

SERVUS CREDIT UNION LTD.

Interim Condensed Consolidated Financial Statements

For the three months ended

January 31, 2018

(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	January 31 2018	October 31 2017
Assets			
Cash and cash equivalents		\$ 316,284	\$ 104,118
Investments		1,051,714	1,181,454
Members' loans	4	13,655,570	13,675,636
Assets held for sale		10,220	9,024
Other assets		22,545	18,256
Property and equipment		145,123	147,127
Investment property		6,464	7,169
Derivative financial assets	7	29,255	31,695
Investment in associate		184,100	172,900
Intangible assets		42,050	43,078
Total assets		15,463,325	15,390,457
Liabilities			
Borrowings		-	100,000
Secured borrowings		1,440,211	1,093,288
Members' deposits		12,412,946	12,560,063
Trade payables and other liabilities		127,930	173,565
Income taxes payable		1,473	894
Derivative financial liabilities	7	15,682	13,006
Investment shares		415	415
Defined benefit plans		7,235	7,219
Deferred income tax liabilities		20,608	17,894
Total liabilities		14,026,500	13,966,344
Equity			
Share capital		643,836	659,599
Retained earnings		784,794	763,636
Accumulated other comprehensive income (loss)		7,193	(144)
Total equity attributable to members of the Credit Union		1,435,823	1,423,091
Non-controlling interest		1,002	1,022
Total equity		1,436,825	1,424,113
Total liabilities and equity		\$ 15,463,325	\$ 15,390,457

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

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

Notes	Three months ended January 31 2018	Three months ended January 31 2017
Interest income		
Members' loans	\$ 124,879	\$ 117,714
Investments	1,375	1,943
Total interest income	126,254	119,657
Interest expense		
Members' deposits	30,148	26,029
Other interest expense	5,432	4,338
Total interest expense	35,580	30,367
Net interest income	90,674	89,290
Other income	22,186	23,179
Share of profits from associate	1,149	3,044
Net interest income and other income	114,009	115,513
Provision for credit losses	5	1,685
Net interest income after provision for credit losses	112,324	110,103
Operating expenses		
Personnel	46,388	45,489
General	13,915	9,817
Occupancy	5,173	5,083
Member security	3,476	3,469
Depreciation	3,350	3,528
Organization	1,383	1,369
Impairment of assets	142	570
Amortization	1,695	1,605
Total operating expenses	75,522	70,930
Income before patronage allocation to members and income taxes	36,802	39,173
Patronage allocation to members	7,906	6,994
Income before income taxes	28,896	32,179
Income taxes	7,758	8,312
Net income	\$ 21,138	\$ 23,867
Other comprehensive income (loss)	7,337	(215)
Total comprehensive income	\$ 28,475	\$ 23,652
Other comprehensive income (loss) for the year, net of tax:		
Share of other comprehensive income (loss) from associate		
Actuarial (loss) gain on defined benefit pension plans ⁽¹⁾ (net of income tax (recovery) expense of \$(40), 2017 - \$8)	(108)	23
Unrealized gain (loss) and reclassification adjustments on available for sale securities (net of income tax expense (recovery) of \$2,754, 2017 - \$(88) ⁽²⁾	7,445	(238)
Total other comprehensive income (loss)	\$ 7,337	\$ (215)
Total comprehensive income		
Comprehensive income attributable to members	28,495	23,649
Comprehensive (loss) income attributable to non-controlling interest	(20)	3
Total comprehensive income	\$ 28,475	\$ 23,652

⁽¹⁾ The actuarial gains/losses will not be reclassified to profit or loss at a future date.

⁽²⁾ These items may be reclassified to profit or loss at a future date.

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

	Common Shares	Investment Shares	Retained Earnings	Accumulated Other Comprehensive Income	Non-controlling Interest	Total Equity
Balance at October 31, 2016	\$ 523,247	\$ 115,816	\$ 697,883	\$ 683	\$ 1,011	\$ 1,338,640
Changes in equity						
Issues of share capital	9,120	-	-	-	-	9,120
Redemption of share capital	(17,998)	(1,784)	-	-	-	(19,782)
Net income	-	-	23,864	-	3	23,867
Share of other comprehensive loss from associate	-	-	-	(215)	-	(215)
Balance at January 31, 2017	\$ 514,369	\$ 114,032	\$ 721,747	\$ 468	\$ 1,014	\$ 1,351,630

