the world, the TransCanada Credit Union quickly pivoted to working remotely while continuing to offer you, the members the strong level of customer service you are accustomed to.

Moving to a remote work environment demonstrated that our business interruption plans were solid as we saw minimal to no impact to our members.

We made difficult decisions during the year, however we continued to outperform our peers with our philosophy of offering market-leading interest rates on savings deposits coupled with competitive lending rates, all while charging zero fees. These decisions allowed the credit union to remain financially strong and we were once again able to reward members by paying a 4% dividend for the 2019/2020 fiscal year.

As the effects of the pandemic continue into 2021, we will continue to look for ways to ensure our ongoing viability while remaining a leader amongst our competitors.

As we continue to navigate through these uncertain economic times, we recognize that you have choices with respect to your financial service providers. We are proud that you allow us to be part of your financial journey and that you find value in our offerings. If you are happy with our products and services please tell others, if not please let us know how we can serve you better.

I would like to thank the credit union staff who deal personally and professionally with our members every day and our Board of Directors who unselfishly volunteer their time to provide governance and oversight to the credit union.

In closing and as always, I would like to thank you, the TransCanada Credit Union members, for your continued loyalty and support. Without you, we wouldn't exist, and we are grateful that you continue to put your trust in us. We welcome you to share your thoughts, ideas and suggestions on how we can continue to provide you with the services you are looking for. Together we will continue to build a successful future.

On behalf of the TransCanada Credit Union staff and Board of Directors,

J. Chong

Jacquelyn Chong
President

Manager's Report

Welcome to the 2020 Annual Report and Annual General Meeting of TransCanada Credit Union Ltd.

Well what can we say about 2020 that has not already been said? It was certainly a different and uniquely challenging year for everyone. As well as the challenges of working remotely for the majority of the year, we had the added impact of the Bank of Canada emergency rate cuts that occurred in March 2020, which added additional pressures to our profit margins and bottom line.

We feel that being able to service our members from remote locations has only had a limited impact on our service levels, which we pride ourselves on. It would appear that most of you agree with us on this matter, as over 92% of respondents in our recent Satisfaction Survey state there was little to no impact in our service provision. We obviously miss the personal interaction with our members and look forward to getting back to normal, whatever the 'new' normal is, some time in 2021.

Despite these unique challenges we did experience some encouraging results in 2020. Deposits continued to grow, as many of you sought a safe haven for funds during these tumultuous times. The Bank of Canada Rate cuts left us with no alternative other than to decrease our headline savings rate from 2% down to 1%, which is still multiple times higher than what the big 5 banks are paying on their savings accounts.

Members took advantage of historically low lending rates, which saw our mortgage portfolio grow by over 8% during the course of the financial year, this despite lower than usual real estate transaction levels.

Our assets also continue to eclipse previously seen levels, with almost 9% growth over the prior period.

We were also pleased to pay a member common share dividend of 4.0% this last year, this was paid out January 15th, 2021 and is continued evidence of our commitment to sharing our profits with members, one of the key foundations of the credit union movement.

I would like to take this opportunity to thank the Board of Directors for their insight and support over the last year. These dedicated individuals spend many hours over the course of a year ensuring our credit union is meeting the needs of its members.

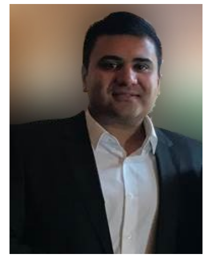
Lastly, I would like to thank you, the members, for your continued support of the credit union. Without your loyal patronage we would not have the ability to continue to provide this highly regarded, value added service.

Respectfully

N Davison

Neil Davison
General Manager

Report of the Credit Committee



Riz Mirza, Chairperson
Claudiu Nandrea
Jennifer Lewis
Arnoldo Soto

The Credit Committee's primary responsibility is to review loan applications in excess of the General Manager's lending limit. The committee ensures adherence to the Credit Union lending policy/lending guidelines and reports to the Board about financial performance of the portfolio.

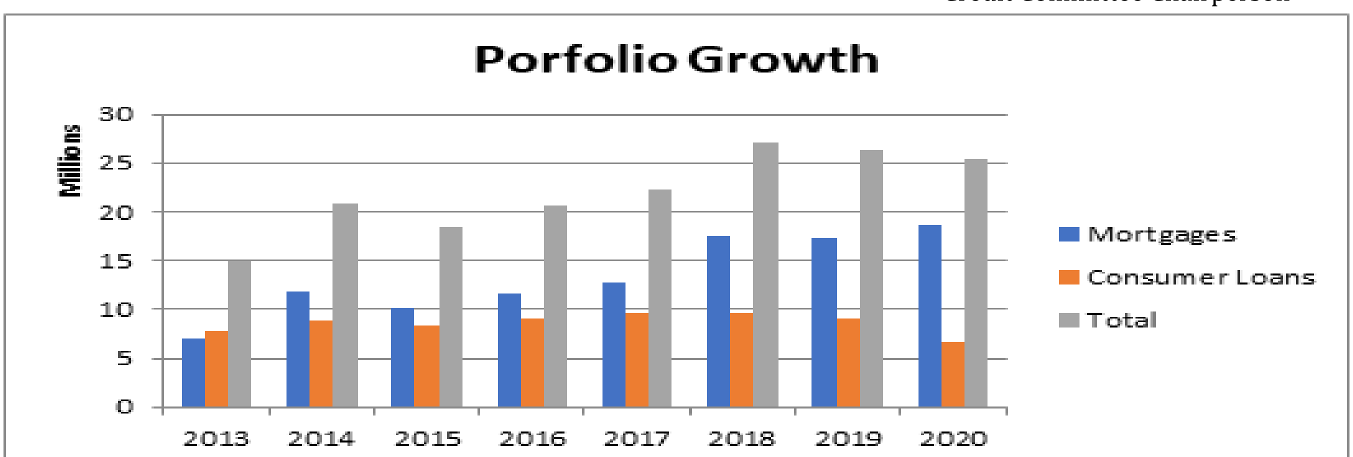
As of October 31, 2020, the Loans Portfolio is valued at about $25 million. The number of mortgages, lines of credit and loans approved during the 2020 fiscal year was $4.8 million, representing 41 new lending applications.

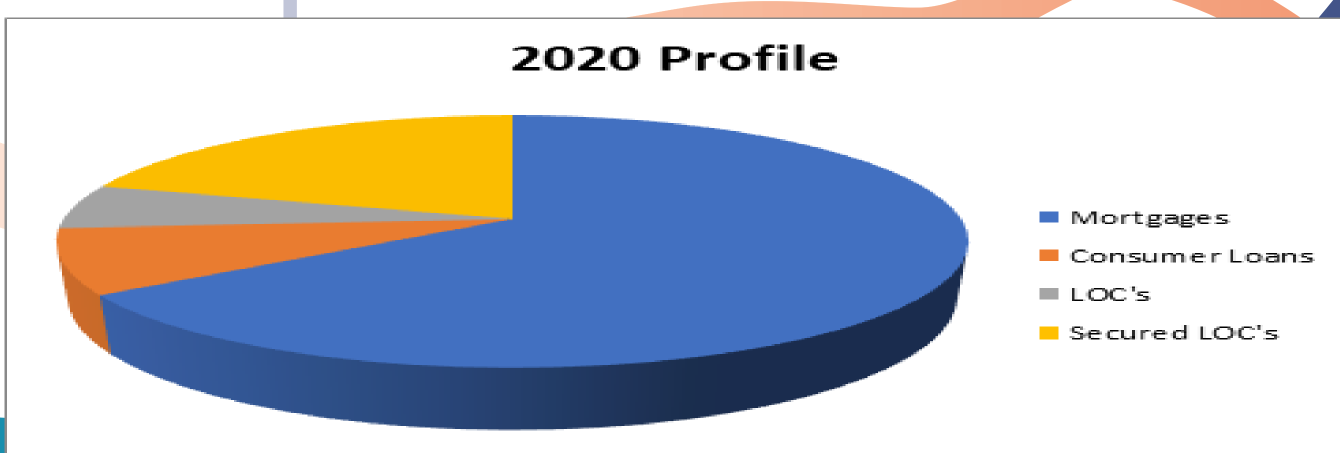
To help support our members whom were directly impacted as a result of the COVID-19 pandemic, the Credit Union was able to provide a short-term loan payment deferral program, in accordance with authorized industry practice, for those whom qualified. I am happy to report that as of our year end, these deferrals were brought up to date.

Our loan portfolio demonstrates our members continued support of the Credit Union as a viable option for lending.

I extend my thanks to the members of the Credit Committee and the Credit Union staff for their hard work and dedication over the past year.

Riz Mirza
Credit Committee Chairperson





Report of the Audit and Finance Committee

Jacquelyn Chong, Chairperson
Brad Walman
Al Moosa
Andrew Pittet

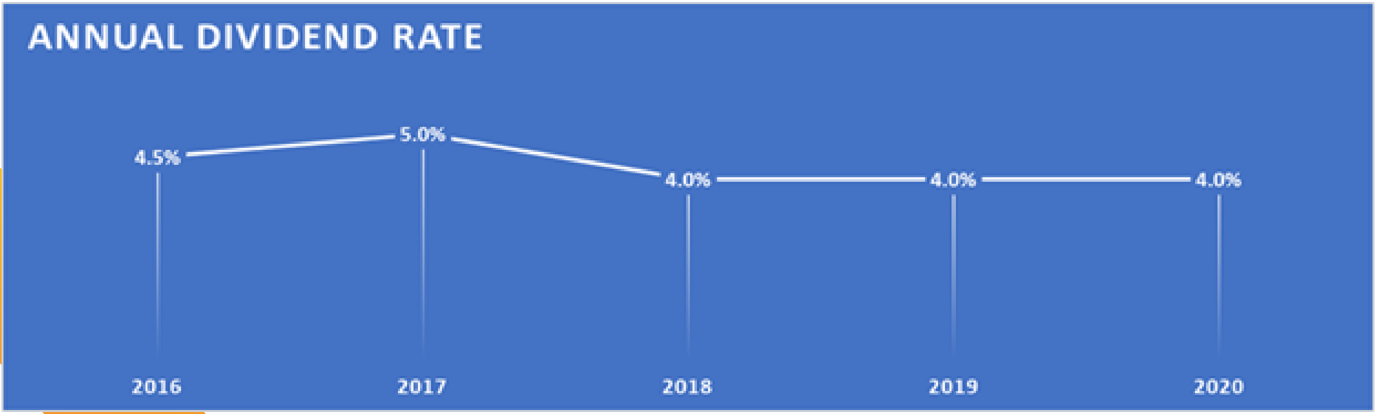
The Audit and Finance Committee is comprised of four directors. The Committee meets monthly to ensure the following obligations are met over the course of the year:

- Review the financial position of the Credit Union including the recommendation of the annual budget to the Board.
- Engage and oversee the external and internal auditors, including the terms of their engagement and the scope of the audit.
- Ensure compliance with regulatory liquidity standards and capital adequacy requirements.
- Interest rate management by setting savings account rates on a quarterly basis.

