

SERVUS CREDIT UNION LTD.

Interim Condensed Consolidated Financial Statements

For the six months ended

April 30, 2017

(unaudited)

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

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To the Audit and Finance Committee of
Servus Credit Union Ltd.

In accordance with our engagement letter dated February 10, 2017, we have performed an interim review of the interim condensed consolidated statement of financial position of Servus Credit Union Ltd. (the "Credit Union") as at April 30, 2017, and the interim condensed consolidated statements of income and comprehensive income, changes in equity and cash flows for the three-month and six-month periods ended April 30, 2017. These condensed consolidated financial statements are the responsibility of the Credit Union's management.

We performed our interim review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor (an "interim review").

An interim review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

As explained in Note 8, the Credit Union obtained control of Crelogix Credit Group Inc. on November 15, 2016, however, continues to use the equity method of accounting which constitutes a departure from International Financial Reporting Standards. International Financial Reporting Standards require that the Credit Union remeasures its previously held equity interest in Crelogix Credit Group Inc. at its acquisition-date fair value on the date that control is obtained and recognizes the resulting gain or loss, if any, in net income. In addition, subsequent to the date that control is obtained, the financial statements of Crelogix Credit Group Inc. are required to be consolidated on a line by line basis with the financial statements of the Credit Union. We were unable to obtain the acquisition-date fair value of Crelogix Credit Group Inc. at the date the Credit Union obtained control or the financial statements of the acquiree for the period subsequent to the date that control was obtained. Consequently, we were unable to perform the procedures we considered necessary.

Based on our interim review, except for the possible effects of the matters described in the preceding paragraph, we are not aware of any material modification that needs to be made to these interim condensed consolidated financial statements to be in accordance with International Accounting Standards 34, *Interim Financial Reporting*.

We have previously audited, in accordance with Canadian generally accepted auditing standards, the consolidated statement of financial position of the Credit Union as at October 31, 2016 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended (not presented herein). In our report dated January 19, 2017, we expressed an unmodified audit opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial position as at October 31, 2016, is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

We were not engaged to report on the comparative information for the three-month and six month periods ended April 30, 2016, and as such, it is neither audited nor reviewed.

This report is solely for the use of the Audit and Finance Committee of the Credit Union to assist it in discharging its regulatory obligation to review these financial statements, and should not be used for any other purpose.

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants
June 23, 2017

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

	Notes	April 30 2017	October 31 2016
Assets			
Cash and cash equivalents		\$ 132,921	\$ 102,002
Investments		1,120,397	1,042,788
Members' loans	4	13,306,004	13,223,624
Assets held for sale		7,864	12,749
Other assets		16,928	15,870
Property and equipment		150,226	155,611
Investment property		6,928	7,100
Derivative financial assets	7	31,835	28,128
Investments in associates		172,838	176,382
Intangible assets		44,365	47,356
Total assets		14,990,306	14,811,610
Liabilities			
Borrowings		11,783	76,007
Secured borrowings		1,159,020	922,215
Members' deposits		12,225,161	12,293,207
Trade payables and other liabilities		174,206	144,241
Income taxes payable		5,197	4,698
Derivative financial liabilities	7	6,886	6,508
Investment shares		421	421
Defined benefit plans		7,630	7,630
Deferred income tax liabilities		18,025	18,043
Total liabilities		13,608,329	13,472,970
Equity			
Share capital		634,284	639,063
Retained earnings		746,040	697,883
Accumulated other comprehensive income		635	683
Total equity attributable to members of the Credit Union		1,380,959	1,337,629
Non-controlling interest		1,018	1,011
Total equity		1,381,977	1,338,640
Total liabilities and equity		\$ 14,990,306	\$ 14,811,610

