

**SERVUS CREDIT UNION LTD.**

**Interim Consolidated Financial Statements**

**Three Month Period Ended January 31, 2010**

**(unaudited)**

**SERVUS CREDIT UNION LTD.**  
**Interim Consolidated Balance Sheet**  
(unaudited)

<i>(\$ thousands)</i>	Note	January 31, 2010	October 31, 2009
<b>Assets</b>			
Cash		\$ 32,830	\$ 175,487
Investments		889,926	833,375
Member loans		9,070,722	8,901,715
Property and equipment		215,562	211,355
Other assets		39,310	41,616
		<u>\$ 10,248,350</u>	<u>\$ 10,163,548</u>
<b>Liabilities</b>			
Member deposits		\$ 9,338,803	\$ 9,252,672
Term loans payable		56,704	13,186
Accounts payable and other liabilities		72,197	133,037
		<u>9,467,704</u>	<u>9,398,895</u>
Guarantees, commitments and contingent liabilities	3		
<b>Member Equity</b>			
Share capital		410,192	406,740
Retained earnings		370,454	357,913
		<u>780,646</u>	<u>764,653</u>
		<u>\$ 10,248,350</u>	<u>\$ 10,163,548</u>

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

**SERVUS CREDIT UNION LTD.**  
**Interim Consolidated Statement of Income and Comprehensive Income**  
(unaudited)

<i>(\$ thousands)</i>	Note	Three Months Ended January 31, 2010	Three Months Ended January 31, 2009
<b>Interest Income</b>			
Member loans		\$ 103,450	\$ 112,847
Investment		2,946	7,038
<b>Total interest income</b>		<b>106,396</b>	<b>119,885</b>
<b>Interest Expense</b>			
Member deposits		35,207	50,228
Term loans		248	1,030
<b>Total interest expense</b>		<b>35,455</b>	<b>51,258</b>
<b>Net Interest Income</b>		<b>70,941</b>	<b>68,627</b>
Provision for credit losses		1,728	2,166
Net interest income after provision for credit losses		<b>69,213</b>	<b>66,461</b>
<b>Other Income</b>		<b>17,032</b>	<b>14,758</b>
<b>Net interest income and other income</b>		<b>86,245</b>	<b>81,219</b>
<b>Operating Expenses</b>			
Personnel		33,026	32,584
General	2	12,557	11,393
Occupancy		4,419	3,720
Member security		4,490	3,386
Depreciation and amortization		3,833	3,345
Organization		711	591
<b>Total operating expenses</b>		<b>59,036</b>	<b>55,019</b>
Income before patronage allocation to members and income taxes		<b>27,209</b>	<b>26,200</b>
Patronage allocation to members		<b>5,500</b>	<b>4,708</b>
Income before income taxes		<b>21,709</b>	<b>21,492</b>
Income taxes		<b>4,895</b>	<b>4,224</b>
Operating net income		<b>16,814</b>	<b>17,268</b>
Extraordinary gain		-	7,349
<b>Net income and comprehensive income</b>		<b>\$ 16,814</b>	<b>\$ 24,617</b>

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

**SERVUS CREDIT UNION LTD.**  
**Interim Consolidated Statement of Member Equity**  
(unaudited)

(\$ thousands)	Note	Three Months Ended January 31, 2010	Three Months Ended January 31, 2009
<b>Share Capital</b>			
Balance, beginning of period		\$ 406,740	\$ 381,615
<b>Common Shares</b>			
Balance, beginning of period		303,950	281,194
Issued and redeemed for cash, net		1,023	(780)
Provision for dividends distributable	4	3,866	3,606
Balance, end of period		308,839	284,020
<b>Investment Shares</b>			
Balance, beginning of period		102,790	100,421
Issued and redeemed for cash, net		(2,980)	(2,176)
Provision for dividends distributable	4	1,543	1,629
Balance, end of period		101,353	99,874
<b>Share Capital, end of period</b>		<b>410,192</b>	<b>383,894</b>
<b>Retained Earnings</b>			
Balance, beginning of period		357,913	312,797
Net income		16,814	24,617
Provision for dividends on share capital	4	(5,409)	(5,235)
Income tax recovery thereon		1,136	1,106
Balance, end of period		370,454	333,285
<b>Member Equity, end of period</b>		<b>\$ 780,646</b>	<b>\$ 717,179</b>