The committee reports directly to the Board of Directors, issues reports and makes recommendations to the Board and Management. If recommendations have been made, follow up is undertaken to ensure they have been duly considered and implemented. It also reviews the annual audited financial statements prior to approval of the Board for issuance to members.

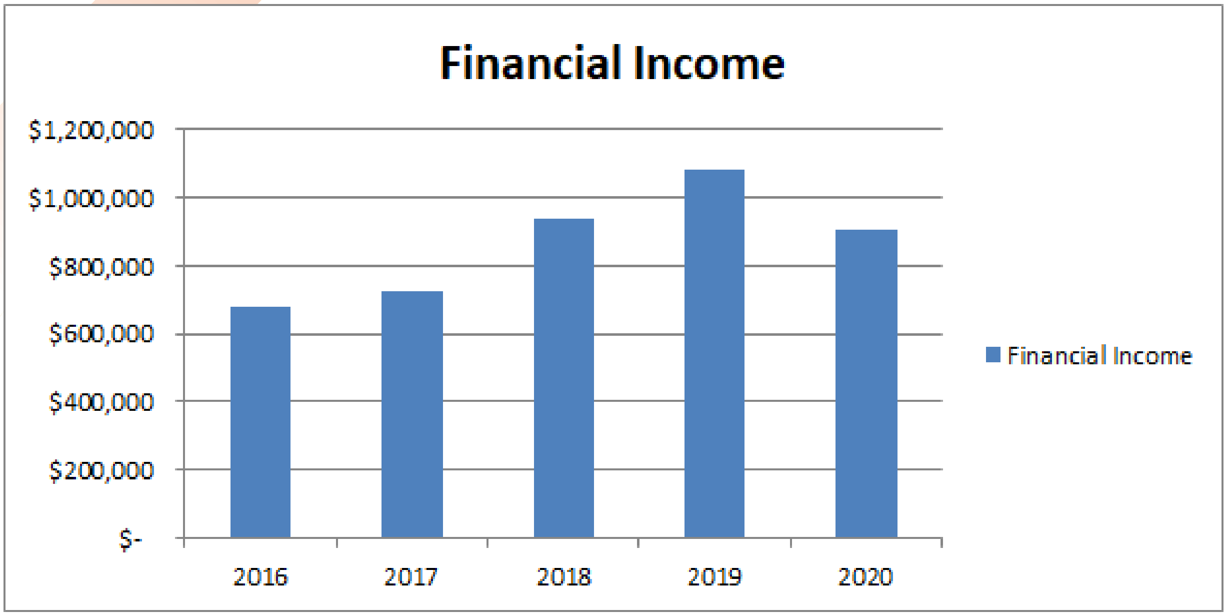
There are no matters which the Audit and Finance Committee believes should be reported to the members, nor are there any matters that are required to be disclosed under the Credit Union Act or regulations.

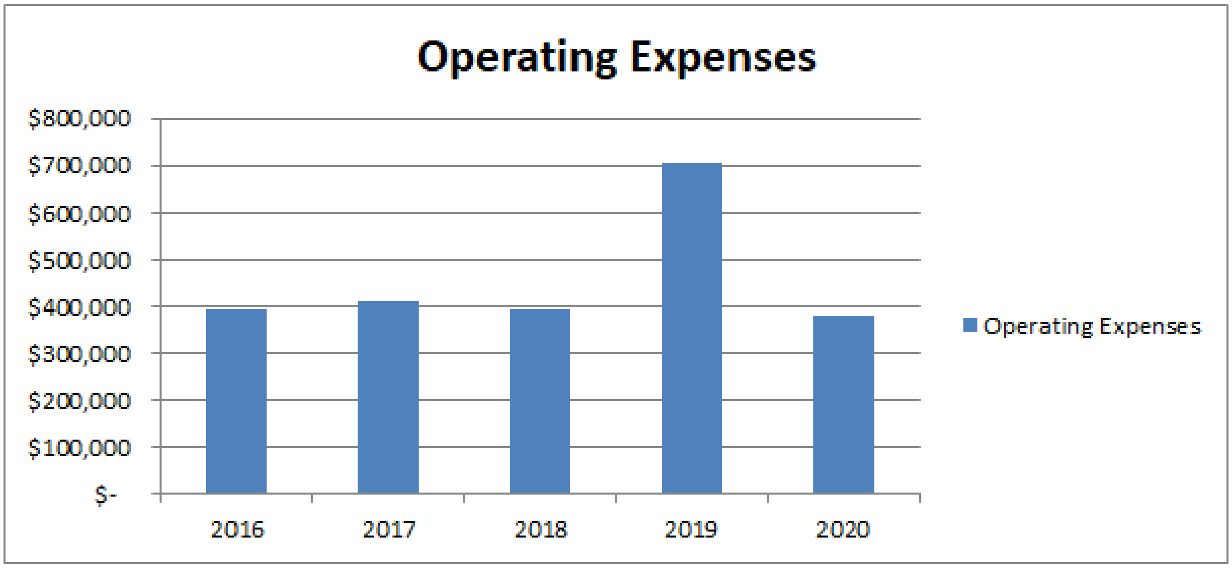
Although the economy saw strong headwinds last year, the Credit Union is committed to profit-sharing with members which includes a strong and consistent dividend. The dividends paid over the last several years have averaged around 4% and were able to maintain that strong dividend by paying 4% for the 2019/2020 fiscal year; a leading value among our peers both large and small.

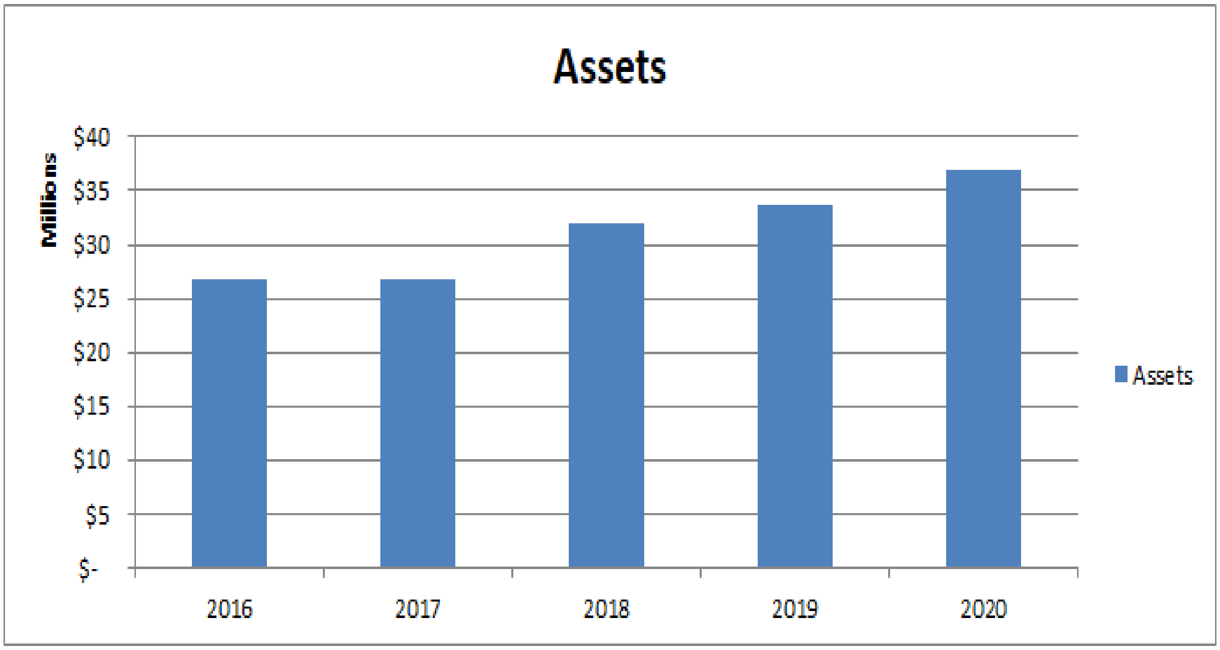


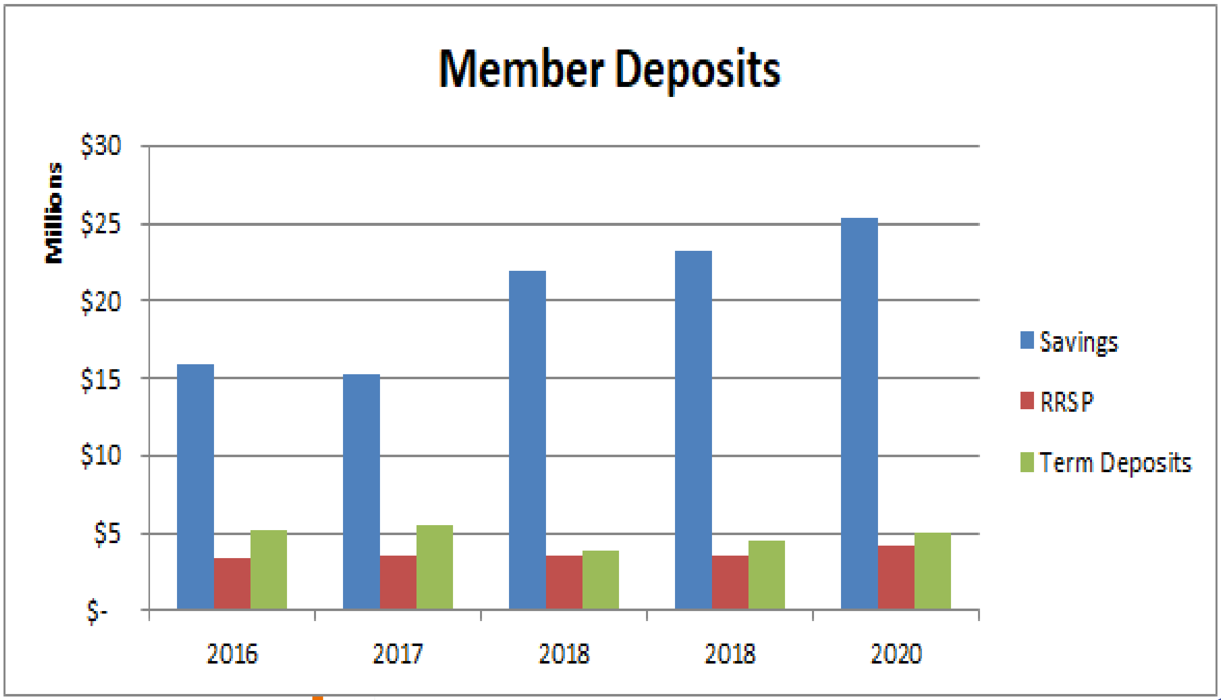
I'd like to thank all the members of the Audit and Finance Committee as well as the Credit Union's management and staff for their hard work and dedication for delivering on another successful year.