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 April 30 2017	Three months ended April 30 2016	Six months ended April 30 2017	Six months ended April 30 2016
Interest income				
Members' loans	\$ 113,509	\$ 114,809	\$ 231,223	\$ 232,608
Investments	3,490	1,433	5,433	3,895
Total interest income	116,999	116,242	236,656	236,503
Interest expense				
Members' deposits	24,648	24,966	50,677	50,277
Other interest expense	4,639	3,719	8,977	7,019
Total interest expense	29,287	28,685	59,654	57,296
Net interest income				
Other income	87,712	87,557	177,002	179,207
Share of profits from associates	26,126	19,806	49,305	40,418
Net interest income and other income	3,302	2,862	6,346	4,598
Provision for credit losses	117,140	110,225	232,653	224,223
Net interest income after provision for credit losses	3,137	7,329	8,547	12,976
Operating expenses				
Personnel	46,845	46,921	92,334	91,728
General	12,595	12,276	22,412	22,646
Occupancy	5,272	5,022	10,355	10,123
Member security	3,254	5,440	6,723	10,943
Depreciation	3,497	4,649	7,025	8,434
Organization	1,011	1,040	2,380	2,370
Impairment of assets	51	-	621	-
Amortization	1,643	1,534	3,248	1,144
Total operating expenses	74,168	76,882	145,098	147,388
Income before patronage allocation to members and income taxes				
	39,835	26,014	79,008	63,859
Patronage allocation to members	6,994	7,826	13,988	15,629
Income before income taxes	32,841	18,188	65,020	48,230
Income taxes	8,544	4,741	16,856	12,382
Net income	\$ 24,297	\$ 13,447	\$ 48,164	\$ 35,848
Other comprehensive income (loss)	167	(65)	(48)	(198)
Total comprehensive income	\$ 24,464	\$ 13,382	\$ 48,116	\$ 35,650
Other comprehensive loss for the year, net of tax:				
Share of other comprehensive income of associates				
Actuarial gain (loss) on defined benefit pension plans ⁽¹⁾ (net of income tax expense (recovery) of \$8, 2016 - \$(75))	-	-	23	(215)
Unrealized gain (loss) and reclassification adjustments on available for sale securities (net of income tax (recovery) expense of \$(18), 2016 - \$(6)) ⁽²⁾	167	(65)	(71)	17
Total other comprehensive income (loss)	\$ 167	\$ (65)	\$ (48)	\$ (198)
Total comprehensive income				
Comprehensive income attributable to members	24,460	13,381	48,109	35,649
Comprehensive income attributable to non-controlling interest	4	1	7	1
Total comprehensive income	\$ 24,464	\$ 13,382	\$ 48,116	\$ 35,650

⁽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

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

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, 2015	\$ 494,685	\$ 114,792	\$ 642,675	\$ 1,313	\$ 1,002	\$ 1,254,467
Changes in equity						
Issues of share capital	25,922	-	-	-	-	25,922
Redemption of share capital	(20,103)	(3,112)	-	-	-	(23,215)
Net income	-	-	35,847	-	1	35,848
Share of other comprehensive income of associates	-	-	-	(198)	-	(198)
Balance at April 30, 2016	\$ 500,504	\$ 111,680	\$ 678,522	\$ 1,115	\$ 1,003	\$ 1,292,824

	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	19,714	-	-	-	-	19,714
Redemption of share capital	(22,424)	(2,069)	-	-	-	(24,493)
Net income	-	-	48,157	-	7	48,164
Share of other comprehensive income of associates	-	-	-	(48)	-	(48)
Balance at April 30, 2017	\$ 520,537	\$ 113,747	\$ 746,040	\$ 635	\$ 1,018	\$ 1,381,977

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

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

	Six months ended April 30 2017	Six months ended April 30 2016
Cash flows from (used in) operating activities		
Net income	\$ 48,164	\$ 35,848
Adjustments for non-cash items and others		
Net interest income	(177,002)	(179,207)
Provision for credit losses	8,547	12,976
Share of profits from investments in associates	(6,346)	(4,598)
Depreciation and amortization	10,273	9,578
Impairment of assets	621	-
Gain on assets held for sale	(1,541)	(12)
Loss (gain) on property and equipment	80	(288)
Loss on intangible assets	178	-
Income taxes	16,856	12,382
Adjustments for net changes in operating assets and liabilities		
Change in members' loans	(92,283)	(260,603)
Change in members' deposits	(60,379)	(87,786)
Change in assets held for sale	(8,244)	(6,237)
Change in derivatives	(3,329)	2,763
Net change in other assets, provisions, and trade payables and other liabilities	28,923	(11,022)
Income taxes received and (paid), net	(16,375)	(8,161)
Interest received	238,539	241,779
Interest paid	(67,328)	(57,809)
Net cash used in operating activities	(80,646)	(300,397)
Cash flows from (used in) investing activities		
Additions to intangible assets	(435)	(1,779)
Additions to property and equipment, and investment property	(1,582)	(1,337)
Proceeds on disposal of property and equipment, and investment property	34	485
Proceeds on disposal of assets held for sale	14,450	4,531
Purchase of Alberta Central shares	-	(1,451)
Distributions from Alberta Central	9,425	8,675
Investments	(78,136)	(148,573)
Net cash used in investing activities	(56,244)	(139,449)
Cash flows from (used in) financing activities		
Term loans and lines of credit	(64,217)	88,654
Advances of secured borrowing	383,395	328,246
Repayment of secured borrowing	(146,590)	(43,152)
Shares issued	19,714	25,922
Shares redeemed	(24,493)	(23,215)
Net cash from financing activities	167,809	376,455
Increase (decrease) in cash and cash equivalents	30,919	(63,391)
Cash and cash equivalents, beginning of period	102,002	188,389
Cash and cash equivalents, end of period	\$ 132,921	\$ 124,998