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

**SERVUS CREDIT UNION LTD.**  
**Interim Consolidated Statement of Cash Flow**  
(unaudited)

(\$ thousands)	Note	Three Months Ended January 31, 2010	Three Months Ended January 31, 2009
<b>Cash Flows From (Used in) Operating Activities</b>			
Operating net income		\$ 16,814	\$ 17,268
Adjustments for:			
Depreciation and amortization		3,833	3,345
Provision for credit losses		1,728	2,166
Realized loss on investments available for sale		-	93
Investment income from equity method investments		(3,034)	(698)
Gain on sale of property and equipment		-	(20)
Loss on acquisition of Apex Credit Union Ltd.	2	1,550	-
Net change in other assets and accounts payable and other liabilities		(57,790)	(8,457)
Net change in accrued interest on member loans		(2,432)	1,681
Net change in accrued interest on member deposits		275	(9,995)
Net change in accrued interest on term loans payable		25	110
Net change in accrued interest on investments		325	1,945
		<u>(38,706)</u>	<u>7,438</u>
<b>Cash Flows From (Used in) Investing Activities</b>			
Additions to property and equipment		(6,133)	(11,504)
Proceeds on disposal of property and equipment		-	338
Member loans, net		(98,685)	(179,391)
Investments, net		(44,488)	14,595
Cash acquired from business combinations	2	355	-
		<u>(148,951)</u>	<u>(175,962)</u>
<b>Cash Flows From (Used in) Financing Activities</b>			
Advances of term loans payable		43,624	205,000
Repayment of term loans payable		(6,507)	(66,384)
Member deposits		11,485	28,668
Repayment of obligation under capital lease		(60)	(60)
Income tax recovery		1,136	1,106
Shares, issued and redeemed, net		(4,678)	(2,956)
		<u>45,000</u>	<u>165,374</u>
<b>(Decrease) Increase in Cash</b>		<b>(142,657)</b>	<b>(3,150)</b>
Cash, beginning of period		175,487	54,893
<b>Cash, End of Period</b>		<b>\$ 32,830</b>	<b>\$ 51,743</b>
<b>Supplementary cash flow information</b>			
Interest paid during the period		\$ 35,155	\$ 61,253
Interest and dividends received during the period		101,255	114,528
Income taxes paid during the period		6,118	2,622

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

**SERVUS CREDIT UNION LTD.**  
**Notes to Interim Consolidated Financial Statements**  
**For the period ended January 31, 2010**  
**(unaudited)**

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**1. Basis of Presentation**

**Basis of Presentation**

The Consolidated Financial Statements of the Credit Union have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) on a going concern basis.

The preparation of the unaudited Interim Consolidated Financial Statements (financial statements) in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosures at period end. Certain estimates, including allowance for credit losses, fair value of financial instruments, income taxes, accounting for securitizations, defined benefit pension plans, post retirement benefits, contingent liabilities, purchase price allocation, fair value of acquired assets and liabilities, goodwill, the useful life of property, equipment, and intangible assets and accrued liabilities require management to make subjective or complex judgements. Accordingly, actual results could differ from those estimates.

These financial statements of the Credit Union should be read in conjunction with the consolidated financial statements of Servus Credit Union Ltd. for the year ended October 31, 2009 as set out in the 2009 Annual Report. These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), using the same accounting policies as set out in Note 3 to the financial statements of Servus Credit Union for the year ended October 31, 2009.

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**2. Business Combinations**

On November 1, 2009, the Credit Union adopted three new accounting standards: Business Combinations (Section 1582), Consolidated Financial Statements (Section 1601) and Non-Controlling Interests (Section 1602).

Business combinations are accounted for using the acquisition method. The acquisition method requires that the acquirer recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, at the acquisition date. Acquisition costs directly attributable to the acquisition are expensed in the period. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at fair values at the date of the acquisition, irrespective of the extent of any non-controlling interest.

On November 1, 2009, the Credit Union acquired 100% of Apex Credit Union Ltd. Apex was in the business of personal and commercial banking with four locations serving about 5,000 members in Calgary, Alberta.

The Credit Union exchanged on a one-to-one basis shares with par value of \$2,721. The fair value of the identifiable assets and liabilities of Apex as at the date of the acquisition has been determined preliminary as:

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**Notes to Interim Consolidated Financial Statements**  
**For the period ended January 31, 2010**  
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**2. Business Combinations (cont.)**

(thousands of dollars)	Fair value recognized on acquisition
<b>Identifiable assets acquired and liabilities assumed</b>	
Cash	\$ 355
Investment	9,354
Loans	69,618
Property and equipment	1,907
Other assets	1,198
Current account overdraft	6,376
Deposits	74,371
Other liabilities	514
<b>Total net identifiable assets and liabilities</b>	<b>\$ 1,171</b>

The value of assets acquired and liabilities assumed have been valued at the acquisition date, using fair values. No goodwill was recognized. The Credit Union recorded a loss of \$1,550 in the operating expenses general on the Consolidated Statement of Income and Comprehensive Income. The loss is due to the par value of shares given in excess of the fair value of net assets received.

**3. Guarantees and Commitments**

As at January 31, 2010, the Credit Union has \$2,876,129 (October 31, 2009 - \$2,856,881) in standby letters of credit, letters of guarantee and commitments to extend credit on behalf of members.

**4. Patronage, Common Share and Investment Share Allocation to Members**

Patronage, and common and investment share dividends are accrued based on an estimate of amounts that are paid annually at the discretion of the Board of Directors.

**5. Comparative Figures**

Certain comparative figures have been reclassified to conform to the current period's interim consolidated financial statement presentation.