SERVUS CREDIT UNION LTD.

Interim Condensed Consolidated Financial Statements

For the three months ended

January 31, 2012

(unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements ("financial statements") of Servus Credit Union Ltd (the "Credit Union") have been prepared by and are the responsibility of the Credit Union's management.

The Credit Union's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

SERVUS CREDIT UNION LTD.
Interim Condensed Consolidated Financial Statements

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

	Notes	**January 31 2012**	October 31 2011	November 1 2010
Assets				
Cash and cash equivalents	5	**$ 94,676**	$ 118,667	$ 144,231
Investments		**833,080**	770,030	890,647
Members' loans	6,7	**10,020,977**	9,957,017	9,364,724
Assets held for sale		**18,744**	19,291	19,345
Income taxes receivable		**-**	8,647	13,774
Other assets		**13,867**	11,757	14,220
Property and equipment		**188,319**	189,222	193,454
Investment property		**10,638**	10,727	5,466
Intangible assets		**15,430**	11,213	11,610
Deferred tax assets		**179**	179	249
Derivative financial assets	9	**21,693**	20,994	19,015
Investments in associates		**127,395**	125,279	115,901
Total assets		**$ 11,344,998**	$ 11,243,023	$ 10,792,636
Liabilities				
Borrowings		**$ 60,080**	$ 4	$ -
Trade payables and other liabilities		**90,759**	134,048	113,909
Members' deposits		**10,269,310**	10,204,124	9,828,026
Income taxes payable		**2,145**	450	-
Provisions	10	**5,208**	5,533	1,500
Defined benefit plans		**6,964**	7,120	7,265
Deferred tax liabilities		**1,838**	1,700	3,116
Derivative financial liabilities	9	**4**	15	73
Investment share redemption liability		**470**	471	485
Total liabilities		**$ 10,436,778**	$ 10,353,465	$ 9,954,374
Members' Equity				
Share capital		**463,795**	464,425	439,482
Retained earnings		**442,755**	423,463	398,215
Accumulated other comprehensive income		**636**	636	565
Total equity attributable to equity holders of the Credit Union		**907,186**	888,524	838,262
Non-controlling interest		**1,034**	1,034	-
Total members' equity		**$ 908,220**	$ 889,558	$ 838,262
Total liabilities and members' equity		**$ 11,344,998**	$ 11,243,023	$ 10,792,636

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
(C$ thousands)
(unaudited)

	Notes	Three months ended January 31 2012	Three months ended January 31 2011
Interest Income			
Members' loans		**$ 113,172**	$ 111,461
Investments		**2,489**	3,389
Total interest income		**$ 115,661**	$ 114,850
Interest Expense			
Members' deposits		**34,737**	37,584
Other interest expense		**266**	60
Total interest expense		**$ 35,003**	$ 37,644
Net interest income		**80,658**	77,206
Other income		**17,646**	17,225
Net interest and other income		**98,304**	94,431
Provision for credit losses		**1,848**	1,683
Net interest income after provision for credit losses		**96,456**	92,748
Net income from investments in associates		**2,116**	2,986
Net interest income and other income		**$ 98,572**	$ 95,734
Operating Expenses			
Personnel		**38,917**	36,595
General		**15,370**	14,491
Occupancy		**4,678**	4,405
Member security		**4,408**	4,800
Depreciation		**3,701**	3,785
Organization		**1,115**	1,128
Impairment of intangible assets	8	**381**	-
Amortization		**227**	558
Total operating expenses		**$ 68,797**	$ 65,762
Income before patronage allocation to members and income taxes		**29,775**	29,972
Patronage allocation to members		**6,805**	6,250
Income before income taxes		**22,970**	23,722
Income taxes		**3,678**	3,766
Net income		**19,292**	19,956
Other comprehensive income		**-**	-
Net income and comprehensive income		**$ 19,292**	$ 19,956
Net income and comprehensive income attributable to:			
Members of the Credit Union		**$ 19,292**	$ 19,956
Non-controlling interest		**-**	-

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 Members' Equity
(C$ thousands)
(unaudited)

	Three months ended January 31 2012		Three months ended January 31 2011	
Share Capital				
Common Shares				
Balance, beginning of period	**$**	**358,078**	$	334,745
Issued and redeemed for cash, net		**612**		(5,523)
Balance, end of period	**$**	**358,690**	$	329,222
Investment Shares				
Balance, beginning of period	**$**	**106,347**	$	104,737
Issued and redeemed for cash, net		**(1,242)**		(1,604)
Balance, end of period	**$**	**105,105**	$	103,133
Share Capital, end of period	**$**	**463,795**	$	432,355
Retained Earnings				
Balance, beginning of period	**$**	**423,463**	$	398,215
Net income		**19,292**		19,956
Retained Earnings, end of period	**$**	**442,755**	$	418,171
Accumulated Other Comprehensive Income (AOCI)				
Balance, beginning of period	**$**	**636**	$	565
Gains (Losses) on Defined Benefit Plans		**-**		-
Investment in associates		**-**		-
AOCI, end of period	**$**	**636**	$	565
Total Equity Attributable To Equity Holders of the Credit Union				
Non-Controlling Interest				
Balance, beginning of period	**$**	**1,034**	$	-
Net income		**-**		-
Non-Controlling Interest, end of period	**$**	**1,034**	$	-
Total Members' Equity	**$**	**908,220**	$	851,091

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
(C$ thousands)
(unaudited)

	Three months ended January 31 2012	Three months ended January 31 2011
Cash Flows From (Used in) Operating Activities		
Net income	**$ 19,292**	$ 19,956
Adjustments for non-cash items and others		
Net interest income	**(80,183)**	(75,496)
Net interest receivable and payable	**(3,841)**	5,712
Unrealized gain on financial instruments	**(475)**	(1,710)
Provision for credit losses	**1,848**	1,683
Net income from investments in associates	**(2,116)**	(2,986)
Depreciation and amortization	**3,928**	4,343
Impairment of intangible assets	**381**	-
Loss on foreclosed properties	**765**	-
Loss\(Gain) on sale of property and equipment	**75**	(2)
Income taxes	**3,678**	3,766
Adjustments for net changes in operating assets and liabilities		
Change in members' loans	**(66,043)**	(102,468)
Change in members' deposits	**68,861**	80,687
Change in foreclosed assets	**214**	-
Change in derivatives	**(235)**	(1,492)
Net change in other assets and trade payables and other liabilities	**(46,737)**	(40,345)
Income taxes received and paid	**6,664**	(3,480)
Interest received	**115,187**	113,140
Interest paid	**(35,003)**	(37,644)
Dividend received	**1,058**	1,598
Net cash used in operating activities	**(12,682)**	(34,738)
Cash Flows From (Used in) Investing Activities		
Additions to intangible assets	**(4,825)**	(2,313)
Additions to property and equipment, investment property and assets held for sale	**(3,216)**	(743)
Proceeds on investments in associates	**-**	1,011
Proceeds on disposal of property and equipment, investment property and assets held for sale	-	539
Investments	**(62,573)**	(151,693)
Net cash (used in) investing activities	**(70,614)**	(153,199)
Cash Flows From (Used in) Financing Activities		
Repayment of obligation under finance leases	**(67)**	(64)
Borrowings	**60,000**	-
Tax recovery on dividends paid	**-**	1,081
Shares, issued and redeemed, net	**(628)**	(8,208)
Net cash from (used in) in financing activities	**59,305**	(7,191)
Decrease in Cash	**(23,991)**	(195,128)
Cash and cash equivalents, beginning of period	**118,667**	144,231
Cash and cash equivalents, End of period	**$ 94,676**	$ (50,897)

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

1. REPORTING ENTITY

Servus Credit Union Ltd. (Servus or the Credit Union) is incorporated in Canada under the Credit Union Act of the Province of Alberta. The address of the Credit Union's registered office is 151 Karl Clark Road, Edmonton, Alberta. The Credit Union operates in the loans and deposit taking industry regulated under the Credit Union Act. The Credit Union serves members across Alberta.

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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Application of International Financial Reporting Standards ("IFRS")

These interim condensed consolidated financial statements ("financial statements") of the Credit Union have been prepared by management in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as issued by the International Accounting Standard Board ("IASB") and using the accounting policies the Credit Union expects to adopt in its consolidated financial statements for the year ending October 31, 2012.