	Common Shares	Investment Shares	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Non-controlling Interest	Total Equity
Balance at October 31, 2017	\$ 541,472	\$ 118,127	\$ 763,636	\$ (144)	\$ 1,022	\$ 1,424,113
Changes in equity						
Issues of share capital	5,993	-	-	-	-	5,993
Redemption of share capital	(19,608)	(2,148)	-	-	-	(21,756)
Net income (loss)	-	-	21,158	-	(20)	21,138
Share of other comprehensive income from associate	-	-	-	7,337	-	7,337
Balance at January 31, 2018	\$ 527,857	\$ 115,979	\$ 784,794	\$ 7,193	\$ 1,002	\$ 1,436,825

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

	Three months ended January 31 2018	Three months ended January 31 2017
Cash flows from (used in) operating activities		
Net income	\$ 21,138	\$ 23,867
Adjustments for non-cash items and others		
Net interest income	(90,674)	(89,290)
Provision for credit losses	1,685	5,410
Share of profits from investment in associate	(1,149)	(3,044)
Depreciation and amortization	5,045	5,133
Impairment of assets	142	570
Gain on assets held for sale	(34)	(1,172)
(Gain) loss on property and equipment	(15)	6
Loss on investment property	49	-
Income taxes	7,758	8,312
Adjustments for net changes in operating assets and liabilities		
Change in members' loans	17,768	(66,679)
Change in members' deposits	(150,448)	(232,589)
Change in assets held for sale	(4,875)	(3,281)
Change in derivatives	5,116	1,135
Net change in other assets, provisions, and trade payables and other liabilities	(52,622)	(31,053)
Income taxes received and (paid), net	(4,465)	(10,401)
Interest received	126,135	121,086
Interest paid	(32,249)	(33,692)
Net cash used in operating activities	(151,695)	(305,682)
Cash flows from (used in) investing activities		
Additions to intangible assets	(667)	(461)
Additions to property and equipment, and investment property	(1,134)	(396)
Proceeds on disposal of property and equipment, and investment property	458	19
Proceeds on disposal of assets held for sale	3,572	8,869
Investments	130,472	(29,211)
Net cash from (used in) investing activities	132,701	(21,180)
Cash flows from (used in) financing activities		
Term loans and lines of credit	(100,000)	72,450
Advances of secured borrowing	430,611	311,819
Repayment of secured borrowing	(83,688)	(65,808)
Shares issued	5,993	9,120
Shares redeemed	(21,756)	(19,782)
Net cash from financing activities	231,160	307,799
Increase (decrease) in cash and cash equivalents	212,166	(19,063)
Cash and cash equivalents, beginning of period	104,118	102,002
Cash and cash equivalents, end of period	\$ 316,284	\$ 82,939

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. ("Servus" or the "Credit Union") 2017 audited annual consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Audit and Finance Committee on March 19, 2018.

Significant Accounting Estimates, Assumptions and Judgements

The preparation of the interim condensed consolidated financial statements requires management to exercise estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. These significant estimates, assumptions and judgements have been disclosed in note 2 of Servus' 2017 annual consolidated financial statements. The estimates, assumptions and judgements used in preparation of these interim condensed consolidated financial statements are consistent with the most recent 2017 annual financial statements.

2. CHANGES IN ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared following the same accounting policies and methods as those used in preparing Servus' 2017 annual consolidated financial statements.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

The Credit Union is currently assessing the impact of adopting the following developments in new accounting standards on the financial statements that took place during the interim period to the reporting date. At this time, the impact of this change to the Credit Union is unknown.

- **Effective for the Credit Union – November 1, 2019**

- **IFRS 3 Business Combinations**

In December 2017, the IASB issued amendments to IFRS 3 to clarify that when an entity subsequently obtains control of a business that is a joint operation, it must remeasure previously held interests in that business.

- **IFRS 11 Joint Arrangements**

In December 2017, the IASB issued amendments to IFRS 11 to clarify that when an entity subsequently obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- **IAS 12 Income Taxes**

In December 2017, the IASB issued amendments to IAS 12 to clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. As a result, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income, or the statement of changes in equity according to where the entity originally recognized those past transactions or events.