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
(Canadian \$ thousands)
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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) except for the failure to consolidate Crelogix Credit Group Inc. ("Crelogix"), as described in Note 8. 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") 2016 audited annual consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Audit and Finance Committee on June 23, 2017.

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' 2016 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 2016 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' 2016 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, 2017**

- **IFRS 12 Disclosure of Interest in Other Entities**

- The standard has been amended by specifying the disclosure requirements applied to an entity's interests, as outlined in the standard, that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

- **Effective for the Credit Union - November 1, 2018**

- **IAS 40 Investment Property**

- The standard has been amended to clarify transfers of property to, or from, investment property occurs only when there is evidence of a change in use. A change of use occurs if property meets, or no longer meets, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

SERVUS CREDIT UNION LTD.
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 April 30, 2017					
Residential mortgages	\$ 7,744,581	\$ 128	\$ 1,037	\$ 7,743,416	\$ 544
Commercial mortgages and loans	4,212,442	18,244	7,221	4,186,977	31,746
Consumer loans	987,022	2,644	9,834	974,544	4,365
Agricultural mortgages and loans	366,410	61	154	366,195	931
	13,310,455	21,077	18,246	13,271,132	37,586
Accrued interest	37,162	1,506	784	34,872	-
Total	\$ 13,347,617	\$ 22,583	\$ 19,030	\$ 13,306,004	\$ 37,586

	Gross Amount	Specific Allowance	Collective Allowance	Net Amount	Impaired Loans
As at October 31, 2016					
Residential mortgages	\$ 7,649,120	\$ 421	\$ 1,292	\$ 7,647,407	\$ 1,904
Commercial mortgages and loans	4,221,809	13,456	6,477	4,201,876	34,723
Consumer loans	997,226	2,990	12,633	981,603	6,526
Agricultural mortgages and loans	356,566	71	17	356,478	613
	13,224,721	16,938	20,419	13,187,364	43,766
Accrued interest	38,518	1,470	788	36,260	-
Total	\$ 13,263,239	\$ 18,408	\$ 21,207	\$ 13,223,624	\$ 43,766

5. ALLOWANCE FOR CREDIT LOSSES

Specific Allowance

	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	2	106	606	-	-	714
Allowance charged to net income	622	6,080	3,746	(10)	286	10,724
	1,045	19,642	7,342	61	1,756	29,846
Loans written off	(917)	(1,398)	(4,698)	-	(250)	(7,263)
As at April 30, 2017	\$ 128	\$ 18,244	\$ 2,644	\$ 61	\$ 1,506	\$ 22,583

	Residential	Commercial	Consumer	Agricultural	Interest	Total
As at October 31, 2015	\$ 344	\$ 15,926	\$ 2,544	\$ 135	\$ 1,601	\$ 20,550
Recoveries of previous loan write offs	2	214	1,185	-	-	1,401
Allowance charged to net income	1,788	9,742	10,026	201	1,079	22,836
	2,134	25,882	13,755	336	2,680	44,787
Loans written off	(1,713)	(12,426)	(10,765)	(265)	(1,210)	(26,379)
As at October 31, 2016	\$ 421	\$ 13,456	\$ 2,990	\$ 71	\$ 1,470	\$ 18,408

SERVUS CREDIT UNION LTD.
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, 2016	\$ 1,292	\$ 6,477	\$ 12,633	\$ 17	\$ 788	\$ 21,207
Allowance charged to net income	(255)	744	(2,799)	137	(4)	(2,177)
As at April 30, 2017	\$ 1,037	\$ 7,221	\$ 9,834	\$ 154	\$ 784	\$ 19,030