The Credit Union is a first-time adopter of International Financial Reporting Standards ("IFRS") and has followed the requirements of IFRS 1 *First Time Adoption of IFRS* ("IFRS 1") in its initial application of IFRS as disclosed in note 4 to these financial statements. IFRS requires an entity to adopt IFRS in its first annual financial statements under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Credit Union will make this statement when it issues its 2012 annual financial statements.

IFRS 1 provides specific recognition, measurement, presentation and disclosure requirements for any entity preparing its first set of consolidated financial statements in accordance with IFRS. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Credit Union is provided in note 4.

The comparative figures presented in these financial statements have been restated to conform to the new accounting framework. These statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2011 prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Basis of Measurement

The financial statements have been prepared using the historical cost basis except for the following:

- Derivative and other financial instruments that are classified as held at fair value through profit or loss. These instruments are measured at their fair value.
- Defined benefit post retirement benefit obligations are measured at their present value.

Functional Currency

The financial statements are presented in Canadian dollars ("C$"), which is the Credit Union's functional currency.

Use of Estimates, Assumptions and Judgements

The preparation of the financial statements requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses, and the related disclosures. Estimates and underlying assumptions required under IFRS are best estimates undertaken in accordance with the applicable standard and are reviewed on a continuous basis.

The use of estimates and assumptions have been made in the following areas: income taxes, deferred tax assets and liabilities, fair values used in purchase price allocation, fair value of financial instruments, allowance for credit losses, measurement of provisions and the useful life of property, equipment, intangible assets, defined benefit plans and the fair value less costs to sell of assets held for sale. Actual results may differ significantly from these estimates and the impact of any such differences will be recorded in future periods.

Critical Judgements

The preparation of the financial statements requires management to make critical judgements that affect the carrying amounts of certain assets, liabilities, income, expenses, and the related disclosures during the period. Critical judgements have been made in the following areas: impairment of non-financial and financial assets, allowance of credit losses, leases classification, consolidation of Special Purpose Entities (SPEs), identification of net assets acquired in business combinations and accounting of investment in associates.

Basis of Consolidation

Subsidiaries

The financial statements of the Credit Union include the assets, liabilities, income and expenses of subsidiaries, and special purposes entities for which the Credit Union has determined that it has control over the economic benefits of the entity. All intercompany transactions and balances are eliminated on consolidation.

Subsidiaries are entities controlled by the Credit Union. Control exists when the Credit Union has the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiaries have been prepared using uniform accounting policies.

Included in the financial statements are the accounts of the Credit Union and the following:

The Credit Union's 100% ownership interest includes the following entities: Home Start Financial Ltd., Community Agencies Ltd. Operating as All Source Mortgages and Servus Wealth Strategies Ltd. These entities provide mortgage brokerage services to a number of lenders, including the Credit Union and wealth management services. The Credit Union also has 100% ownership interest of 135938 Alberta Ltd., which provides the Credit Union with air transportation services. The Credit Union also has a 51% ownership interest of 1626210 Alberta Ltd., which owns rental properties.

The Credit Union is also considered to have control over the benefits of three registry services which are SPEs and have been consolidated.

Non-controlling interests

Other parties' interests in subsidiaries (1626210 Alberta Ltd) of the Credit Union are reported in Members' Equity as Non-controlling interests. Income attributable to Non-controlling interests is reported in the consolidated statement of income and comprehensive income as an allocation of net income and total comprehensive income.

Investments in Associates

Investments in Associates are entities over which the Credit Union has significant influence, but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Credit Union Central Alberta and Crelogix Credit Group Inc. are classified as investments in associates.

Investments in associates are accounted for using the equity method and are initially recognised at cost. The Credit Union's share of its associates' post acquisition net income or loss from these entities is recognized as net income from associates in the consolidated statement of income and comprehensive income. Dividends received are recorded as a reduction in the investment. Intercompany transactions and balances are eliminated to the extent of the Credit Union's interest in its associates.

Business Combinations

Business combinations are accounted for using the acquisition method. The assets and liabilities of the acquiree are recognized at their fair value at the date of the acquisition, which is the date on which control is transferred to the Credit Union. Transaction costs incurred that are directly attributable to the acquisition are expensed as incurred.

Goodwill

Acquisitions prior to November 1, 2009

As part of its transition to IFRS, described in Note 4, the Credit Union elected not to restate any acquisitions prior to November 1, 2009.

Acquisitions on or after November 1, 2009

For acquisitions on or after November 1, 2009, goodwill is recognized as the excess of the fair value of the consideration transferred plus the recognized amount of any non-controlling interest in the acquiree less the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Any goodwill recognized as an asset is not amortized but tested for impairment annually. When the excess is negative (negative goodwill), it is recognized immediately in the consolidated statement of income and comprehensive income. In respect of acquisitions on or after November 1, 2009, the Credit Union has not recognized any goodwill on the consolidated statement of financial position.

Financial Instruments - Recognition and Measurement

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statement of financial position when the Credit Union becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. The Credit Union recognizes financial instruments at the trade date. All financial instruments are initially measured at fair value. Subsequent measurement is dependent upon the financial instrument's classification. Transaction costs relating to financial instruments designated as fair value through profit or loss are expensed as incurred. Transaction costs for other financial instruments are capitalized on initial recognition.

Financial Instruments at Fair Value through Profit or Loss

This category comprises two sub-categories: financial assets held for trading and financial assets designated by the Credit Union as fair value through profit or loss upon initial recognition.

A financial instrument is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments.

The Credit Union may designate any financial asset or liability as held for trading where the following conditions are met:

- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise; or
- The financial instruments are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis.

In addition, all derivatives and embedded derivatives are classified as held for trading.

Financial instruments designated as held at fair value through profit or loss consist of the retained right for future excess spread on securitized residential mortgages and the investment share redemption liability. The retained right for future excess spread on securitized residential mortgages is recorded with Other assets on the Consolidated Statement of the Financial Position.

Financial instruments included in this category are recognized initially at fair value with transaction costs taken directly to the consolidated statement of income and comprehensive income.

Gains and losses arising from changes in fair value are included in the consolidated statement of income and comprehensive income as part of net interest income. Interest income and expense on financial assets held for trading are included in net interest income.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those which the Credit Union intends to sell in the short term, which are classified as held for trading, and those that are designated as held at fair value through profit or loss.

Loans and receivables include cash and cash equivalents, Credit Union Central of Alberta ("Alberta Central") term deposits, mortgage pools, debentures, accounts receivable and members' loans. Subsequent measurement is at amortized cost using the effective interest method less any accumulated impairment losses. Interest on loans and receivables is included in the consolidated statement of income and comprehensive income as part of net interest income using effective interest method. In the case of impairment, the impairment loss is calculated using discounted expected cash flows and is reported as a deduction from the carrying value of the loan and is recognized in the consolidated statement of financial position as an allowance for credit losses.

Held-to-Maturity Financial Assets
Held-to-Maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and the Credit Union has the intention and ability to hold the investment to maturity. These are initially recognized at fair value including direct and incremental transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest on held to maturity investments is included in net interest income. The Credit Union has classified certain term deposit investments as held-to maturity.

Available-for-Sale Financial Assets
Available-for-sale financial assets are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices and are not classified as loans or receivables, held to maturity investments or financial assets held at fair value through profit or loss.

Debt securities and equity securities are classified as available for sale and are measured at fair value. The Credit Union uses current market interest rate quotations to estimate the fair values of these investments. Unrealized gains and losses, net of taxes, are reported in Other Comprehensive Income.

The Credit Union also holds other investments in companies that are part of the credit union system are not traded on an active market. As the fair value of these investments cannot be reliably measured they are classified as available for sale and measured at cost less any accumulated impairment losses. Gains or losses are recognized in net income when the investment is derecognized or impaired.

Other Financial Liabilities
Other Financial liabilities, not classified as fair value through profit or loss, include members' deposits, borrowings and trade payables and other liabilities. Subsequent measurement is at amortized cost. Interest expense is recognized using the effective interest method in interest expense.

Financial Instruments - Derecognition

Financial Assets
Financial assets are derecognized when the rights to receive cash flows from the asset have expired or substantially all the risks and rewards of ownership of the assets have been transferred.