- **IAS 23 Borrowing Costs**

In December 2017, the IASB issued amendments to IAS 23 to clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

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Notes to Interim Condensed Consolidated Financial Statements
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4. MEMBERS' LOANS

	Gross Amount	Specific Allowance	Collective Allowance	Net Amount	Impaired Loans
As at January 31, 2018					
Residential mortgages	\$ 7,966,628	\$ 52	\$ 955	\$ 7,965,621	\$ 933
Commercial mortgages and loans	4,327,222	19,016	3,741	4,304,465	28,765
Consumer loans	980,670	2,171	6,774	971,725	3,631
Agricultural mortgages and loans	375,675	1	138	375,536	501
	13,650,195	21,240	11,608	13,617,347	33,830
Accrued interest	40,451	1,604	624	38,223	-
Total	\$ 13,690,646	\$ 22,844	\$ 12,232	\$ 13,655,570	\$ 33,830

	Gross Amount	Specific Allowance	Collective Allowance	Net Amount	Impaired Loans
As at October 31, 2017					
Residential mortgages	\$ 7,959,489	\$ 56	\$ 1,009	\$ 7,958,424	\$ 570
Commercial mortgages and loans	4,337,661	21,479	1,808	4,314,374	30,634
Consumer loans	996,818	2,384	7,539	986,895	3,936
Agricultural mortgages and loans	377,098	-	100	376,998	500
	13,671,066	23,919	10,456	13,636,691	35,640
Accrued interest	41,064	1,558	561	38,945	-
Total	\$ 13,712,130	\$ 25,477	\$ 11,017	\$ 13,675,636	\$ 35,640

5. ALLOWANCE FOR CREDIT LOSSES

Specific Allowance

	Residential	Commercial	Consumer	Agricultural	Interest	Total
As at October 31, 2017	\$ 56	\$ 21,479	\$ 2,384	\$ -	\$ 1,558	\$ 25,477
Recoveries of previous loan write-offs	10	50	574	-	-	634
Allowance charged to net income	241	(596)	422	1	402	470
	307	20,933	3,380	1	1,960	26,581
Loans written off	(255)	(1,917)	(1,209)	-	(356)	(3,737)
As at January 31, 2018	\$ 52	\$ 19,016	\$ 2,171	\$ 1	\$ 1,604	\$ 22,844

	Residential	Commercial	Consumer	Agricultural	Interest	Total
As at October 31, 2016	\$ 421	\$ 13,456	\$ 2,990	\$ 71	\$ 1,470	\$ 18,408
Recoveries of previous loan write-offs	5	201	1,382	-	-	1,588
Allowance charged to net income	1,091	13,827	7,627	296	646	23,487
	1,517	27,484	11,999	367	2,116	43,483
Loans written off	(1,461)	(6,005)	(9,615)	(367)	(558)	(18,006)
As at October 31, 2017	\$ 56	\$ 21,479	\$ 2,384	\$ -	\$ 1,558	\$ 25,477

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Notes to Interim Condensed Consolidated Financial Statements
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5. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Collective Allowance

	Residential	Commercial	Consumer	Agricultural	Interest	Total
As at October 31, 2017	\$ 1,009	\$ 1,808	\$ 7,539	\$ 100	\$ 561	\$ 11,017
Allowance charged to net income	(54)	1,933	(765)	38	63	1,215
As at January 31, 2018	\$ 955	\$ 3,741	\$ 6,774	\$ 138	\$ 624	\$ 12,232

	Residential	Commercial	Consumer	Agricultural	Interest	Total
As at October 31, 2016	\$ 1,292	\$ 6,477	\$ 12,633	\$ 17	\$ 788	\$ 21,207
Allowance charged to net income	(283)	(4,669)	(5,094)	83	(227)	(10,190)
As at October 31, 2017	\$ 1,009	\$ 1,808	\$ 7,539	\$ 100	\$ 561	\$ 11,017

6. CREDIT QUALITY OF MEMBERS' LOANS

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

<i>As at January 31, 2018</i>	Residential	Commercial	Consumer	Agricultural	Total
Risk Categories					
1 to 5 - Satisfactory risk	\$ -	\$ 4,260,965	\$ -	\$ 373,385	\$ 4,634,350
6 - Watch list	-	26,986	-	-	26,986
8 - Impaired risk - performing	-	2,189	-	182	2,371
7 and 9 - Unacceptable/impaired risk - non-performing	-	8,318	-	1,606	9,924
Loans without risk rating	7,965,695	-	977,039	-	8,942,734
Loans not impaired	7,965,695	4,298,458	977,039	375,173	13,616,365
Loans specifically impaired	933	28,765	3,631	501	33,830
Sub Total	7,966,628	4,327,223	980,670	375,674	13,650,195
Accrued interest	12,638	14,202	10,196	3,415	40,451
Total	\$ 7,979,266	\$ 4,341,425	\$ 990,866	\$ 379,089	\$ 13,690,646