	Residential	Commercial	Consumer	Agricultural	Interest	Total
As at October 31, 2015	\$ 935	\$ 5,576	\$ 5,346	\$ 2	\$ 682	\$ 12,541
Allowance charged to net income	357	901	7,287	15	106	8,666
As at October 31, 2016	\$ 1,292	\$ 6,477	\$ 12,633	\$ 17	\$ 788	\$ 21,207

6. CREDIT QUALITY OF MEMBERS' LOANS

The following analysis includes individual loans that are impaired, or potentially impaired, based on 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 April 30, 2017</i>	Residential	Commercial	Consumer	Agricultural	Total
Risk Categories					
1 to 5 - Satisfactory risk	\$ -	\$ 4,159,558	\$ -	\$ 364,663	\$ 4,524,221
6 - Watch list	-	6,780	-	460	7,240
8 - Impaired risk - performing	-	6,527	-	-	6,527
7 and 9 - Unacceptable/impaired risk - non-performing	-	7,832	-	356	8,188
Loans without risk rating	7,744,037	-	982,656	-	8,726,693
Loans not impaired	7,744,037	4,180,697	982,656	365,479	13,272,869
Loans specifically impaired	544	31,746	4,365	931	37,586
Sub Total	7,744,581	4,212,443	987,021	366,410	13,310,455
Accrued interest	11,553	12,968	9,150	3,491	37,162
Total	\$ 7,756,134	\$ 4,225,411	\$ 996,171	\$ 369,901	\$ 13,347,617

<i>As at October 31, 2016</i>	Residential	Commercial	Consumer	Agricultural	Total
Risk Categories					
1 to 5 - Satisfactory risk	\$ -	\$ 4,165,297	\$ -	\$ 355,491	\$ 4,520,788
6 - Watch list	-	9,918	-	461	10,379
8 - Impaired risk - performing	-	1,876	-	-	1,876
7 and 9 - Unacceptable/impaired risk - non-performing	-	9,995	-	1	9,996
Loans without risk rating	7,647,216	-	990,700	-	8,637,916
Loans not impaired	7,647,216	4,187,086	990,700	355,953	13,180,955
Loans specifically impaired	1,904	34,723	6,526	613	43,766
Sub Total	7,649,120	4,221,809	997,226	356,566	13,224,721
Accrued interest	12,005	13,237	9,306	3,970	38,518
Total	\$ 7,661,125	\$ 4,235,046	\$ 1,006,532	\$ 360,536	\$ 13,263,239

- **Risk Rating 6:** This category includes accounts where there is not a risk for principal or interest at present but performance trend is negative and unless reversed could lead to losses for Servus. This is a transitional rating as 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. 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:** Same criteria that are established for Risk "7" but there is deterioration in value of the security that could make a loss in principal likely.

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

Loans past due, as at April 30, 2017

	Residential	Commercial	Consumer	Agricultural	Total
Past due up to 29 days	\$ 124,523	\$ 20,663	\$ 17,765	\$ 4,961	\$ 167,912
Past due 30 - 59 days	38,223	28,741	6,942	3,171	77,077
Past due 60 - 89 days	16,998	13,719	2,541	351	33,609
Past due over 90 days	20,715	34,381	4,059	2,340	61,495
Total	\$ 200,459	\$ 97,504	\$ 31,307	\$ 10,823	\$ 340,093

Loans past due, as at October 31, 2016

	Residential	Commercial	Consumer	Agricultural	Total
Past due up to 29 days	\$ 132,555	\$ 22,479	\$ 23,192	\$ 2,833	\$ 181,059
Past due 30 - 59 days	41,309	30,862	7,096	2,070	81,337
Past due 60 - 89 days	17,147	4,296	3,471	442	25,356
Past due over 90 days	24,604	39,402	7,330	2,098	73,434
Total	\$ 215,615	\$ 97,039	\$ 41,089	\$ 7,443	\$ 361,186

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 April 30, 2017

	Residential	Commercial	Consumer	Agricultural	Total
Past due up to 29 days	\$ 124,512	\$ 20,023	\$ 17,564	\$ 4,961	\$ 167,060
Past due 30 - 59 days	38,223	28,129	6,789	3,171	76,312
Past due 60 - 89 days	16,998	13,235	2,294	351	32,878
Past due over 90 days	20,182	13,122	297	1,409	35,010
Total	\$ 199,915	\$ 74,509	\$ 26,944	\$ 9,892	\$ 311,260