Financial Liabilities
Financial liabilities are derecognized when the obligation has been discharged, cancelled or expires.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, the current account with Alberta Central and items in transit and are recorded at amortized cost in the consolidated statement of financial position. These items are highly liquid financial assets with maturities of three months or less from the acquisition date and are used by the Credit Union in the management of short-term commitments.

Derivative Financial Instruments

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity instrument or index.

The Credit Union enters into derivative contracts to manage financial risks associated with movements in interest rates and other financial indices. The Credit Union does not use derivative instruments for trading or speculative purposes. The Credit Union uses quotations based on current observable market data to estimate the fair value of all derivative financial instruments.

Derivative financial instruments are measured at fair value on the consolidated statement of financial position. Derivatives with a positive fair value are recorded in Derivative financial assets. Derivatives with a negative fair value are recorded in Other Liabilities. Gains and losses on derivative financial instruments are recorded in Net Interest Income on the consolidated statement of income and comprehensive income.

Derivative financial instruments may also be embedded in other financial instruments. Derivative financial instruments embedded in other financial instruments are separated from the host contract and accounted for separately when their economic characteristics and risks are not closely related to the host contract, they meet the definition of a derivative financial instrument, and the when the host contract is not classified as fair value through profit or loss.

Mortgage Securitizations

Prior to the date of transition to IFRS, the Credit Union periodically securitized groups of residential mortgages by selling them to unrelated third parties. The transactions were accounted for as sales and the related mortgages were removed from the consolidated statement of financial position when control over the mortgages was surrendered and consideration other than beneficial interests in the transferred mortgage was received in exchange. The third parties, as holders of the securitized mortgages, have recourse only to cash flows for the securitized mortgages. The investors and the third parties have no recourse to the Credit Union's other assets.

Under the mandatory exception contained in IFRS 1 and described in Note 4, mortgages that were derecognized prior to the date of transition have not been restated on transition to IFRS.

The fair value of mortgages sold and retained right to future excess spread are determined using pricing models based on key assumptions such as expected losses, prepayments and discount rates that are commensurate with the risks involved. The retained interest to future excess spread is designated as held at fair value through profit or loss and changes in fair value are recognized in net interest income in the consolidated statement of income and comprehensive income.

The premiums and retained servicing liability are recorded in Other Liabilities on the consolidated statement of financial position and are amortized over the term of the transferred mortgages to Net Interest Income on the consolidated statement of income and comprehensive income.

Estimated Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The best evidence of the fair value of an asset or liability at initial recognition is the fair value of the consideration received or paid.

When financial instruments are subsequently remeasured to fair value, quoted market prices or dealer price quotations in an active market provide the best evidence of fair value, and when such prices are available, the Credit Union uses them to measure financial instruments. The fair value of a financial asset traded in an active market generally reflects the quoted closing bid price at the reporting date. Where independent quoted market prices are not available, fair value is determined by reference to arm's length market transactions for similar instruments, the current fair value of other instruments having substantially the same terms, conditions and risk characteristics or through the use of valuation techniques.

With the use of valuation techniques, fair value is estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows. Some of the inputs to these models may not be market observable and are therefore based on assumptions.

Impairment of Financial Assets

The Credit Union assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets, other than a financial asset held at fair value through profit or loss, is impaired. A financial asset or group of financial assets is considered to be impaired only if there is objective evidence that one or more events that occurred after the initial recognition of the asset(s) has had a negative effect on the estimated future cash flows of that asset and the impact can be reliably estimated.

The Credit Union first assesses whether objective evidence of impairment exists for assets that are individually significant and collectively for assets that are not individually significant. If management determines that no objective evidence of impairment exists for an individually assessed asset, the asset is assessed collectively in groups that share similar credit risk characteristics.

Members' Loans

The Credit Union maintains an allowance for specific and collective credit losses on members' loans, which are established as a result of reviews at an individual loan and loan portfolio level.

A specific allowance is recognized by reviewing the creditworthiness of the individual borrowers and the value of the collateral underlying the loan. Loans where the interest or principal is contractually 90 days past due are considered to be impaired unless management determines that the loan is fully secured and in the process of collection. Fully secured loans are classified as impaired after a delinquency period of 180 days.

The amount of the allowance is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted for fixed rate loans at the loan's original effective interest rate and for variable rate loans at the effective rate at the time of impairment. Cash flows arising from the recovery and sale of collateral are included, whether or not foreclosure is probable. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognized within the provision for credit loss expense in the consolidated statement of income and comprehensive income.

Where individual loans are not considered to be specifically impaired, they are placed into groups of loans with similar risk profiles and collectively assessed for losses that have been incurred but not yet identified.

A collective allowance is established where the Credit Union has identified objective evidence that losses in the loan portfolio have been incurred, but for which a specific provision cannot yet be determined. The collective allowance is based on observable data including the current portfolio delinquency profile, current economic conditions, historic loss experience during economic cycles and management's evaluation of other conditions existing at the reporting date which are not reflected in historical trends. Changes in the collective allowance account are recognized within the provision for credit loss expense in the consolidated statement of income and comprehensive income.

The methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Changes in assumptions used could result in a change in the allowance for loan losses and have a direct impact on the provision for credit loss expense in the consolidated statement of income and comprehensive income.

Following impairment, interest income is recognized using the original effective rate of interest which was used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the specific or general allowance. The amount of the reversal is recognized within the provision for credit losses in the consolidated statement of income and comprehensive income.

The Credit Union writes off amounts charged to the allowance account against the carrying value of an impaired loan when there is no realistic prospect of future recovery and all collateral has been realised. The Credit Union seeks to work with the members to bring their accounts to a current status before taking possession of collateral. The arrears profile of the member is extinguished after six months if the member has complied with any arrangements to bring the account to a current status and is continuing to stay current.

Other financial assets
The Credit Union assesses impairment of its other financial assets, other than financial assets designated at fair value through profit or loss. Management considers significant financial difficulty of the issuer, the disappearance of an active market for a security due to financial difficulties or a significant or prolonged decline in the fair value of an asset below its cost as objective evidence of impairment.

For assets measured at amortized cost, an impairment loss is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset held at cost is calculated as the difference between its carrying value and the present value of estimated future cash flows discounted at the current market rate of return for a similar asset.

All impairment losses are recognized in net income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in net income. Reversals of impairments are not recognized for available-for-sale financial assets that are measured at cost.

Assets Held for Sale

Assets that are expected to be recovered principally through sale rather than through continuing use are classified as held for sale. Assets held for sale include property and land previously used by the Credit Union, and property that has been repossessed following foreclosure on loans that are in default.

Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell and are not depreciated. An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell, but not exceeding any cumulative impairment losses previously recognized.

If the Credit Union has classified an asset as held for sale, but the recognition criteria are no longer met, then the Credit Union ceases to classify the asset as held for sale. The Credit Union measures an asset that ceases to be classified as held for sale at the lower of either: i) the carrying amount before the asset was classified as held for sale, adjusted for any depreciation that would have been recognized had the asset not been classified as held for sale, or (ii) its recoverable amount at the date of the subsequent decision not to sell. Any required adjustments to the carrying amount of an asset that ceases to be classified as held for sale will be transferred to the consolidated statement of income and comprehensive income in the period in which the recognition criteria are no longer met.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and borrowing costs. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing items and restoring the site on which they are located.

When parts of property and equipment have different useful lives, they are accounted for as separate items of property and equipment. Additions and subsequent expenditures are capitalized if they enhance the future economic benefits expected to be derived from the assets. The cost of day-to-day servicing of property and equipment is recognized in the consolidated statement of income and comprehensive income as incurred.

Depreciation is calculated based on the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recorded commencing in the month after the asset becomes available for use; no depreciation is recorded in the month of disposal. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within General operating expenses in the consolidated statement of income and comprehensive income.

Depreciation is recognized in the consolidated statement of income and comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Credit Union will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	20 to 40 years
Furniture, office equipment and vehicles	3 to 20 years
Leasehold improvements	Term of lease
Computer equipment	3 to 5 years
Equipment under finance leases	5 years or shorter of lease term
Airplane	10 years

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property and equipment are reviewed annually.