<i>As at October 31, 2017</i>	Residential	Commercial	Consumer	Agricultural	Total
Risk Categories					
1 to 5 - Satisfactory risk	\$ -	\$ 4,282,832	\$ -	\$ 374,984	\$ 4,657,816
6 - Watch list	-	8,804	-	-	8,804
8 - Impaired risk - performing	-	3,319	-	170	3,489
7 and 9 - Unacceptable/impaired risk - non-performing	-	12,072	-	1,444	13,516
Loans without risk rating	7,958,919	-	992,882	-	8,951,801
Loans not impaired	7,958,919	4,307,027	992,882	376,598	13,635,426
Loans specifically impaired	570	30,634	3,936	500	35,640
Sub Total	7,959,489	4,337,661	996,818	377,098	13,671,066
Accrued interest	12,530	14,238	10,195	4,101	41,064
Total	\$ 7,972,019	\$ 4,351,899	\$ 1,007,013	\$ 381,199	\$ 13,712,130

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

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Notes to Interim Condensed Consolidated Financial Statements
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6. CREDIT QUALITY OF MEMBERS' LOANS (CONTINUED)

Loans past due, as at January 31, 2018

	Residential	Commercial	Consumer	Agricultural	Total
Past due up to 29 days	\$ 101,336	\$ 22,180	\$ 15,157	\$ 2,708	\$ 141,381
Past due 30 - 59 days	35,936	16,903	5,783	3,406	62,028
Past due 60 - 89 days	12,183	15,813	2,741	1,757	32,494
Past due over 90 days	20,479	35,290	4,102	2,049	61,920
Total	\$ 169,934	\$ 90,186	\$ 27,783	\$ 9,920	\$ 297,823

Loans past due, as at October 31, 2017

	Residential	Commercial	Consumer	Agricultural	Total
Past due up to 29 days	\$ 108,702	\$ 12,024	\$ 15,432	\$ 3,185	\$ 139,343
Past due 30 - 59 days	42,700	17,986	7,127	423	68,236
Past due 60 - 89 days	17,417	2,351	2,576	30	22,374
Past due over 90 days	20,795	36,184	3,840	2,092	62,911
Total	\$ 189,614	\$ 68,545	\$ 28,975	\$ 5,730	\$ 292,864

Loans Past Due but Not Impaired

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

Loans past due but not impaired, as at January 31, 2018

	Residential	Commercial	Consumer	Agricultural	Total
Past due up to 29 days	\$ 101,336	\$ 22,030	\$ 15,060	\$ 2,708	\$ 141,134
Past due 30 - 59 days	35,935	14,970	5,548	3,405	59,858
Past due 60 - 89 days	12,183	15,381	2,482	1,757	31,803
Past due over 90 days	19,547	12,577	1,094	1,549	34,767
Total	\$ 169,001	\$ 64,958	\$ 24,184	\$ 9,419	\$ 267,562

Loans past due but not impaired, as at October 31, 2017

	Residential	Commercial	Consumer	Agricultural	Total
Past due up to 29 days	\$ 108,702	\$ 11,755	\$ 15,389	\$ 3,185	\$ 139,031
Past due 30 - 59 days	42,700	17,836	6,823	423	67,782
Past due 60 - 89 days	17,417	1,627	2,326	30	21,400
Past due over 90 days	20,225	9,672	932	1,591	32,420
Total	\$ 189,044	\$ 40,890	\$ 25,470	\$ 5,229	\$ 260,633

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.

	As at January 31 2018	As at October 31 2017
Loans by security:		
Insured loans and mortgages	\$ 2,760,056	\$ 2,759,164
Secured by mortgage	8,980,564	8,900,893
Secured by other	1,147,278	1,238,908
Unsecured	802,748	813,165
Total	\$ 13,690,646	\$ 13,712,130

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Notes to Interim Condensed Consolidated Financial Statements
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7. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

As at January 31, 2018	Equity-linked Options	Embedded Purchase Option	Interest Rate Swaps	Total
Derivative Financial Asset amounts not subject to enforceable netting arrangements	\$ 8,064	\$ 21,191	\$ -	\$ 29,255
<i>Derivative Financial Liabilities</i>				
Gross amounts of financial assets before statement of financial position offsetting	\$ -	\$ -	\$ (18,620)	\$ (18,620)
Gross amounts of financial liabilities before statement of financial position offsetting	-	-	26,310	26,310
Net amount of financial liabilities presented on the statement of financial position	-	-	7,690	7,690
Amounts not subject to enforceable netting arrangements	7,992	-	-	7,992
Total	\$ 7,992	\$ -	\$ 7,690	\$ 15,682