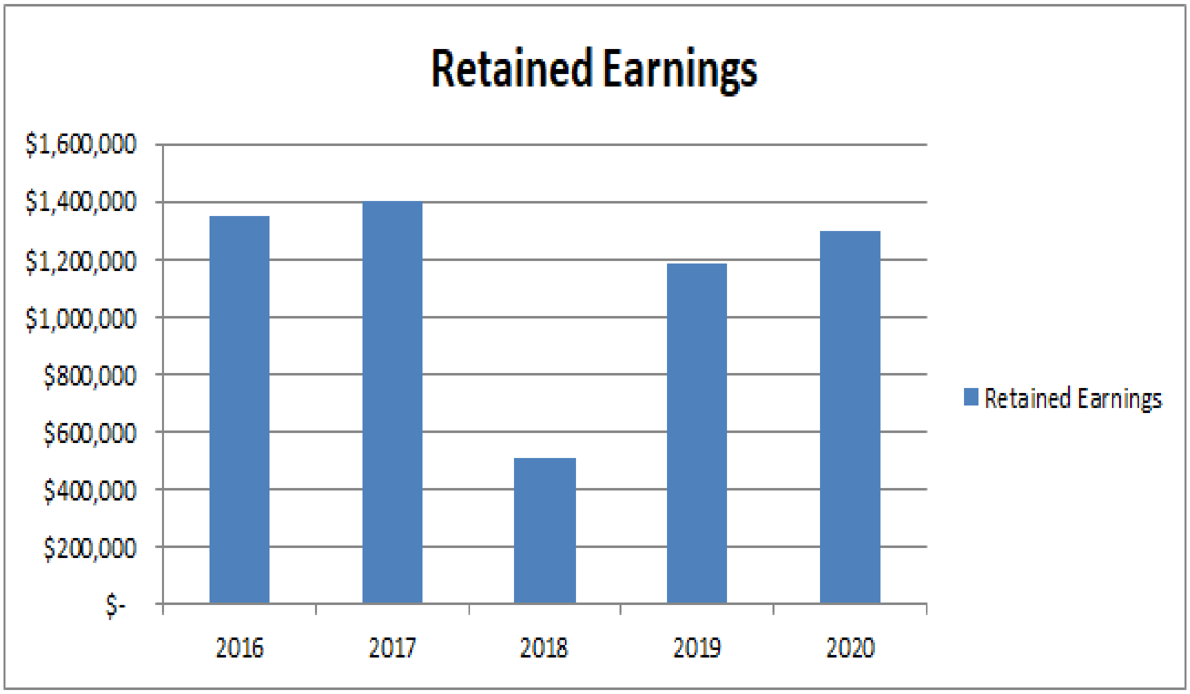
Jacquelyn Chong
Chairperson
Audit and Finance Committee


Financial Income
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$-
2016
2017
2018
2019
2020
Financial Income

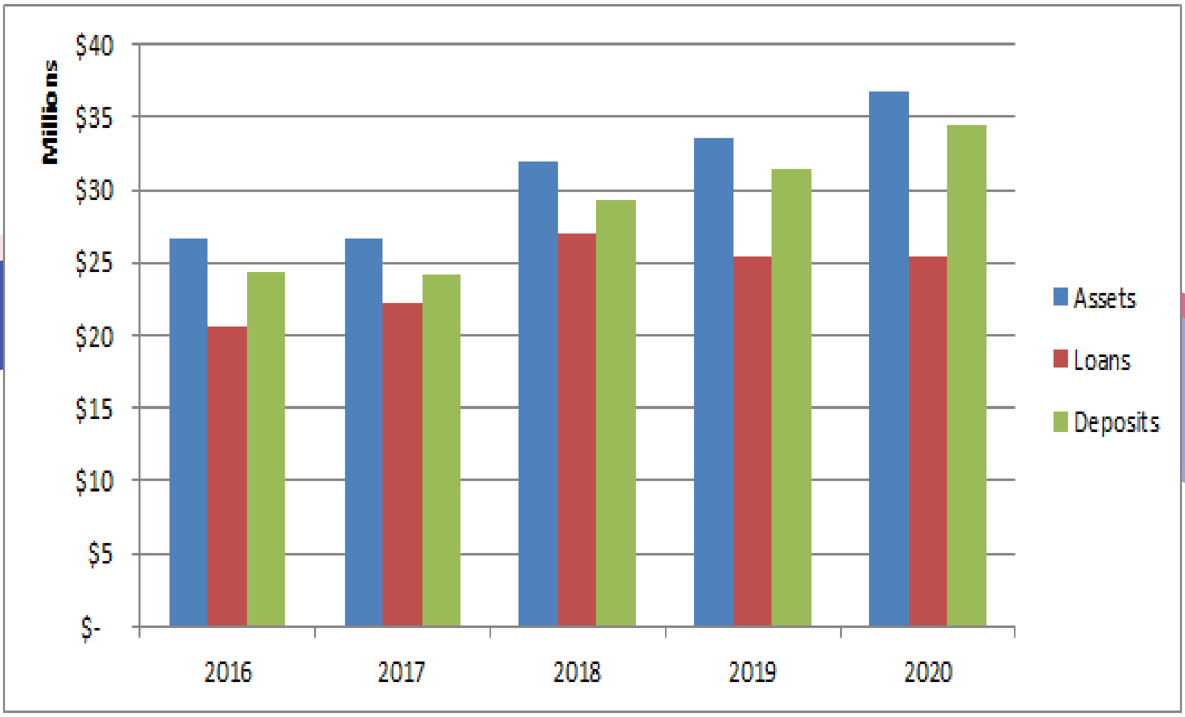

Operating Expenses
$800,000
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$-
2016
2017
2018
2019
2020
Operating Expenses


Assets
Millions
$40
$35
$30
$25
$20
$15
$10
$5
$-
2016
2017
2018
2019
2020
Assets


Member Deposits
Millions
$30
$25
$20
$15
$10
$5
$-
2016
2017
2018
2018
2020
Savings
RRSP
Term Deposits


Retained Earnings
$1,600,000
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$-
2016
2017
2018
2019
2020
Retained Earnings

Totals


Millions
$40
$35
$30
$25
$20
$15
$10
$5
$-
2016
2017
2018
2019
2020
Assets
Loans
Deposits

Home and auto insurance personalized for you.

As an **member** of **Transcanada Credit Union**, you can enjoy exclusive group rates on your home and auto insurance with **The Personal**. But that's not all. You'll also benefit from choosing an insurance company whose top priority is, and always has been, to support you.

Here's how The Personal is here to help:

- ✓ **Licensed insurance advisors who take time to explain your options**
- ✓ **The ability to manage your policy anytime, anywhere**
- ✓ **One of the leaders in client experience**[1]

Plus, we're with you whenever you need us with:

Online Services

- View your insurance documents
- Update your address or add a driver
- File a claim, and more

The Personal App

- Track severe weather with Radar™
- Free Alert water and humidity sensor available through the App

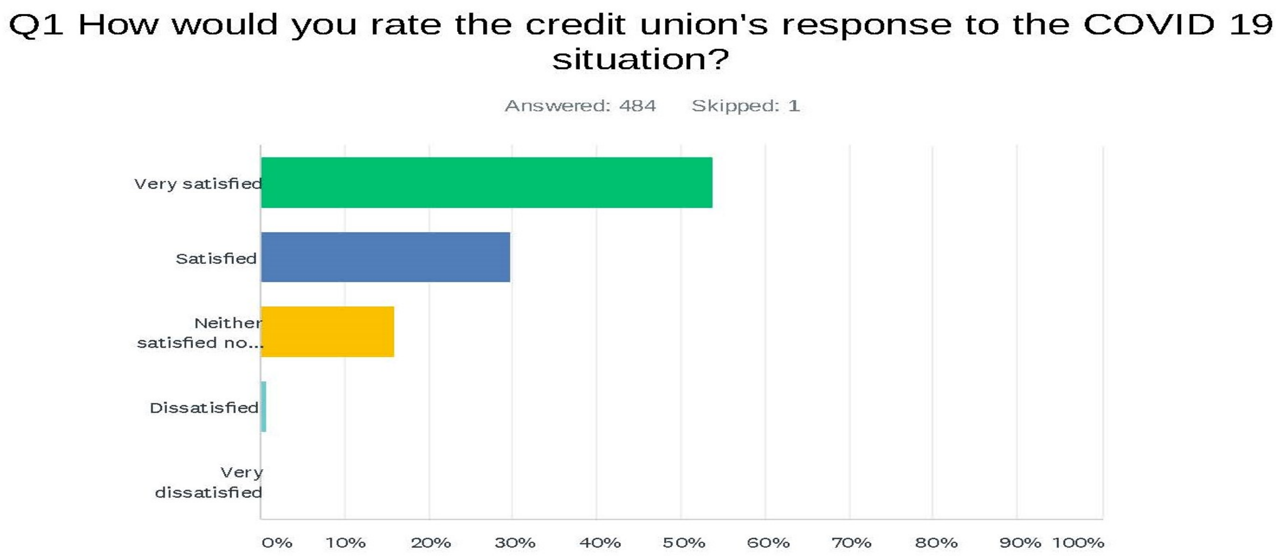
Get a quote today to discover insurance that cares.
thepersonal.com/transcanadacu
1-888-476-8737