Investment Property

The Credit Union’s investment property consists of land and buildings held to earn rental income. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Property held partly to earn rental income and partly for use in the supply of service to members or for administrative use is allocated between investment property and property and equipment, based on the floor space usage. If less than 10% of the property is held to earn rental income, the property is classified as property and equipment.

Depreciation is recorded commencing in the month after the asset becomes available for use; no depreciation is recorded in the month of disposal. Gains or losses arising from the disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income and comprehensive income in the period of the disposal.

Depreciation is recognized in the consolidated statement of Income and comprehensive income on a straight-line basis over the estimated useful lives of the investment property. Land is not depreciated. The estimated useful lives of buildings range from 20 to 40 years.

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of investment property are reviewed annually.

Intangible Assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and borrowing costs. The cost of internally generated assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Intangible assets that are developed for internal use are capitalized only if it is probable that future economic benefits will be obtained from use of the asset and that the development costs can be measured reliably. Other development expenditures are recognized in the consolidated statement of income and comprehensive income as incurred. Additions and subsequent expenditures are capitalized only when it increases the future economic benefits expected to be derived from the specific asset to which it relates.

Amortization is calculated based on the amortizable amount, which is the cost of an asset less its residual value. Amortization is recorded commencing in the month after the asset becomes available for use; no amortization is recorded in the month of disposal. Gains and losses on disposal of an intangible asset are determined by comparing the proceeds from disposal with the asset's carrying amount and are recognized net within General operating expenses in the consolidated statement of income and comprehensive income.

Amortization is recognized in the consolidated statement of income and comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer software and development costs	3-5 years

Amortization rates, methods and the residual values underlying the calculation of amortization of items of intangible assets are reviewed annually.

Impairment of Non-Financial Assets

The Credit Union assesses at each reporting date whether there is an indication that an asset may be impaired. If there is an indication of impairment, the Credit Union performs an impairment test. In addition, intangible assets which are not yet available for use or which have indefinite lives are tested for impairment annually.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell, and value in use. Fair value is estimated based on recent transactions for similar assets within the same industry. Value in use is estimated based on discounted net cash flows from continuing use and ultimate disposal of an asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the asset's cash generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows.

The Credit Union also assesses at each reporting date whether the conditions that caused a previous impairment to be recognized no longer exist. If the conditions that cause an impairment no longer exist, the recoverable amount is reassessed and the previous impairment loss reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Impairments and reversals of impairment are recognized within impairment expense in the consolidated statement of income and comprehensive income.

Leases

The Credit Union as a lessee

Arrangements containing leases that transfer substantially all the benefits and inherent risks of ownership of the property to the Credit Union are classified as finance leases. The asset is recorded within property and equipment at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is included in other liabilities in the consolidated statement of financial position. The discount rate used in calculating the present value of the minimum lease payment is either the interest rate implicit in the lease, if it is practicable to determine, or the incremental borrowing rate.

Other arrangements containing leases are operating leases. Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, on a straight line basis over the term of the lease.

The Credit Union as a lessor
Arrangements containing leases in which the Credit Union retains substantially all the risks and rewards of ownership are classified as operating leases. Rentals received under operating leases are recognized in the consolidated statement of income and comprehensive income on a straight line-basis over the term of the lease. Lease incentives provided are recognized as an integral part of the total lease income, on a straight line basis over the term of the lease.

Provisions

A provision is recognized if, as a result of a past event, the Credit Union has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the present value of the expected amount required to settle the obligation, taking into account the risks and uncertainties surrounding the obligation.

A provision for onerous contracts is recognized when the expected benefits derived by the Credit Union from a contract are lower than the unavoidable cost of meeting its obligation under the contract. The provision for onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Employee Benefits

The Credit Union provides certain pension and other benefits to employees as follows:

Short-Term Employee Benefits
Short term employee benefits, such as salaries, vacation, medical benefits, allowances, paid absences, and other benefits including any related payroll taxes are accounted for on an accrual basis over the period in which the employees provide the related services. Variable pay is recognized to the extent that the Credit Union has a present obligation as a result of past service provided by the employee and can be reliably estimated. The benefits are expensed as part of Personnel expenses in the consolidated statement of income and comprehensive income.

Termination Benefits
Termination benefits are recognized when the Credit Union is committed to terminating the employment of a current employee according to a formal plan without possibility of withdrawal.

Post employment benefits
Defined Contribution Registered Retirement Savings Plan
The Credit Union offers employees a defined contribution registered retirement savings plan where contributions are made by both the Credit Union and the employee. Contributions are based on a percentage of salary and no further contributions are required once the employee retires or leaves the Credit Union. Obligations for contributions to defined contribution plans are recognized in Personnel expense in the consolidated statement of income and comprehensive income when they are due.

Defined Benefit Plans
The Credit Union provides a defined benefit supplemental pension plan and a post-retirement benefits plan to qualifying employees. Post retirement benefits include extended health care, dental and life insurance. The

Credit Union's net obligation in respect of both defined benefit plans is actuarially determined using the projected benefit method prorated on service and management's best estimate of turnover rates, salary escalation, retirement ages, expected health care costs, and other actuarial factors. The present value of the obligation is determined by discounting the estimated future cash outflows. The discount rate is the yield at the reporting date on high quality fixed income investments that have maturity dates approximating the terms of the Credit Union's obligations.

Past service costs are recognized immediately in net income, unless the changes to the plan are conditional on employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight line basis over the vesting period.

The Credit Union recognizes all actuarial gains and losses arising from defined benefit plans immediately in Other Comprehensive Income.

Members' Shares

Members' share capital includes common and investment shares. Dividends on shares are recognized in the period in which they are declared.

Shares that provide the member with the right to request redemption subject to the Credit Union maintaining adequate regulatory capital are accounted for using the partial treatment requirements of International Financial Reporting Interpretations Committee ("IFRIC") 2 Members' Shares in Co-operative Entities and Similar Instruments. The liability element of the share is initially measured at the fair value of a similar liability that does not have an equity conversion option. The remaining equity component is measured at the difference between the fair value of the share as a whole and the fair value of the liability element.

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 principal sources of revenue are interest income, account service charges, and commissions and fees.

Interest income and expense
Interest income and expense earned and charged on members' loans, deposits and investments is recognized in the consolidated statement of income and comprehensive income using the effective interest method. The effective interest method calculates the amortized cost of a financial asset or a financial liability and allocates the interest income or interest expense over the relevant period using the effective interest rate. The effective interest rate is the rate that discounts the estimated future cash receipts though the expected life of the financial asset to the net carrying amount of the financial asset. The calculation of the effective interest rate includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

Account service charges
Account service charges are recognized as income when charged to the members.

Commissions and fees
Commissions and fees that are considered an integral part of the effective interest rate are included in the measurement of the effective interest rate. Commissions and fees that are not an integral part of the effective interest rate, including insurance commissions and mortgage prepayment penalties are recognized as income when charged to the members.

Dividend income
Dividends on investments are recognized in investment income when declared. Dividends on investments in associates are recognized as a reduction in the investment when declared.

Patronage Allocation to Members

Patronage allocations to members are recognized in net income when circumstances indicate the Credit Union has a constructive obligation where it has little or no discretion to deny payment, and where it can make a reasonable estimate of the amount required to settle the obligation.

Income Taxes

Income tax expense comprises current and deferred income tax. Income tax is recognized in net income except to the extent that it relates to a business combinations or items that are recognized in other comprehensive income or directly in equity. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

Current tax is the expected tax payable on the taxable income 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. Current tax for current and prior years is recognized as a liability to the extent that it is unpaid.

The Credit Union follows the asset and liability method of accounting for deferred tax whereby deferred taxes are determined based on the difference between the carrying values of assets and liabilities and their tax basis using the tax rates enacted or substantively enacted that are expected to be in effect when the differences reverse.
Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxed levied by the same authority on the same taxable entity, or on different tax entities but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Financial Guarantees

Financial guarantees represent an irrevocable obligation to make payments to a third party in certain situations. Guarantees include contracts or indemnities that contingently require the Credit Union to make payments (either in the form of an asset or in the form of services) to another party based on changes in an asset, liability or equity the other party holds; failure of a third party to perform under an obligation agreement; or failure of a third party to pay its indebtedness when due. The term of these guarantees varies according to the contract.

Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing on the reporting date. Income and expenses denominated in foreign currencies are translated into Canadian dollars at average rates for the year. Gains and losses resulting from translation are recorded in Other income in the consolidated statement of income and comprehensive income.

3. FUTURE ACCOUNTING CHANGES

The Credit Union is currently assessing the impact of adopting the following standards on the consolidated financial statements.

IAS 1 Presentation of Financial Statements,

The standard has been amended to require presentation of items in Other Comprehensive Income into two groups, dependent on whether or not they may be subsequently reclassified into net income. The amendment is effective for accounting periods beginning on or after July 1, 2012.

IAS 19 Employee Benefits

The standard has been amended to remove the option to defer recognition of actuarial gains (losses), commonly known as the corridor method, and to require that these gains (losses) be recognized in other comprehensive income immediately. In addition, the net change in defined benefit liabilities and assets is now split into three elements: service cost, net interest and remeasurements. Remeasurements will be immediately recognized in other comprehensive income. The amended standard also includes enhanced disclosure requirements around the characteristics of defined benefit plans and risks. This amended standard is effective for financial years beginning on or after January 1, 2013.

IFRS 9 Financial Instruments

The new standard is the first phase of the project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard simplifies the current financial asset classifications contained in IAS 39 by creating two classifications – amortized cost and fair value. In addition the standard will require that all equity instruments are measured at fair value. The new standard is currently effective for financial years beginning on or after January 1, 2015. The second and third phases of the project dealing with financial asset impairment and hedging remain in development and so the full impact of the standard on the Credit Union will be unknown until the completion of the project.

IFRS 10 Consolidated Financial Statements

The standard replaces the consolidation requirements currently contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidate – Special Purpose Entities. IFRS 10 includes a new definition of control to be applied to all entities in determining which entities are consolidated The new standard and amendment to IAS 27 are effective for financial years beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements - replaces IAS 31 and SIC-13

The standard replaces IAS 31 and SIC-13 and replaces the three current categories of joint arrangements with two categories – joint operations and joint ventures. Joint ventures will be required to be accounted for using equity accounting whereas for a joint operation an entity will recognize its share of the joint operations' assets liabilities revenues and expenses.

As a result of the replacement of IAS 31, IAS 28 has been expanded to provide consistent guidance on equity accounting for both associates and joint ventures. The new standard and amended standards are effective for financial years beginning on or after January 1, 2013.

IFRS 12 Disclosure of Interests in Other Entities

The new standard establishes disclosure requirements for all interests in other entities, including associates, joint arrangements and special purpose entities. The standard carries forward existing disclosures and introduces significant additional disclosure requirements that focus on the nature of and risks associated with an entity's interests in other entities. The new standard is effective for financial years beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 is a new standard on fair value measurement for use across all standards. IFRS 13 does not change when an entity is required to use fair value, but provides guidance on how to measure fair value when permitted or required by an IFRS. The new standard is effective for financial years beginning on or after January 1, 2013.

4. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Credit Union has adopted IFRS effective November 1, 2010 ("date of transition"). Prior to the adoption of IFRS, the Credit Union prepared its consolidated financial statements in accordance with Canadian GAAP. The Credit Union's consolidated financial statements for the year ended October 31, 2012 will be the first annual consolidated financial statements that comply with IFRS. Accordingly the Credit Union will make an unreserved statement of compliance with IFRS beginning with its 2012 annual consolidated financial statements.

The accounting policies applied in these financial statements are based on IFRS issued and outstanding as of March 12, 2012, the date of approval by the Audit and Finance Committee, Any subsequent changes to IFRS that are effective in the Credit Union's annual consolidated financial statements for the year ended October 31, 2012 could result in restatement of these financial statements, including the transition adjustments recognized on change-over to IFRS.

IFRS 1 Optional Exemptions and Mandatory Exceptions
In preparing these financial statements in accordance with IFRS 1, the Credit Union has applied the following optional exemptions and mandatory exceptions:

Optional Exemptions
Business Combinations
The Credit Union has elected not to retrospectively apply IFRS 3, Business Combinations, to business combinations that occurred prior to November 1, 2009 and such business combinations have not been restated.

Employee Benefits
The Credit Union has elected to recognize all cumulative actuarial gains and losses relating to its defined benefit plans as at November 1, 2010 in retained earnings.

Borrowing Costs
The Credit Union has elected to apply the transitional provisions of IAS 23, Borrowing Costs, which permits prospective capitalization of borrowing costs on qualifying assets from the date of transition.

Mandatory Exceptions
Derecognition of Financial Assets and Liabilities
The Credit Union has applied the derecognition requirements in IAS 39, Financial Instruments: Recognition and Measurement, prospectively from the transition date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized in accordance with pre-changeover Canadian GAAP prior to the date of transition have not been restated on transition to IFRS.

Estimates
Hindsight has not been used to create or revise estimates and accordingly the estimates made by the Credit Union under IFRS are consistent with estimates made under previous Canadian GAAP.

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

Consolidated Statement of Financial Position as at October 31, 2011

	Canadian GAAP	Measurement Adjustments Refer to (a) to (h)	Presentation Adjustments Refer to (1) to (8)	IFRS
Assets				
Cash and cash equivalents	$ 118,667	-	-	118,667
Investments	770,030	-	-	770,030
Members' loans	9,957,017	-	-	9,957,017
Foreclosed assets (1)	16,136	-	(16,136)	-
Assets held for sale (1)	3,155	-	16,136	19,291
Income taxes receivable (2)	-	-	8,647	8,647
Other assets (2,4,5,6)	32,252	-	(20,495)	11,757
Property and equipment (a,3)	199,380	642	(10,800)	189,222
Investment property (a,3)	-	(73)	10,800	10,727
Intangible assets (b)	13,606	(2,393)	-	11,213
Deferred tax assets (g,4)	-	-	179	179
Derivative financial assets (c,5)	-	14,015	6,979	20,994
Investments in associates (d)	124,288	991	-	125,279
Total assets	$ 11,234,531	13,182	(4,690)	$ 11,243,023
Liabilities				
Borrowings	4	-	-	4
Trade payables and other liabilities (2,4,5,7,8)	142,440	-	(8,392)	134,048
Members' deposits (6)	10,208,814	-	(4,690)	10,204,124
Income taxes payable (2)	-	-	450	450
Provisions (e,7)	-	3,333	2,200	5,533
Defined benefit plans (f,8)	-	1,393	5,727	7,120
Deferred tax liabilities (g,4,5)	-	1,700	-	1,700
Derivative financial liabilities (5)	-	-	15	15
Investment share redemption liabilities (h)	-	471	-	471
Total liabilities	$ 10,351,258	6,897	(4,690)	$ 10,353,465
Member equity				
Share capital (h)	464,896	(471)	-	464,425
Retained earnings	417,343	6,120	-	423,463
Accumulated other comprehensive income	-	636	-	636
Total equity attributable to equity holders of the Credit Union	882,239	6,285	-	888,524
Non-controlling interest	1,034	-	-	1,034
Total members' equity	883,273	6,285	-	889,558
Total liabilities and equity	$ 11,234,531	13,182	(4,690)	$ 11,243,023