As at October 31, 2017	Equity-linked Options	Embedded Purchase Option	Interest Rate Swaps	Total
<i>Derivative Financial Assets</i>				
Gross amounts of financial assets before statement of financial position offsetting	\$ -	\$ -	\$ 8,575	\$ 8,575
Gross amounts of financial liabilities before statement of financial position offsetting	-	-	(7,918)	(7,918)
Net amount of financial assets presented on the statement of financial position	-	-	657	657
Amounts not subject to enforceable netting arrangements	7,958	23,080	-	31,038
Total	\$ 7,958	\$ 23,080	\$ 657	\$ 31,695

<i>Derivative Financial Liabilities</i>				
Gross amounts of financial assets before statement of financial position offsetting	\$ -	\$ -	\$ (11,733)	\$ (11,733)
Gross amounts of financial assets before statement of financial position offsetting	-	-	16,850	16,850
Net amount of financial assets presented on the statement of financial position	-	-	5,117	5,117
Amounts not subject to enforceable netting arrangements	7,889	-	-	7,889
Total	\$ 7,889	\$ -	\$ 5,117	\$ 13,006

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 January 31 2018	As at October 31 2017
Interest rate swaps					
receive fixed, pay floating	\$ -	\$ 500,000	\$ 500,000	\$ 1,000,000	\$ 1,000,000
Equity-linked options	11,365	6,150	63,100	80,615	80,615
Total	\$ 11,365	\$ 506,150	\$ 563,100	\$ 1,080,615	\$ 1,080,615

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7. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Equity-linked Options

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

Embedded Purchase Option

Notice to exercise the option was given by the Credit Union in the prior fiscal year, with ownership of the credit card portfolio effective February 1, 2018. The Credit Union has signed an interim service agreement effective from February 1, 2018 until April 30, 2018 to complete the full transition.

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.

8. EVENTS AFTER THE REPORTING PERIOD

New Loan Facility

On February 1, 2018 a new loan facility of \$250 million was funded with Canadian Imperial Bank of Commerce. This new loan facility was setup in the first quarter to fund the initial settlement purchase price of the credit card portfolio. A final settlement adjustment for the credit card purchase is expected to occur on April 30, 2018.

The facility consists of three tranches that are non-revolving credit facilities and interest is calculated at banker's acceptance. The advances drawn are structured in three different tranches repayable from one to three years.

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

Credit Card Acquisition

On February 1, 2018, the Credit Union acquired a portfolio of credit card assets worth approximately \$250M of outstanding card balances from Cuets (a division of TD Bank). The transaction was treated as an asset purchase and the difference on the date of acquisition of the fair value of assets over the transaction price was recorded to Members' loan.

Safeway Credit Union Merger

The Credit Union was selected by Safeway Credit Union as a merger partner. On December 17, 2017 the Credit Union's board voted to proceed with the merger and on February 13, 2018 the Safeway membership also voted to proceed. Upon approval, the merger is expected to occur in the third quarter of 2018. Safeway Credit Union operates a single branch in Calgary and currently has approximately \$46.1 million in total assets as reported in their January 31, 2018 financial statements.

Inglewood Credit Union Merger

On March 1, 2018, the Credit Union amalgamated with Inglewood Credit Union (Inglewood) acquiring 100% ownership under the name Servus Credit Union. Inglewood approached the Credit Union to amalgamate as a preferred partner as there was a strong correlation of culture, goals and objectives. This allows Inglewood to ensure the long term needs of its members are met and fits into the Credit Union's plans to expand further into the Calgary area.

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(Canadian \$ thousands)
(unaudited)

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and any goodwill or gain on bargain purchase are as follows:

	Book Value	FV Adjustments	Fair Value Recognized on acquisition
Assets			
Cash	\$ 783	\$ -	\$ 783
Receivables	19	-	19
Member Loans	15,065	(66)	14,999
Prepays	26	-	26
Property, Plant and Equipment	1,532	416	1,948
Investments	4,790	-	4,790
Future Tax Asset	41	-	41
	<u>22,256</u>	<u>350</u>	<u>22,606</u>
Liabilities			
Member Deposits	20,632	(35)	20,597
Accounts Payable	333	-	333
	<u>20,965</u>	<u>(35)</u>	<u>20,930</u>
Total Identifiable Net Assets	<u>\$ 1,291</u>	<u>\$ 385</u>	<u>\$ 1,676</u>

Consideration in the amalgamation consists of Servus issuing the existing Inglewood members common shares totaling \$521.

The amalgamation did not result in any goodwill being recognized, but had a gain on bargain purchase price of \$1.1 million.

A separate transaction of \$227 was also recorded to purchase the registered products of a few Inglewood members from Concentra. This was a separate agreement between the Credit Union and Concentra as the products were owned by Concentra not Inglewood.

Amalgamation costs are anticipated to be in the range of \$140-\$210 upon completion of the amalgamation process.