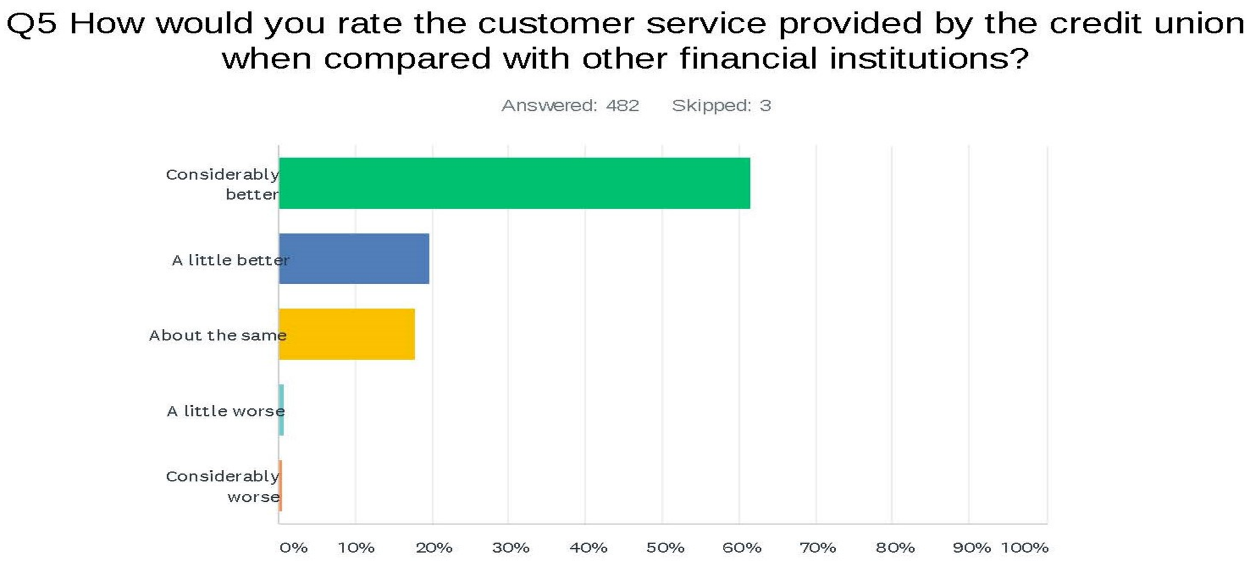
The Personal refers to The Personal Insurance Company. Certain conditions, limitations and exclusions may apply. Savings and discounts are subject to eligibility conditions and may vary by jurisdiction. Rates and discounts are subject to change without notice. The terms and conditions of the coverages described are set out in the insurance policy, which always prevails. Auto insurance is not available in MB, SK and BC due to government-run plans.

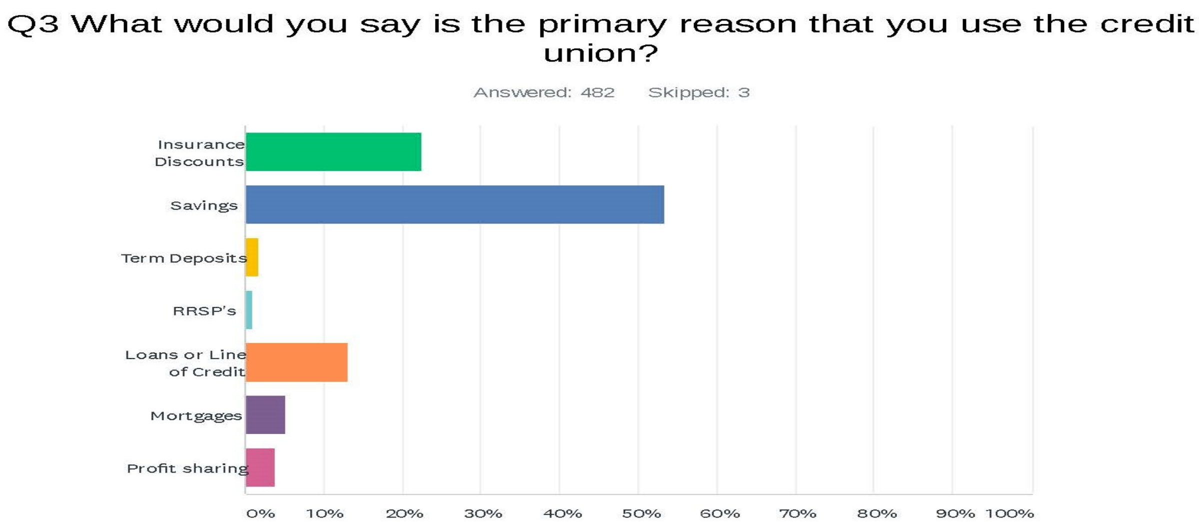
[1]Benchmarking Study on Auto/Home insurers in Ontario & Quebec—2019 (by SOM)—Ranking based on the main P&C insurance brands.

™ Radar is a trademark of Desjardins General Insurance Group Inc., used under licence.

Satisfaction Survey

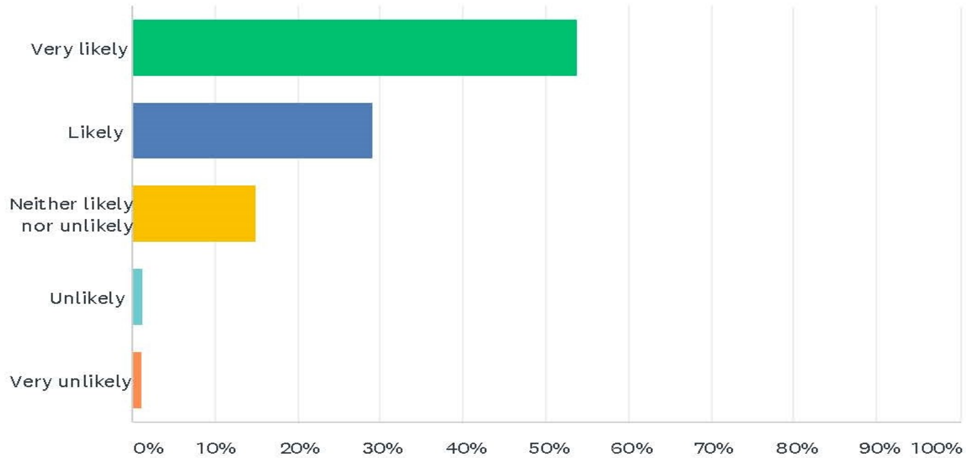






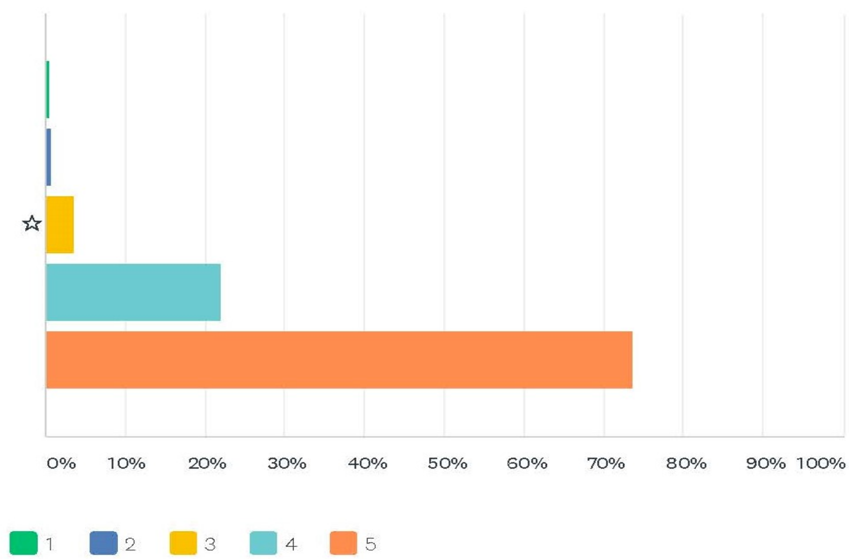
Q9 How likely are you to recommend the credit union to a colleague or family member?

Answered: 485 Skipped: 0



Q10 How would you rate from 1 (lowest) to 5 stars, your overall experience when dealing with the credit union?

Answered: 480 Skipped: 5



"The personal service we have had throughout the many years we have been with TCU ....is the best service."

"I always get great service from the TC credit union! thank you for all you do"

"Just want to thank you for your efficient and prompt responses in the past, I am happy to be a member and will continue to refer others to you. Continue the great work! Your service is impeccable!!"

"Neil and the team are outstanding. I really like that each time I write or call, it is like they remember us. It is a very personal service where you feel secure."

"When I 1st came to TC I never new or used a credit union, now I tell people it is the only way to go."

"I have always had credit union accounts and never use banks. You guys are the best!"

Being connected has its privileges

TransCanada Credit Union

At BrokerLink, it's our goal to make sure you walk away with peace of mind. That's why we're dedicated to finding the right coverage for your specific needs.

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TRANSCANADA CREDIT UNION

*Certain conditions, restrictions and exclusions apply to all offers. Subject to policy conditions and exclusions.

TransCanada Credit Union Ltd.
Financial Statements
October 31, 2020

MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING

To the Members of TransCanada Credit Union Ltd.

Management has the responsibility for preparing the accompanying financial statements and ensuring that all information in the Annual Report is consistent with these statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with International Financial Reporting Standards and the requirements of the *Credit Union Act*.

In discharging its responsibility for the integrity and fairness of the financial statements, as well as for the accounting systems from which they are derived, management maintains the necessary systems of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The ultimate responsibility to members for the financial statements lies with the Board of Directors. The Board appoints an Audit Committee to review financial statements with management in detail and to report to the Board prior to its approval to publish the financial statements.

The Board appoints external auditors to audit the financial statements and to meet with both the Audit Committee and management to review their findings. The external auditors report directly to the members. The external auditors have full and free access to the Audit Committee to discuss their audit, as well as their findings concerning the integrity of the Credit Union's financial reporting and the adequacy of its systems of internal controls.