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

Consolidated Statement of Financial Position as at January 31, 2011

	Canadian GAAP	Measurement Adjustments Refer to (a) to (h)	Presentation Adjustments Refer to (1) to (8)	IFRS
Assets				
Cash and cash equivalents	$ 29,561	-	-	$ 29,561
Investments	1,159,827	-	(116,892)	1,042,935
Members' loans	9,465,004	-	-	9,465,004
Foreclosed assets (1)	6,787	-	(6,787)	-
Assets held for sale (1)	9,352	-	6,787	16,139
Income taxes receivable (2)	-	-	13,774	13,774
Other assets (2,4,5,6)	42,632		(28,641)	13,991
Property and equipment (a,3)	197,957	666	(5,492)	193,131
Investment property (a,3)	-	(76)	5,492	5,416
Intangible assets (b)	14,885	(1,520)	-	13,365
Deferred tax assets (g,4)	-	-	249	249
Derivative financial assets (c,5)	-	11,015	11,133	22,148
Investments in associates (d)	-	991	116,892	117,883
Total assets	$ 10,926,005	11,076	(3,485)	$ 10,933,596
Liabilities				
Borrowings	80,458	-	-	80,458
Trade payables and other liabilities (2,4,5,7,8)	83,555	-	(8,687)	74,868
Members' deposits (6)	9,918,001	-	(3,485)	9,914,516
Income taxes payable (2)	-	-	-	-
Provisions (e,7)	-	-	1,500	1,500
Defined benefit plans (f,8)	-	1,638	5,647	7,285
Deferred tax liabilities (g,4,5)	-	1,866	1,536	3,402
Derivative financial liabilities (5)	-	-	4	4
Investment share redemption liabilities (h)	-	472	-	472
Total liabilities	$ 10,082,014	3,976	(3,485)	$ 10,082,505
Member equity				
Share capital (h)	432,827	(472)	-	432,355
Retained earnings	411,164	7,007	-	418,171
Accumulated other comprehensive income	-	565	-	565
Total equity attributable to equity holders of the Credit Union	843,991	7,100	-	851,091
Non-controlling interest	-	-	-	-
Total members' equity	843,991	7,100	-	851,091
Total liabilities and equity	$ 10,926,005	11,076	(3,485)	$ 10,933,596

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

Consolidated Statement of Financial Position as November 1, 2010 date of transition

	Canadian GAAP	Measurement Adjustments Refer to (a) to (h)	Presentation Adjustments Refer to (1) to (8)	IFRS
Assets				
Cash and cash equivalents	$ 144,231	-	-	$ 144,231
Investments	890,647	-	-	890,647
Members' loans	9,364,724	-	-	9,364,724
Foreclosed assets (1)	9,993	-	(9,993)	-
Assets held for sale (1)	9,352	-	9,993	19,345
Income taxes receivable (2)	-	-	13,774	13,774
Other assets (2,4,5,6)	41,290	-	(27,070)	14,220
Property and equipment (a,3)	198,322	675	(5,543)	193,454
Investment property (a,3)	-	(77)	5,543	5,466
Intangible assets (b)	13,112	(1,502)	-	11,610
Deferred tax assets (g,4)	-	-	249	249
Derivative financial assets (c,5)	-	9,850	9,165	19,015
Investments in associates (d)	115,077	824	-	115,901
Total assets	$ 10,786,748	9,770	(3,882)	$ 10,792,636
Liabilities				
Borrow ings	-	-	-	-
Trade payables and other liabilities (2,4,5,7,8)	122,645	-	(8,736)	113,909
Members' deposits (6)	9,831,908	-	(3,882)	9,828,026
Income taxes payable (2)	-	-	-	-
Provisions (e,7)	-	-	1,500	1,500
Defined benefit plans (f,8)	-	1,638	5,627	7,265
Deferred tax liabilities (g,4,5)	-	1,580	1,536	3,116
Derivative financial liabilities (5)	-	-	73	73
Investment share redemption liabilities (h)	-	485	-	485
Total liabilities	$ 9,954,553	3,703	(3,882)	$ 9,954,374
Member equity				
Share capital (h)	439,967	(485)	-	439,482
Retained earnings	392,228	5,987	-	398,215
Accumulated other comprehensive income	-	565	-	565
Total equity attributable to equity holders of the Credit Union	832,195	6,067	-	838,262
Non-controlling interest	-	-	-	-
Total members' equity	832,195	6,067	-	838,262
Total liabilities and equity	$ 10,786,748	9,770	(3,882)	$ 10,792,636

(C$ thousands)

Reconciliation of Net Income and Comprehensive Income as Previously Reported under Canadian GAAP to IFRS

	Three months ended January 31 2011 Refer to (a) to (h)	Year ended October 31 2011 Refer to (a) to (h)
Net income and total comprehensive income as reported under Canadian GAAP	$ 18,936	$ 40,317
IFRS adjustments net of tax, increase (decrease)		
to net income		
Property and equipment and investment property (a)	(8)	(29)
Intangible assets (b)	(18)	(891)
Derivative of financial assets (c)	921	3,291
Investments in associates (d)	132	132
Deferred taxes (g)	(7)	108
Provisions (e)	-	(2,633)
Defined benefit plans (f)	-	155
Investment shares (h)	-	(24)
Net income as reported under IFRS	$ 19,956	$ 40,426
IFRS adjustments increase (decrease)		
to other comprehensive income		
Defined benefit plans (g)	-	71
Other comprehensive income as reported under IFRS	-	71
Comprehensive income as reported under IFRS	$ 19,956	$ 40,497

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

Reconciliation of Members' Equity as Previously Reported under Canadian GAAP to IFRS

	October 31 2011 Refer to (a) to (h)	January 31 2011 Refer to (a) to (h)	November 1 2010 Refer to (a) to (h)
Members' equity as reported under Canadian GAAP	$ 882,239	$ 843,991	$ 832,195
Share capital as reported under Canadian GAAP	$ 464,896	432,827	439,967
IFRS adjustments:			
Classification of member shares	(471)	(472)	(485)
Share capital as reported under IFRS	$ 464,425	$ 432,355	$ 439,482
Retained earnings as reported under Canadian GAAP	$ 417,343	$ 411,164	$ 392,228
IFRS adjustments:			
Increase in fair value of embedded derivatives (c)	14,015	11,015	9,850
Website development costs (b)	(2,393)	(1,520)	(1,502)
Defined benefit plans (f)	(1,393)	(1,638)	(1,638)
Impairment of property and equipment and investment property (a)	569	590	598
Provisions (e)	(3,333)	-	-
Investment in associates (d)	355	426	259
Deferred taxes (g)	(1,700)	(1,866)	(1,580)
Retained earnings as reported under IFRS	$ 423,463	$ 418,171	$ 398,215
Accumulated other comprehensive income as reported under Canadian GAAP	$ -	$ -	$ -
IFRS adjustments:			
Defined benefit plans (f)	71	-	-
Investment in associates	565	565	565
Accumulated other comprehensive income as reported under IFRS	$ 636	$ 565	$ 565
Non-controlling interest	$ 1,034	$ -	$ -
Members' equity as reported under IFRS	$ 889,558	$ 851,091	$ 838,262

Measurement adjustments

a) Property and equipment - Impairment of property and equipment and investment property

IFRS requires an impairment to be recognized when the recoverable value of an asset is lower than its carrying amount and does not contain an initial review of whether undiscounted cash flows exceed an asset's carrying amount. There are also differences in the level at which assets are grouped into a cash generating unit under IFRS compared to an asset group under Canadian GAAP. IFRS also allows an impairment to be reversed if the circumstances that caused the impairment no longer exist, which was not allowed under previous Canadian GAAP.

As a result the Credit Union has reversed an impairment on a property that had been previously recognized under Canadian GAAP as the recoverable amount of the cash generating to which it belongs exceeds its carrying value. In addition, an impairment on an investment property has been recognized as a review of the fair value of the investment properties indicated that one property had a carrying value which exceeded its recoverable value. The impact of reassessment was an increase in property and equipment, a reduction in investment property and an offsetting increase in retained earnings. The impact of the impairment adjustments led to an increase in depreciation expense during 2011.

b) Intangible assets - Website development costs

In accordance with IFRS, costs associated with websites can only be capitalized where an entity can demonstrate how the website will generate future economic benefits. The impact of derecognition of website costs which no longer meet the criteria for capitalization was a reduction in intangible assets with a corresponding decrease in retained earnings. As a result of the write off of development costs General operating expenses increased during 2011.

c) Derivative financial assets - Embedded derivatives

In accordance with IAS 39, contracts that contain embedded derivatives must be assessed to determine whether the embedded derivative should be separately recognized as a derivative financial instrument. Similar requirements existed in Canadian GAAP. However, as allowed by Canadian GAAP, the Credit Union was permitted to limit its search for embedded derivatives to transactions occurring after November 1, 2002. As a result, on transition the Credit Union has recognized an increase in derivative financial assets with an offsetting increase in retained earnings. Changes in the fair value of the derivative were recognized in Interest Income – Investments during 2011.

d) Investments in associates

The Credit Union has restated its investments in associates to recognize its equity share of its associates IFRS transition adjustments. The impact is an increase in the investment, an increase in retained earnings and an increase in accumulated other comprehensive income. Net income from associates decreased during 2011.