Loans past due but not impaired, as at October 31, 2016

	Residential	Commercial	Consumer	Agricultural	Total
Past due up to 29 days	\$ 132,555	\$ 4,797	\$ 22,837	\$ 2,225	\$ 162,414
Past due 30 - 59 days	41,309	28,703	6,958	2,070	79,040
Past due 60 - 89 days	17,147	3,374	3,277	442	24,240
Past due over 90 days	22,700	25,442	1,491	2,093	51,726
Total	\$ 213,711	\$ 62,316	\$ 34,563	\$ 6,830	\$ 317,420

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 the 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 April 30 2017	As at October 31 2016
Loans by security:		
Insured loans and mortgages	\$ 2,756,288	\$ 3,119,042
Secured by mortgage	8,347,420	8,335,657
Secured by other	1,517,464	1,105,190
Unsecured	726,445	703,350
Total	\$ 13,347,617	\$ 13,263,239

SERVUS CREDIT UNION LTD.
Notes to Interim Condensed Consolidated Financial Statements
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7. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

As at April 30, 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	\$ -	\$ -	\$ 15,419	\$ 15,419
Gross amounts of financial liabilities before statement of financial position offsetting	-	-	14,612	14,612
Net amount of financial assets presented on the statement of financial position	-	-	807	807
Amounts not subject to enforceable netting arrangements	6,946	24,082	-	31,028
Total	\$ 6,946	\$ 24,082	\$ 807	\$ 31,835
Derivative Financial Liability amounts not subject to enforceable netting arrangements	\$ 6,886	\$ -	\$ -	\$ 6,886

As at October 31, 2016	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	\$ -	\$ -	\$ 1,853	\$ 1,853
Gross amounts of financial liabilities before statement of financial position offsetting	-	-	1,545	1,545
Net amount of financial assets presented on the statement of financial position	-	-	308	308
Amounts not subject to enforceable netting arrangements	6,558	21,262	-	27,820
Total	\$ 6,558	\$ 21,262	\$ 308	\$ 28,128
Derivative Financial Liability amounts not subject to enforceable netting arrangements	\$ 6,508	\$ -	\$ -	\$ 6,508

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 April 30 2017	As at October 31 2016
Interest rate swaps					
receive fixed, pay floating	\$ 200,000	\$ -	\$ 500,000	\$ 700,000	\$ 200,000
Equity linked option	-	11,365	69,250	80,615	71,781
Total	\$ 200,000	\$ 11,365	\$ 569,250	\$ 780,615	\$ 271,781

SERVUS CREDIT UNION LTD.
Notes to Interim Condensed Consolidated Financial Statements
(Canadian \$ thousands)
(unaudited)

7. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Equity-Linked Options

Equity-linked options are used to fix costs on term deposit products which 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 during the previous quarter and the agreement is effective as of December 15, 2016. A transition period to acquire the underlying consumer loans is being negotiated to complete termination and transfer in 2018.

Interest Rate Swaps and Interest Rate Cap Options

Interest rate swaps and interest rate cap options are used for asset/liability management purposes against changes in interest rates. They involve the exchange of interest cash flows between two parties on a specified notional principal.

8. INVESTMENT IN CRELOGIX

The Credit Union currently owns 32.1% (October 31, 2016 - 32.1%) of Crelogix and Crelogix also has outstanding debt payable to the Credit Union of \$3,964 (October 31, 2016 - \$3,480) which includes a convertible loan. The conversion feature allows the Credit Union to convert the loan to shares at any time after November 15, 2016 so that following conversion, the Credit Union would own a total of 80% of the outstanding shares of Crelogix. Effective November 15, 2016, Crelogix is deemed to be controlled by the Credit Union. Crelogix has not been able to provide sufficient financial information in a timely manner for the Credit Union to be able to consolidate their financial statements into the interim condensed consolidated financial statements as at and for the six months ended April 30, 2017. Therefore, these statements do not conform with IFRS as Crelogix has not been consolidated from November 15, 2016.

Crelogix has been accounted for using the equity method of accounting. Under the equity method, on initial recognition the investment in Crelogix is recognized at cost, and the carrying amount is increased or decreased to recognize Servus' share of the profit or loss after the date of acquisition.

The carrying value of Servus' investment in Crelogix, excluding the amounts due from Crelogix of \$3,964 (October 31, 2016 - \$3,480), is \$318 as at April 30, 2017 (October 31, 2016 - \$718).