Calgary, Alberta
January 20, 2021

Neil Davison
General Manager

INDEPENDENT AUDITORS' REPORT

To the Members of TransCanada Credit Union Ltd.

Opinion

We have audited the accompanying financial statements of TransCanada Credit Union Ltd. (the "Credit Union"), which comprise the statement of financial position as at October 31, 2020 and the statements of net income and comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Credit Union as at October 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 report. We are independent of the Credit Union 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 Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 these financial statements in accordance with International Financial Reporting Standards, 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 Credit Union'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 Credit Union or to cease operations, or has no realistic alternative but to do so.

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

(continues)

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 it 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 these 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 Credit Union's internal control.

- Evaluate the appropriateness of accounting policies 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 Credit Union'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 or our auditors' report. However, future events or conditions may cause the Credit Union 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.

We 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
January 20, 2021

TRANSCANADA CREDIT UNION LTD.

STATEMENT OF FINANCIAL POSITION

AS AT OCTOBER 31, 2020

	2020	2019
ASSETS		
Cash and cash equivalents	**$ 696,649**	$ 191,276
Investments (Note 5)	**10,525,098**	6,817,555
Income taxes receivable	**27,016**	-
Member loans receivable (Note 7)	**25,383,798**	25,371,577
Other assets	**29,477**	989,965
Deferred income taxes (Note 10)	**15,650**	27,753
Intangible assets (Note 9)	**182,612**	206,427
	$ 36,860,300	$ 33,604,553
LIABILITIES		
Accounts payable and accrued liabilities	**$ 32,686**	$ 67,901
Income taxes payable	**-**	1,480
Allocation payable	**-**	8,173
Member deposits (Note 11)	**34,586,084**	31,426,455
	34,618,770	31,504,009
MEMBERS' EQUITY		
Allocation distributable	**36,492**	34,454
Member shares (Note 12)	**904,091**	883,157
Retained earnings	**1,300,947**	1,182,933
	2,241,530	2,100,544
	$ 36,860,300	$ 33,604,553

ON BEHALF OF THE BOARD:

_________________________ Director

_________________________ Director

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

TRANSCANADA CREDIT UNION LTD.

STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED OCTOBER 31, 2020

	2020	2019
Interest Income		
Interest from member loans	**$ 807,852**	$ 991,677
Investment income	**96,126**	93,861
	903,978	1,085,538
Interest Expense		
Interest on member deposits	**452,560**	578,590
Net Interest Income	**451,418**	506,948
Provision for loan impairment	**(25,017)**	(60,000)
Insurance reimbursement	**-**	974,141
Other Income	**99,192**	69,047
Operating Income	**525,593**	1,490,136
Operating Expenses *(Schedule 1)*	**378,568**	703,681
Income Before Income Taxes	**147,025**	786,455
Income Taxes (Note 10)		
Current	**19,584**	-
Deferred	**(12,103)**	(83,270)
	7,481	(83,270)
Net Income and Comprehensive Income	**$ 154,506**	$ 703,185

TRANSCANADA CREDIT UNION LTD.

STATEMENT OF CHANGES IN MEMBERS' EQUITY

FOR THE YEAR ENDED OCTOBER 31, 2020

	Allocation Distributable	Member Shares	Retained Earnings	Total
Balance, October 31, 2018	$ 35,177	$ 879,472	$ 512,264	$ 1,426,913
Net income and comprehensive income	-	-	703,185	703,185
Distributions to members	(723)	7,896	(32,516)	(25,343)
Issuance of member shares	-	55,771	-	55,771
Redemption of member shares	-	(59,982)	-	(59,982)
Balance, October 31, 2019	**$ 34,454**	**$ 883,157**	**$ 1,182,933**	**$ 2,100,544**
Net income and comprehensive income	-	-	154,506	154,506
Distributions to members	2,038	7,046	(36,492)	(27,408)
Issuance of member shares	-	61,484	-	61,484
Redemption of member shares	-	(47,596)	-	(47,596)
Balance, October 31, 2020	**$ 36,492**	**$ 904,091**	**$ 1,300,947**	**$ 2,241,530**

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

TRANSCANADA CREDIT UNION LTD.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED OCTOBER 31, 2020

	2020	2019
Cash Provided By (Used For) The Following Activities:		
Operating Activities		
Interest received from member loans	**$ 813,535**	$ 991,677
Interest received from investments	**95,927**	82,719
Dividends received	**12,656**	11,142
Other income received	**99,192**	69,047
Interest paid to members	**(449,478)**	(578,590)
Income taxes paid	**(8,820)**	(11,003)
Net operating expenses	**537,238**	(661,596)
Net change in investments	**(3,720,000)**	(2,142,941)
Net change in member loans receivable	**(17,904)**	645,782
Net change in member deposits	**3,156,547**	2,004,957
	518,893	411,194
Investing Activities		
Purchase of intangible assets	**-**	(49,860)
	-	(49,860)
Financing Activities		
Issue of member shares	**68,530**	55,771
Redemption of member shares	**(47,596)**	(59,982)
Common share dividends paid	**(34,454)**	(25,343)
	(13,520)	(29,554)
Net Increase in Cash and Cash Equivalents	**505,373**	331,780
Cash and Cash Equivalents (Overdraft), Beginning of Year	**191,276**	(140,504)
Cash and Cash Equivalents, End of Year	**$ 696,649**	$ 191,276

1. REPORTING ENTITY

TransCanada Credit Union Ltd. (the "Credit Union") is incorporated under the *Credit Union Act* of the Province of Alberta and provides financial services to current and former employees of TC Energy Corporation and its subsidiaries. The Credit Union operates one branch in Calgary.

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* provides that the Province will ensure that the Corporation carries out this obligation.

The Credit Union's registered office is located at 450 - 1st Street SW, Calgary, Alberta, T2P 5H1.

2. BASIS OF PRESENTATION

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations, as issued by the International Accounting Standards Board (“IASB”).

The financial statements were approved and authorized for issue by the Board of Directors on January 20, 2021.

Basis of Measurement

The financial statements have been prepared using the historical cost basis unless otherwise noted in the significant accounting policies.

Functional Currency

The financial statements are presented in Canadian dollars, which is the Credit Union’s functional currency.

Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Notes 3 and 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are summarized below.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand. the current account with Credit Union Central Alberta ("Central") and items in transit.

Investments

Investments are initially measured at fair value and subsequently accounted for, depending on their classification, as either fair value through profit and loss or amortized cost, financial assets.

Member loans receivable

Member loans are measured initially at fair value plus transaction costs, and subsequently at amortized cost using the effective interest method, less any impairment losses. All loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

(i) Financial Assets

Recognition and initial measurement

The Credit Union recognizes financial assets when it becomes party to the contractual provisions of the asset. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in the statement of net income and comprehensive income when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are recorded at fair value and subsequently classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are classified as follows:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of a financial asset that is not held for trading, the Credit Union may irrevocably elect to present subsequent changes in FVOCI. This election is made on an investment by-investment basis. All other financial assets are classified as measured at FVTPL.

For financial assets classified as measured at FVTPL or designated at FVTPL, changes in fair value are recognized in the statement of net income and comprehensive income. For financial assets classified as measured at FVOCI or an irrevocable election has been made, changes in fair value are recognized in the statement of net income and comprehensive income. For financial assets and other financial liabilities measured at amortized cost, interest income and interest expense are calculated using the effective interest method and is recognized in the statement of net income and comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives and how performance of the portfolio is evaluated.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Credit Union considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Credit Union’s claim to cash flows, and any features that modify consideration for the time value of money.

Reclassifications

The Credit Union reclassifies financial assets only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The date the Credit Union commits to purchasing a financial asset is considered the date of initial recognition for the purpose of applying the Credit Union’s accounting policies for impairment of financial assets.

For members' loans receivable and accrued interest the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets’ contractual lifetime.

The Credit Union applies the simplified approach for other receivables. Using the simplified approach, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets’ contractual lifetime.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial asset is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants and requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets;
- For loan commitments and financial guarantee contracts, as a provision;
- For facilities with both a drawn and undrawn component where the Credit Union cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision; and
- Financial assets are written off when the Credit Union has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Credit Union derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Credit Union either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset, but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Credit Union retains the risks and rewards of ownership. When the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Modification of financial assets

The Credit Union assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Credit Union’s derecognition policy.

When the modifications do not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset’s original effective interest rate.

For the purpose of applying the impairment requirements, at each reporting date subsequent to the modification, the Credit Union continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

(ii) Financial liabilities

Recognition and initial measurement

The Credit Union recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Credit Union measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in the statement of net income and comprehensive income.

Classification and subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at amortized cost or fair value through profit or loss. When the transfer of a financial asset does not qualify for derecognition because the Credit Union has retained substantially all of the risks and rewards of ownership, a liability is recognized for the consideration received. Subsequently, any expense incurred on the financial liability is recognized in the statement of net income and comprehensive income.

All financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities measured at amortized cost include member deposits and accrued interest, trade payables and accrued liabilities.

The classification of a financial instrument or component as a financial liability or equity instrument determines where gains or losses are recognized. Interest, dividends, gains and losses relating to financial liabilities are recognized in the statement of net income and comprehensive income while distributions to members of instruments classified as members' equity are recognized in members' equity.

Derecognition of financial liabilities

The Credit Union derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation of other items of property and equipment is calculated at the following annual rates on a straight-line basis:

Computer equipment	3 years
Furniture and equipment	5 years

Gains or losses on disposal of property and equipment are recorded in the statement of net income and comprehensive income in the year of disposal.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Intangible assets

Intangible assets consist of computer software which are not integral to the computer hardware owned by the Credit Union. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment (losses). Software is amortized on a straight-line basis over its estimated useful life of 10 years.

The useful lives of the intangible assets are reviewed on an annual basis and the useful life is altered if estimates have changed significantly. Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recorded in the statement of net income and comprehensive income.

Impairment of Non-Financial Assets

Impairment reviews are performed when there are indicators that the recoverable amount of an asset may be less than the carrying value. The recoverable amount is determined as the higher of an asset's fair value less cost to sell and value in use. Impairment is recognized in the statement of net income and comprehensive income when there is an indication that an asset may be impaired. In the event that the value of previously impaired assets recovers, the previously recognized impairment loss is recovered in the statement of net income and comprehensive income at that time.