e) Provisions

IFRS requires that a provision is recognized for any contract where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. Canadian GAAP did not contain specific guidance relating to onerous contracts. As a result, the Credit Union has recognized a provision for an onerous contract and a reduction in retained earnings at October 31, 2011. The expense relating to the provision was recognized within General operating expenses.

f) Defined benefit plans

Under IFRS the Credit Union has the accounting policy choice to continue to use the corridor method for recognition of actuarial gains and losses on its defined benefit plans or to recognize them as they arise in other comprehensive income. The Credit Union has elected to change its policy on transition to immediate recognition in other comprehensive income. The Credit Union also elected under IFRS 1 to recognize all previously unrecognized actuarial gains and losses at the date of transition. As a result, the employee benefits provision increased with an offsetting reduction in retained earnings at November 1, 2010 and January 31, 2011 and with an increase to accumulated other comprehensive income at October 31, 2011. The impact of the change in policy was a reduction in personnel expenses and an increase in other comprehensive income in 2011.

g) Deferred tax liabilities

As a result of the transition to IFRS the carrying amounts of various assets and liabilities have been adjusted. There has not been a corresponding change to the tax basis of these assets and liabilities. As a result the deferred tax liability increased with a reduction in retained earnings and accumulated other comprehensive income. The deferred tax charge was reduced in net income during 2011, although tax recognized in other comprehensive income increased.

In addition to the adjustment to deferred taxes noted above, the Credit Union recognized a reduction in its deferred tax liability and an increase in retained earnings because IFRS contains a specific exemption from recognizing deferred taxes on transactions that are not business combinations and at the time of the transaction, neither accounting profit or taxable profit is affected. The deferred tax charge in the income statement increased as a result of the adjustment during 2011.

h) Investment share redemption liabilities - Classification of member shares

Under Canadian GAAP the Credit Union classified its members' shares, including investment shares as equity. Under IFRS, member shares that contain a right to redemption are treated as a compound financial instrument. The Credit Union's investment shares Series E contain partial redemption rights and a portion of the shares have been treated as a compound instrument. A share redemption liability was recognized as a result with a corresponding reduction in members' share capital. Dividends related to the liability portion of the investment shares have been recognized as an interest expense instead of a distribution from retained earnings.

Presentation adjustments

1) Under Canadian GAAP, foreclosed assets were separately presented on the face of the consolidated statement of financial position. Under IFRS, foreclosed assets are presented with the assets held for sale on the consolidated financial position.

2) IFRS requires that tax balances are separately disclosed on the face of the consolidated statement of financial position. As a result current tax receivables were reclassified from other assets to current tax receivables.

3) IFRS requires that the property held to earn rentals must be separately presented from property and equipment. A similar requirement did not exist under pre-changeover Canadian GAAP. As a result land and buildings have been reclassified from property and equipment to investment property.

4) IFRS requires that the deferred tax assets and liabilities are separately disclosed on the face of the consolidated statement of financial position. As a result deferred tax assets and liabilities were reclassified from other assets and accounts payables and other liabilities to deferred tax assets and deferred tax liabilities.

5) IFRS requires that derivative financial assets and liabilities are separately disclosed on the face of the consolidated statement of financial position. As a result derivative financial assets and liabilities were reclassified respectively from other assets and trade payables and other liabilities to derivative financial assets and derivative financial liabilities.

6) The Credit Union uses equity linked options to fix costs on term deposit products which are linked to movements in equity market indexes. Under Canadian GAAP the embedded derivative within the member deposit was presented within members' deposits accrued interest and the unamortized discount on the term deposit was presented within other assets. On transition the unamortized discount has been reclassified to members' deposits and the embedded derivative has been separately presented within derivative liabilities.

7) IFRS requires that provisions must be separately disclosed on the face of the consolidated statement of financial position. The employee benefit provisions were previously included within accounts payable and other liabilities and are now separately presented.

(C$ thousands)

8) IFRS requires that defined benefit plans are separately disclosed on the face of the consolidated statement of financial position. The defined benefit plans were previously included within accounts payable and other liabilities and are now separately presented.

9) Equity income of $2,986 for the three months ended January 31, 2011 has also been reclassified from other income to net income from associates.

10) Under Canadian GAAP, interest income is not recognized on an impaired loan. Under IFRS, interest income continues to be recognized at the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss. As a result interest income and the provision for credit loss expense have both increased during the three months ended January 31, 2011 and the year ended October 31, 2011.

Changes to the Consolidated Statement of Cash Flows
The transition from Canadian GAAP to IFRS has no significant impact on cash flows generated by the Credit Union except that under IFRS, cash flows relating to members' loans and members' deposits are classified as operating activities. Under Canadian GAAP cash flows relating to members' loans were classified as investing activities and cash flows relating to members' deposits were classified as financing activities.

Cash inflows and outflows from interest receipts and payments and cash outflows from tax payments are also now separately identified as part of cash flows from operating activities. Previously this information was shown as supplementary information.

5. CASH AND CASH EQUIVALENTS

	As at January 31 2012	As at October 31 2011	As at November 1 2010
Cash on hand	**$ 30,327**	$ 24,212	$ 25,376
Cash in Alberta Central	**64,182**	94,862	119,733
Cheques in transit and other items	**167**	(407)	(878)
	$ 94,676	$ 118,667	$ 144,231

(C$ thousands)

6. MEMBERS' LOANS

	Gross Amount	**Specific Allowance**	**Collective Allowance**	**Net Amount**	**Impaired Loans**
As at January 31, 2012					
Residential mortgages	**$ 5,784,636**	**$ 144**	**$ 365**	**$ 5,784,127**	**$ 2,340**
Commercial mortgages and loans	**2,965,090**	**21,449**	**2,368**	**2,941,273**	**43,657**
Consumer loans	**992,754**	**3,465**	**3,862**	**985,427**	**6,577**
Agricultural mortgages and loans	**277,780**	**301**	**9**	**277,470**	**501**
	10,020,260	**25,359**	**6,604**	**9,988,297**	**53,075**
Accrued interest	**35,421**	**2,227**	**514**	**32,680**	**-**
	$ 10,055,681	**$ 27,586**	**$ 7,118**	**$ 10,020,977**	**$ 53,075**

	Gross Amount	Specific Allowance	Collective Allowance	Net Amount	Impaired Loans
As at October 31, 2011					
Residential mortgages	$ 5,705,616	$ 884	$ 535	$ 5,704,197	$ 4,064
Commercial mortgages and loans	2,960,388	21,055	2,165	2,937,168	55,064
Consumer loans	1,018,100	4,378	3,507	1,010,215	7,656
Agricultural mortgages and loans	272,771	38	114	272,619	1,826
	9,956,875	26,355	6,321	9,924,199	68,610
Accrued interest	32,818	-	-	32,818	-
	$ 9,989,693	$ 26,355	$ 6,321	$ 9,957,017	$ 68,610

	Gross Amount	Specific Allowance	Collective Allowance	Net Amount	Impaired Loans
As at November 1, 2010					
Residential mortgages	$ 5,333,289	$ 570	$ 754	$ 5,331,965	$ 3,302
Commercial mortgages and loans	2,792,662	7,083	4,616	2,780,963	23,298
Consumer loans	965,164	4,630	5,096	955,438	7,111
Agricultural mortgages and loans	263,651	23	413	263,215	1,103
	9,354,766	12,306	10,879	9,331,581	34,814
Accrued interest	33,143	-	-	33,143	-
	$ 9,387,909	$ 12,306	$ 10,879	$ 9,364,724	$ 34,814

Credit Quality of Loans and Mortgages
The Credit Union's loan portfolio consists of the following:

	As at January 31 2012	As at October 31 2011	As at November 1 2010
Loans by security			
Secured by mortgage	**$ 6,581,048**	$ 6,512,583	$ 6,228,328
Secured by other	**2,309,130**	2,288,138	2,089,507
Unsecured	**1,165,503**	1,188,972	1,070,074
	$ 10,055,681	$ 9,989,693	$ 9,387,909

(C$ thousands)

7. ALLOWANCE FOR CREDIT LOSSES

	As at January 31 2012	As at October 31 2011	As at November 1 2010
Specific allowance and accrued interest	**$ 27,586**	$ 26,355	$ 12,306
Collective allowance and accrued interest	**7,118**	6,321	10,879
	$ 34,704	$ 32,676	$ 23,185

Movement in specific and collective allowance for credit losses:

Specific Allowance	Residential Mortgages	Commercial Mortgages and Loans	Consumer Loans	Agricultural Mortgages and Loans	Total
As at October 31, 2011	**$ 884**	**$ 21,055**	**$ 4,378**	**$ 38**	**$ 26,355**
Recoveries of previous loan write offs	**-**	**47**	**214**	**-**	**261**
Provision for credit losses	**(740)**	**1,024**	**1,018**	**263**	**1,565**
	144	**22,126**	**5,610**	**301**	**28,181**
Loans written off	**-**	**677**	**2,145**	**-**	**2,822**
As at January 31, 2012	**$ 144**	**$ 21,449**	**$ 3,465**	**$ 301**	**$ 25,359**
As at November 1, 2010	$ 570	$ 7,083	$ 4,630	$ 23	$ 12,306
Recoveries of previous loan write offs	49	281	731	-	1,061
Provision for credit losses	1,727	15,121	4,111	15	20,974
	2,346	22,485	9,472	38	34,341
Loans written off	1,462	1,430	5,094	-	7,986
As at October 31, 2011	$ 884	$ 21,055	$ 4,378	$ 38	$ 26,355

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

Analysis of individual loans that are impaired or potentially impaired based on age of repayments outstanding, and which are considered in determining the specific allowance:

Collective Allowance	Residential Mortgages	Commercial Mortgages and Loans	Consumer Loans	Agricultural Mortgages and Loans	Total
As at October 31, 2011	**$ 535**	**$ 2,165**	**$ 3,507**	**$ 114**	**$ 6,321**
Recoveries of previous loan write offs	**-**	**-**	**-**	**-**	**-**
Provision for credit losses	**(170)**	**203**	**355**	**(105)**	**283**
	365	**2,368**	**3,862**	**9**	**6,604**
Loans written off	**-**	**-**	**-**	**-**	**-**
As at January 31, 2012	**$ 365**	**$ 2,368**	**$ 3,862**	**$ 9**	**$ 6,604**
As at November 1, 2010	$ 754	$ 4,616	$ 5,096	$ 413	$ 10,879
Recoveries of previous loan write offs	-	-	-	-	-
Provision for credit losses	(219)	(2,451)	(1,589)	(299)	(4,558)
	535	2,165	3,507	114	6,321
Loans written off	-	-	-	-	-
As at October 31, 2011	$ 535	$ 2,165	$ 3,507	$ 114	$ 6,321

Loans with repayments past due but not regarded as individually impaired and considered in determining the collective allowance:

As at January 31, 2012	Residential Mortgages	Commercial Mortgages and Loans	Consumer Loans	Agricultural Mortgages and Loans	Total
1 to 29 days	**$ 62,002**	**$ 12,076**	**$ 16,987**	**$ 5,781**	**$ 96,846**
30 to 59 days	**27,950**	**34,560**	**5,556**	**2,519**	**70,585**
60 to 89 days	**10,192**	**15,445**	**1,753**	**318**	**27,708**
90 days and over	**14,514**	**44,992**	**1,044**	**609**	**61,159**
	$ 114,658	**$ 107,073**	**$ 25,340**	**$ 9,227**	**$ 256,298**

As at October 31, 2011	Residential Mortgages	Commercial Mortgages and Loans	Consumer Loans	Agricultural Mortgages and Loans	Total
1 to 29 days	$ 64,300	$ 13,638	$ 18,267	$ 3,894	$ 100,099
30 to 59 days	30,563	46,275	6,270	2,790	85,898
60 to 89 days	16,755	3,036	1,526	696	22,013
90 days and over	15,282	36,232	22	723	52,259
	$ 126,900	$ 99,181	$ 26,085	$ 8,103	$ 260,269

As at November 1, 2010	Residential Mortgages	Commercial Mortgages and Loans	Consumer Loans	Agricultural Mortgages and Loans	Total
1 to 29 days	$ 59,004	$ 27,604	$ 16,268	$ 4,528	$ 107,404
30 to 59 days	31,735	54,430	5,873	1,580	93,618
60 to 89 days	19,836	4,392	1,969	926	27,123
90 days and over	40,113	21,834	2,737	2,875	67,559
	$ 150,688	$ 108,260	$ 26,847	$ 9,909	$ 295,704

(C$ thousands)

8. IMPAIRMENT OF INTANGIBLE ASSETS

The Credit Union is in the process of developing a single banking system platform. Management has come to the conclusion that the development effort required and risks associated with the implementation of the new product cannot be resolved on a cost effective and timely basis. In order to expedite the convergence of all operations to a single banking platform, the Board of Directors has approved an alternative software solution.

As a result, the Credit Union has determined that it is appropriate to record an impairment loss for the costs directly associated with the original software resulting in a write down of $381 for the three months ended January 31, 2012 (Three months ended January 31, 2011 - $nil). The impairment has been recorded in Operating expenses on the consolidated statement of income and comprehensive income.

9. DERIVATIVE FINANCIAL INSTRUMENTS

	As at January 31 2012	As at October 31 2011	As at November 1 2010
Derivative Financial Assets			
Interest rate swaps and cap options	**$ -**	$ -	$ 202
Equity-linked options	**7,296**	6,979	8,963
Embedded purchase option	**14,397**	14,015	9,850
	$ 21,693	$ 20,994	$ 19,015
Derivative Financial Liabilities			
Embedded derivatives	**$ 6,848**	$ 6,551	$ 8,657
Interest rate swaps and cap options	**4**	15	73
	$ 6,852	$ 6,566	$ 8,730

The Credit Union enters into derivative transactions for risk management purposes.

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.

Equity-Linked Options
Equity-linked options are used to fix costs on term deposit products which are linked to movements in equity market indexes. The embedded derivative in the term deposit product as well as the option derivatives is marked to market through Interest income investments. The fair value of the equity linked derivative contract is separately presented as part of derivative instrument assets. The fair value of the embedded derivatives is recorded in Members' deposits accrued interest.

Embedded purchase option
The Credit Union entered into an arrangement with a third party in which it acts as an agent to sell credit cards. The agreement lasts for three years and renews automatically unless either party provides notice to terminate. The agreement contains an option for the Credit Union to acquire the underlying consumer loans associated with the credit cards. The exercise price is linked to the book value of the loans and notice of intent to exercise the option must be provided one year prior to the termination of the agreement. The current agreement was extended in October 2011 and is due to terminate in April 2013.

(C$ thousands)

10. PROVISIONS

	As at January 31, 2012		
	Legal and contractual claims	**Onerous contracts**	**Total**
Balance, beginning of period	**$ 2,200**	**$ 3,333**	**$ 5,533**
Incurred during the period	**-**	**-**	**-**
Settled in the period	**(325)**		**(325)**
Balance, end of period	**$ 1,875**	**$ 3,333**	**$ 5,208**

	As at October 31, 2011		
	Legal and contractual claims	Onerous contracts	Total
Balance, beginning of period	$ 1,500	$ -	$ 1,500
Incurred during the period	700	3,333	4,033
Settled in the period	-	-	-
Balance, end of period	$ 2,200	$ 3,333	$ 5,533

	As at November 1, 2010		
	Legal and contractual claims	Onerous contracts	Total
Balance, beginning of period	$ 1,500	$ -	$ 1,500
Incurred during the period			
Settled in the period	-	-	-
Balance, end of period	$ 1,500	$ -	$ 1,500

The Credit Union is subject to legal and contractual claims. The amount provided for as legal and contractual claims represents management's best estimate of the Credit Union's liability related to legal and contractual disputes for which it is probable that an amount will be paid. No amount is provided for disputes for which it is not probable that an amount will be paid. Uncertainty exists around whether a dispute will be settled by negotiation or if the Credit Union will be successful in defending the claim in court.

The onerous contracts of $3,333 were included as other contractual obligations in note 20. Guarantees, Commitments and Contingents Liabilities of the 2011 annual consolidated financial statement under Canadian GAAP. Refer to note 4. First Time Adoption of IFRS e) Provisions.