Member shares

Member shares are classified as liabilities or members' equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union Board of Directors are classified as equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Interest income is recognized in the statement of net income and comprehensive income for all financial assets measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset.

(ii) Investment income is recognized as interest is earned on interest-bearing investments, and when dividends are declared on shares.

(iii) Other income which includes insurance related commission income, is recognized when services are provided to members and collection is reasonably assured.

Patronage allocation to members

Patronage allocation to members is recognized in the statement of net income and comprehensive income when declared by the Board of Directors.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into the Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect exchange rates at the statement of financial position date. Translation gains and losses are included in other income.

Pension Plan

The Credit Union participates in a defined contribution pension plan with eligible employees. Contributions are recognized as an expense in the year to which they relate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

Tax expense for the period is comprised of current and deferred income tax.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are provided for using the liability method. Under this method, temporary differences are recorded using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the corresponding taxes will be paid or refunded. Temporary differences are comprised primarily of differences between the carrying amounts and the income tax bases of the Credit Union’s property and equipment. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Future Accounting Changes

At October 31, 2020 a number of standards, interpretations, and amendments have been issued by the IASB, which are not effective for these financial statements. Those which could have an impact on the Credit Union's financial statements are discussed below:

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued *Definition of Material (Amendments to IAS 8)*, amending the definition of material in IAS 8. The new definition considers information as material "if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that primary users of general purpose financial statements make" based on a specific reporting entity's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2020. The Credit Union determined that this amendment has no impact on its financial statements.

4. USE OF ESTIMATES AND KEY JUDGMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses during the reporting year. Accordingly, actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if it affects only that period or in the period of revision and future periods if the revision affects both current and future years.

The most significant uses of judgments, estimates and assumptions are as follows:

(b) Expected Credit Loss Allowance
The Credit Union measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for debt investment securities that are determined to have low credit risk at the reporting date and loans and advances where credit risk has not increased significantly since their initial recognition. In particular, management judgment is required in the estimate of whether credit risk of an instrument has increased significantly, inputs into the ECL quantitative model and in the use of forward-looking information. The Credit Union incorporates forward-looking economic information in its measurement of ECL.

The Credit Union assesses whether credit risk on a financial asset has increased significantly considering reasonable and supportable information since initial recognition in order to determine whether a 12 month ECL or lifetime ECL should be recognized. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Credit Union considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Credit Union's historical experience and expert credit assessment.

Fair Value of Financial Instruments
The Credit Union determines the fair value of financial instruments that are not quoted in an active market using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

Property and Equipment and Intangible Assets
Depreciation methods, useful lives and residual values require estimation and are reviewed annually and adjusted if appropriate.

Income Taxes
Management exercises judgment in estimating the provision for income taxes. The Credit Union is subject to income tax laws in the federal and provincial jurisdictions where it operates. Various tax laws are potentially subject to different interpretations by the Credit Union and the relevant tax authority. To the extent that the Credit Union's interpretations differ from those of tax authorities or the timing of realization is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience.

Significant management judgment is also required to determine the deferred tax balances. Management is required to determine the amount of deferred tax assets and liabilities that can be recognized. This is based on their best estimate of the likely timing that the temporary difference will be realized, and of the likelihood that taxable profits will exist in the future.

5. INVESTMENTS

	2020	2019
Credit Union Central Alberta		
Term deposits	**$ 10,185,000**	$ 6,485,000
Shares	**338,404**	318,404
	10,523,404	6,803,404
Accrued interest	**1,694**	14,151
	$ 10,525,098	$ 6,817,555

All term deposits mature within one year with interest rates ranging from 0.08% to 0.85%. As required by the *Credit Union Act*, the Credit Union holds investments in Central to maintain its statutory liquidity requirements.

6. OPERATING DEMAND LOAN AND TERM LOAN

The Credit Union has an approved revolving operating demand loan with Central which is secured by a general assignment of book debts and assignment of investments and deposits held at Central. The authorized limit on the revolving operating demand loan is $800,000. The demand loan bears interest at Central's prime rate less .5%. At October 31, 2020, the Credit Union had $NIL outstanding on its operating demand loan (2019 - $NIL).

The Credit Union has an approved revolving term loan with Central which is secured by a general assignment of book debts and assignment of investments and deposits held at Central. The authorized limit on the term loan is $1,000,000. The term loan bears interest at (i) Central's prime rate plus or minus Central's applicable discount or margin rates in effect from time to time, or (ii) at the option of the Credit Union for terms of more than 30 days at a fixed rate equal to Central's money market deposit rate or the equivalent paid fixed swap rate for the term plus or minus the applicable discount or margin rate. At October 31, 2020, the Credit Union had $NIL outstanding on its term loan (2019 - $NIL).

7. MEMBER LOANS RECEIVABLE

	Principal Performing	Principal Impaired	Allowance for Impaired Loans	**2020 Net**
Residential mortgages	$ 18,699,811	$ -	$ -	**$ 18,699,811**
Consumer loans	6,744,525	-	75,000	**6,669,525**
	25,444,336	-	75,000	**25,369,336**
Accrued interest	14,468	-	6	**14,462**
	$ 25,458,804	$ -	$ 75,006	**$ 25,383,798**

	Principal Performing	Principal Impaired	Allowance for Impaired Loans	2019 Net
Residential mortgages	$ 17,250,037	$ -	$ -	$ 17,250,037
Consumer loans	8,160,017	1,294	57,328	8,101,395
	25,410,054	1,294	57,328	25,351,432
Accrued interest	21,523	-	1,378	20,145
	$ 25,431,577	$ 1,294	$ 58,706	$ 25,371,577

Reconciliation of allowance for expected credit losses

	12- Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	**2020**
Balance, beginning of year	60,000	-	-	**60,000**
Net impairment charges	25,023	-	-	**25,023**
Loans written off	(10,017)	-	-	**(10,017)**
Balance, end of year	$ 75,006	$ -	$ -	**$ 75,006**

7. MEMBER LOANS RECEIVABLE (CONTINUED)

Loans Past Due But Not Impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The table that follows presents the carrying value of loans at year-end that are past due but not classified as impaired because they are either i) less than 90 days past due, or ii) fully secured and collection efforts are reasonably expected to result in repayment.

	1-30 Days	31-60 Days	61-90 Days	91 Days and Greater	**2020 Total**
Consumer loans	$ -	$ -	$ -	$ 35,497	**$ 35,497**
Residential mortgages	236,097	-	-	-	**236,097**
	$ 236,097	$ -	$ -	$ 35,497	**$ 271,594**

	1-30 Days	31-60 Days	61-90 Days	91 Days and Greater	2019 Total
Consumer loans	$ -	$ 20,645	$ 8,287	$ 28,178	$ 57,110

Credit Quality of Loans

The Credit Union holds collateral against loans to members in the form of interests over property, other securities over assets, and guarantees. It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions.

Concentration of Risk

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments. The majority of loans to members are with members located in and around Calgary, Alberta who are concentrated in the oil and gas infrastructure and energy sector. A significant portion of the Credit Union's loan portfolio is secured by residential property in and around Calgary, Alberta. Therefore, the Credit Union is exposed to the risks in reduction of the loan to valuation ratio coverage should the property market be subject to a decline. The risk of loss from loans undertaken is primarily reduced by the nature and quality of the security taken.

There were no individual or related groups of loans to members which exceeded 2.4% of total assets as at October 31, 2020.

8. PROPERTY AND EQUIPMENT

	Furniture and Equipment	Computer Equipment	Total
COST:			
Balance at October 31, 2018	$ 18,359	$ 40,796	$ 59,155
Additions	-	-	-
Transfer to intangible assets	-	(2,665)	(2,665)
Balance at October 31, 2019	$ 18,359	$ 38,131	$ 56,490
Additions	-	-	-
Disposals	-	-	-
Balance at October 31, 2020	**$ 18,359**	**$ 38,131**	**$ 56,490**
ACCUMULATED DEPRECIATION:			
Balance at October 31, 2018	$ 18,359	$ 38,131	$ 56,490
Depreciation expense	-	-	-
Disposals	-	-	-
Balance at October 31, 2019	$ 18,359	$ 38,131	$ 56,490
Depreciation expense	-	-	-
Disposals	-	-	-
Balance at October 31, 2020	**$ 18,359**	**$ 38,131**	**$ 56,490**
NET BOOK VALUE:			
October 31, 2019	$ -	$ -	$ -
October 31, 2020	**$ -**	**$ -**	**$ -**

9. INTANGIBLE ASSETS

	2020	2019
COST:		
Balance, Beginning of Year	**$ 454,111**	$ 401,586
Additions	**-**	49,860
Transfer from property and equipment	**-**	2,665
Balance, End of Year	**454,111**	454,111
ACCUMULATED DEPRECIATION:		
Balance, Beginning of Year	**247,684**	225,476
Amortization expense	**23,815**	22,208
Balance, End of Year	**271,499**	247,684
NET BOOK VALUE	**$ 182,612**	$ 206,427

10. INCOME TAXES

	2020	2019
Expected income tax expense at statutory rates	**$ 16,173**	$ 95,032
Adjustments for permanent differences and other items.	**(23,654)**	(11,762)
Total income tax expense (recovery)	**$ (7,481)**	$ 83,270

The Credit Union has recognized a deferred income tax asset of $15,650 (2019 - $27,753) related to non-capital losses and the temporary deductible (taxable) differences between the tax and accounting treatment of intangible assets.

11. MEMBER DEPOSITS

	2020	2019
Participatory savings	**$ 25,252,270**	$ 23,178,364
Term deposits	**5,042,576**	4,587,865
Registered deposits	**4,203,465**	3,575,535
	-	-
	34,498,311	31,341,764
Accrued interest	**87,773**	84,691
	$ 34,586,084	$ 31,426,455

The repayment of all member deposits, including accrued interest, is guaranteed by Credit Union Deposit Guarantee Corporation for which the Credit Union pays a deposit guarantee assessment fee.

Concentra Financial Services Association acts as the trustee of the Registered Retirement Savings Plan and the Registered Retirement Income Fund offered to members. Under an agreement, Concentra Financial Services Association deposits the contributions to the plans, and the interest earned on them, in the Credit Union.

Concentration of Risk

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments. The majority of member deposits are with members located in and around Calgary, Alberta who are concentrated in the oil and gas infrastructure and energy sector.

There were no individual or related groups of deposits from members that exceeded 3.45% of total assets as at October 31, 2020.

12. MEMBER SHARES

The *Credit Union Act* created a class of equity shares known as common shares having the following characteristics:

i) issuable up to a maximum of 3,000 shares per member;
ii) a par value of $1, but fractional shares may be issued;
iii) transferable only in restricted circumstances;
iv) non-assessable; and
v) redemption of common shares is at par value and is at the discretion of the Credit Union, subject to the restrictions contained in the *Credit Union Act* and Regulations.

A member must purchase a minimum of 25 shares to retain membership in the Credit Union.

The Corporation does not guarantee common shares which represent "at risk" capital.

13. COMMITMENTS

Credit Commitments

In the normal course of business, the Credit Union enters into various commitments to meet the credit requirements of its members. These include credit commitments which are not included in the statement of financial position. The credit commitments are identified in the credit risk area of Note 15.

Credit Union Deposit Guarantee Corporation

The Credit Union Deposit Guarantee Corporation (the "Corporation") is a deposit insurance corporation. By legal obligation under the *Credit Union Act* of Alberta, the Corporation protects the savings and deposits of all Credit Union members in every credit union within Alberta. By legislation, the Credit Union pays a quarterly levy to the Corporation based on a percentage of member deposits.

14. RELATED PARTY TRANSACTIONS

Key Management Personnel

Key management personnel ("KMP") of the Credit Union are those persons having authority and responsibility for planning, directing, and controlling the activities of the Credit Union, directly or indirectly. KMP have been taken to comprise directors and members of management responsible for the day-to-day financial and operational management of the Credit Union.

Loans

The Credit Union provides loans to KMP subject to approved lending guidelines applicable to all member loans. The Credit Union, in accordance with its policy, grants loans to its management and staff at the Credit Union prime rate. Board members pay regular member rates on loans. There are no loans to KMP that are impaired at year end.

The total value of member loans receivable to KMP are as follows:

	2020	2019
Total loans advanced	**$ 829,274**	$ 1,086,965
Total lines of credit advanced	**399,019**	397,913
Unused value of lines of credit	**443,381**	350,287
Total	**$ 1,671,674**	$ 1,835,165

Deposits

Deposit accounts held by KMP are maintained under the same terms and conditions as deposits of other members.

The total value of member deposits from KMP are as follows:

	2020	2019
Savings deposits	**$ 219,385**	$ 186,451
Registered plans	**293,471**	30,819
	$ 512,856	$ 217,270

Member Shares

The total member shares held by KMP are as follows:

	2020	2019
Member shares	**$ 21,158**	$ 12,604

14. RELATED PARTY TRANSACTIONS (CONTINUED)

Income and Expense

Total income and expense from KMP loans and deposits are as follows:

	2020	2019
Interest on loans	**$ 38,547**	$ 14,330
Interest on deposits	**$ 2,837**	$ 150

Remuneration

Total compensation of KMP is as follows:

	2020	2019
Salaries and short-term benefits	**$ 177,522**	$ 178,685

There was no compensation for post-employment benefits, long-term benefits, termination benefits, or share-based compensation during 2020 or 2019.

Directors were not remunerated for their contributions to the Credit Union.

TC Energy Corporation provides office space, furniture, equipment, office supplies and employees who perform duties on a part-time basis for the Credit Union. No amount is charged for these services.

15. RISK MANAGEMENT

The Credit Union’s risk management policies are designed to identify and analyze risk, to set appropriate risk limits and controls, and to monitor the risk and adherence to limits by means of reliable and up-to-date information systems. The Credit Union follows an enterprise risk management framework, which involves identifying particular events or circumstances relevant to its objectives, assessing them in terms of profitability and magnitude, determining a response strategy and monitoring progress. The Credit Union regularly reviews its risk management policies and systems to take account of changes in markets and products.

Risk management is carried out by management who reports to the Board. The Board provides written principles for risk tolerance and overall risk management. Management reports to the Board on compliance with the risk management policies of the Credit Union.

Financial instruments comprise the majority of the Credit Union’s assets and liabilities. The Credit Union accepts deposits from members at both fixed and floating rates for various periods. The Credit Union seeks to earn an interest rate margin by investing these funds in high quality financial instruments – principally loans and mortgages. The primary types of financial risk that arise from this activity are credit risk, liquidity risk and market risk which is comprised of interest rate risk.

The following table describes the significant financial instrument activity undertaken by the Credit Union, the risks associated with such activities, and the types of methods used in managing those risks.

Activity	Risks	Method of managing risks
Investments	Sensitivity to changes in interest rates, liquidity and credit risk	Asset-liability matching, monitoring of investment restrictions and monitoring of counterparty risk
Member loans	Sensitivity to changes in interest rates, liquidity and credit risk	Asset-liability matching and monitoring of counterparty risk
Member deposits	Sensitivity to changes in interest rates, liquidity and credit risk	Asset-liability matching

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of the Credit Union's financial instruments will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in prevailing market interest rates. Financial margin reported in the statement of net income and comprehensive income may increase or decrease in response to changes in market interest rates. Accordingly, the Credit Union sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored by management and reported to the Board.

15. RISK MANAGEMENT (CONTINUED)

To manage the repricing of asset and liability mismatch opportunities the Credit Union will undertake campaigns to procure deposits or loans that re-price/mature within a specific time period, buy/sell assets that reprice/mature within a specific time period and may purchase derivative instruments. These decisions are based on economic conditions, member behaviour, capital and liquidity levels and compliance with Credit Union policy.

Other types of interest rate risk may involve basis risk, the risk of loss from changes in the relationship of interest rates which may not have identical characteristics (for example the difference between prime rate and variable rate loans and variable rate deposits) and prepayment risk (the risk of loss of interest income arising from early repayment of fixed rate mortgages and loans). These risks are also monitored on a regular basis and reported to the Board.

Interest rate risk is measured by:

(a) Static gap analysis which aggregates cash flows into repricing periods based on the maturity dates of the assets and liabilities.
(b) Income simulation models that use current interest revenue, current interest expense and market values. These models incorporate assumptions about pricing strategies, growth, volume, new business and interest rates.
(c) Market value of portfolio equity determines the present value of all assets and liabilities. This provides an estimate of the equity value of the Credit Union.

The following schedule shows the Credit Union's sensitivity to interest rate changes as at October 31, 2020. Fixed rate assets and fixed rate liabilities are reported based on scheduled repayments. Variable rate assets and liabilities that are linked to prime rate are reported in the floating rate category. Non-interest bearing assets and non-interest bearing liabilities are reported in the non-rate sensitive category.

As At October 31, 2020

	Floating Rate	Within 1 Year	1 to 5 Years	Non-Rate Sensitive	Total
Assets					
Cash	$ 690,752	$ -	$ -	$ 5,897	$ 696,649
Effective Interest Rate	*0.25%*	*0.00%*	*0.00%*	*0.00%*	*0.25%*
Investments	-	10,185,000	-	340,098	10,525,098
Effective Interest Rate	*0.00%*	*0.21%*	*0.00%*	*0.00%*	*0.21%*
Member loans	10,383,336	2,257,000	12,804,000	(60,538)	25,383,798
Effective Interest Rate	*3.12%*	*2.95%*	*2.77%*	*0.00%*	*2.94%*
Other	-	-	-	254,755	254,755
	11,074,088	12,442,000	12,804,000	540,212	36,860,300
Liabilities					
Member deposits	25,252,311	7,235,000	2,011,000	87,773	34,586,084
Effective Interest Rate	*0.95%*	*1.88%*	*2.09%*	*0.00%*	*1.21%*
Other	-	-	-	32,686	32,686
Equity	-	-	-	2,241,530	2,241,530
	25,252,311	7,235,000	2,011,000	2,361,989	36,860,300
Net position	$ (14,178,223)	$ 5,207,000	$ 10,793,000	$ (1,821,777)	$ -

As At October 31, 2019

	Floating Rate	Within 1 Year	1 to 5 Years	Non-Rate Sensitive	Total
Net position	$ 9,277,131	$ 5,135,380	$ 9,319,143	$ (22,736,586)	$ 995,068

15. RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk that financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Credit Union arising from member loans and investments. The primary credit risk arising from loans is the possibility that members will be unable or unwilling to repay some or all of the principal and interest on their loans. Allowances for credit losses are made for losses that have been incurred at the statement of financial position date.

Management of credit risk is an integral part of the Credit Union's activities. Management carefully monitors and manages the Credit Union's exposure to credit risk by a combination of methods. Credit risk arises principally from lending activities that result in member loans and advances and treasury activities that result in investments of cash resources. The overall management of credit risk is centralized in the Credit Committee which reports to the Board.

Concentration of loans is managed by the implementation of sectoral and member specific limits.

The Credit committee is responsible for approving and monitoring the Credit Union's tolerance for credit exposures, which it does through review and approval of the Credit Union's lending policies and through setting limits on credit exposures to individual members and across sectors. The Credit Union maintains levels of borrowing approval limits, and prior to advancing funds to a member, an assessment of the credit quality of the member is made. The Credit Union emphasizes responsible lending in its relationships with members and establishes that loans are within the member's ability to repay, rather than relying exclusively on collateral.

The Credit Union often takes security as collateral in common with other lending institutions. The Credit Union maintains guidelines on the acceptability of specific types of collateral. Collateral may include mortgages over residential properties and charges over business assets such as premises, inventory and accounts receivable. Where significant impairment indicators are identified, the Credit Union will take additional measures to manage the risk of default, which may include seeking additional collateral.

The following information represents the maximum exposure to credit risk before taking into consideration any collateral. For financial assets recognized on the balance sheet, the exposure to credit risk is their stated carrying amount. For off balance sheet items, the maximum exposure is the full amount of the undrawn facilities or loan commitment.

	2020	2019
On balance sheet exposure		
Investments	**$ 10,525,098**	$ 6,817,555
Loans	**25,383,798**	25,371,577
Off balance sheet exposure		
Letters of guarantee	**-**	-
Commitments to extend credit		
Original terms to maturity of 1 year or less	**8,964,308**	9,279,800
	$ 44,873,204	$ 41,468,932

15. RISK MANAGEMENT (CONTINUED)

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographic region, and indicates the sensitivity of the Credit Union to developments affecting a particular segment of borrowers or geographic region.

The majority of loans and deposits to members are with members located in and around Calgary, Alberta who are concentrated in the oil and gas infrastructure and energy sector. A significant portion of the Credit Union's loan portfolio is secured by residential property in and around Calgary, Alberta.

Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet its obligations to members and other liabilities. To mitigate this risk, the Credit Union is required to maintain, in the form of cash and term deposits, a minimum liquidity at all times. The Credit Union has established policies which include minimum liquidity requirements, eligibility requirements for liquid assets, investments with counterparties, deposit concentration and diversification limits. The Credit Union monitors expected cash inflows and outflows on a daily, cyclical, and long-term basis. The Credit Union's preferred source of funding is member deposits; however, borrowing from Central is permitted during periods where loan demand exceeds deposit growth. Other sources of funding such as sale of assets, deposits from other credit unions and wholesale deposits are acceptable.

The *Credit Union Act* of Alberta requires the Credit Union to maintain a minimum liquidity ratio of 6.0% of total assets. The Credit Union’s liquidity ratio was 8.0% at October 31, 2020 (2019 – 7.6%).

Management reviews its compliance with these policies and reports its statutory liquidity position to the Board of Directors on an exception basis. It reports the operating liquidity to the Board of Directors on a monthly basis. The Audit and Finance Committee ensures that a periodic review/audit is performed to verify compliance with policy and procedures.

Foreign Exchange Risk

Foreign exchange risk is not considered significant at this time as the Credit Union does not engage in any active trading of foreign currency positions or hold significant foreign currency denominated financed investments for an extended period.

Price Risk

Price risk arises from changes in market risks, other than interest rate, credit, liquidity or foreign exchange risk, such as changes in energy or agricultural related commodity prices, where these changes cause fluctuations in the fair value or future cash flows of a financial instrument. The Credit Union is exposed to price risk as members of the Credit Union are involved in the energy sector.

16. CAPITAL MANAGEMENT

The Credit Union's objectives when managing capital are:

(a) To ensure the long term viability of the Credit Union and the security of member deposits by holding a level of capital deemed sufficient to protect against unanticipated losses; and

(b) To comply at all times with the capital requirements set out in the *Credit Union Act*.

The Credit Union measures the adequacy of capital using two methods:

(a) Total capital as a percentage of total assets; and

(b) Total capital as a percentage of risk weighted assets. Under this method the Credit Union reviews its loan portfolio and other assets and assigns a risk weighting using definitions and formulas set out in the *Credit Union Act*. The more risk associated with an asset, a higher weighting is assigned. 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 higher risk.

The Credit Union management ensures compliance with capital adequacy through the following:

(a) Setting policies for capital management, monitoring and reporting;

(b) Setting policies for related areas such as asset liability management;

(c) Reporting to the Board of Directors or its committees regarding financial results and capital adequacy;

(d) Reporting to the Corporation on its capital adequacy; and

(e) Setting budgets and reporting variances to those budgets.

The Credit Union is required under the *Credit Union Act* to have a capital balance that is equal to or exceeds the greater of:

(a) 4% of total assets; and

(b) 8% of risk weighted assets.

An additional regulatory capital buffer of 2.5% of total risk weighted assets is also required.

The Corporation also expects the Credit Union to hold an internal capital buffer equal to a minimum of 2% of total risk weighted assets.

16. CAPITAL MANAGEMENT (CONTINUED)

Credit Union management measures the adequacy of the Credit Union's capital to these requirements on an ongoing basis and report the results to the Board of Directors and the Corporation.

The Credit Union's capital includes:

	2020	2019
Retained earnings	$ 1,300,947	$ 1,182,933
Member shares	904,091	883,157
Allocation distributable	36,492	34,454
Deferred income taxes asset	(15,650)	(27,753)
Credit loss allowances	75,000	60,000
Intangible assets	(182,612)	(206,427)
	$ 2,118,268	$ 1,926,364

As at October 31, 2020 the Credit Union's available capital as a percent of total assets was 5.7% (2019 – 7.6%) and the available capital as a percent of total risk weighted assets was 17.1% (2019 – 19.3%). Therefore, the Credit Union has exceeded its minimum capital requirement at October 31, 2020.

17. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The carrying amount of the Credit Union's financial instruments by classification is as follows:

October 31, 2020

	Fair value Through Profit or Loss	Amortized Cost	Total
Cash and cash equivalents	$ 696,649	$ -	$ 696,649
Investments	338,404	10,186,694	10,525,098
Member loans	-	25,383,798	25,383,798
Other financial assets	-	27,016	27,016
Other financial liabilities	-	(32,686)	(32,686)
Member deposits	-	(34,586,084)	(34,586,084)
	$ 1,035,053	$ 978,738	$ 2,013,791

October 31, 2019

	Fair value Through Profit or Loss	Amortized Cost	Total
Cash and cash equivalents	$ 191,276	$ -	$ 191,276
Investments	318,404	6,499,151	6,817,555
Member loans	-	25,371,577	25,371,577
Other financial liabilities	-	(69,381)	(69,381)
Member deposits	-	(31,426,455)	(31,426,455)
	$ 509,680	$ 374,892	$ 884,572

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value amounts disclosed represent point in time estimates that may change in subsequent reporting periods due to market conditions or other factors. The Credit Union has estimated fair values taking into account changes in interest rates and credit risk that have occurred since the assets and liabilities were acquired. These calculations represent the Credit Union's best estimates based on a range of methods and assumptions. Since they involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the instrument. Interest rate changes are the main cause of changes in the fair value of the Credit Union's financial instruments.

The following methods and assumptions are used to estimate the fair market value:

i) The fair values of cash, demand deposits, certain other assets and certain other liabilities approximate their carrying values, due to their short-term nature.

ii) The estimated fair values of floating-rate investments, member loans and member deposits are assumed to equal carrying value as the interest rates automatically reprice to market.

iii) The estimated fair values of fixed-rate investments, member loans and member deposits are determined by discounting the expected future cash flows of these items at current market rates for products with similar terms and credit risks.

The total value of loans determined using the above assumptions is reduced by the allowance for impaired loans.

	2020			2019		
	Fair Value	**Carrying Value**	**Change**	Fair Value	Carrying Value	Change
Assets						
Cash	**$ 696,649**	**$ 696,649**	**$ -**	$ 191,276	$ 191,276	$ -
Investments	**10,525,098**	**10,525,098**	**-**	6,817,555	6,817,555	-
Member loans	**24,917,798**	**25,383,798**	**(466,000)**	25,433,577	25,371,577	62,000
Other assets	**27,016**	**27,016**	**-**	-	-	-
	$ 36,166,561	**$ 36,632,561**	**$ (466,000)**	$ 32,442,408	$ 32,380,408	$ 62,000
Liabilities						
Member deposits	**$ 34,678,084**	**$ 34,586,084**	**$ 92,000**	$ 31,333,455	$ 31,426,455	$ (93,000)
Other liabilities	**32,686**	**32,686**	**-**	69,381	69,381	-
	$ 34,710,770	**$ 34,618,770**	**$ 92,000**	$ 31,402,836	$ 31,495,836	$ (93,000)
	$ 1,455,791	**$ 2,013,791**	**$ (558,000)**	$ 1,039,572	$ 884,572	$ 155,000

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Assets and liabilities recorded at fair value in the statement of the financial position are measured and classified in a hierarchy consisting of three levels for disclosure purposes; the three levels are based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1: Unadjusted quoted prices in an active market for identical assets and liabilities. Assets measured at fair value and classified as Level 1 include cash and cash equivalents.

Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e.derived from prices). Level 2 inputs include quoted prices for assets in markets that are considered less active. There are no assets measured at fair value classified as Level 2.

Level 3: Unobservable inputs that are supported by little or no market activity. Level 3 assets and liabilities would include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation. Assets measured at fair value and classified as Level 3 include Central shares.

There were no transfers between fair value hierarchy levels for the years ended October 31, 2020 and 2019.

19. IMPACT OF COVID-19

On March 17, 2020, the Government of Alberta declared a public health emergency in response to the COVID-19 pandemic. The measures implemented to combat the spread of the virus have had an impact on the Credit Union; however, an estimate of the financial impact cannot be made at this time.

The Credit Union is closely monitoring the recommendations from public health agencies and government authorities while implementing its operational plan to reduce any adverse financial impact and continue operations.

TRANSCANADA CREDIT UNION LTD.

SCHEDULE I

SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED OCTOBER 31, 2020

	2020	2019
Personnel		
Salaries	**$ 186,810**	$ 191,041
Benefits	**35,672**	36,255
	222,482	227,296
Security		
Deposit guarantee assessment	**19,140**	28,200
Bonding	**8,279**	8,888
	27,419	37,088
Organization		
Central dues	**9,181**	7,986
Meetings	**3,486**	7,010
	12,667	14,996
General		
Computer services	**38,873**	24,878
Professional fees	**27,845**	337,751
Amortization of intangible assets	**23,815**	22,208
Other general	**7,547**	19,814
Insurance	**5,456**	4,674
RRSP administration fee	**5,202**	5,116
Cash, service charges, and other fees	**4,924**	5,547
Credit reports	**1,418**	1,747
Office supplies	**721**	1,456
Marketing and advertising	**199**	1,110
	116,000	424,301
Total Operating Expenses	**$ 378,568**	$ 703,681

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

You can live without life insurance...

but can your loved ones?

Are you prepared for the unexpected?
Do you have a contingency plan in place?

Life, Disability, Critical Illness and Loss of Employment protection on your mortgage loan can ensure that you have peace of mind knowing that your loved ones and family home are protected.

Life, Disability, Critical Illness and Loss of Employment insurance is made available to members of TransCanada Credit Union under group policies issued by CUMIS Life Insurance Company. Coverage is subject to certain exclusions, restrictions and limitations which are described in the certificates of insurance provided to insured members. 02/16

TRANSCANADA
CREDIT
UNION

450 1st Street SW
Calgary
Alberta
T2P 5H1

www.transcanadacreditunion.ca

Tel: 403-920-2664

email: credit_union@tcenergy.com