



MANAGEMENT DISCUSSION AND ANALYSIS  
FOR PERIOD ENDED MARCH 31 | 2018





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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the financial position and results of operations of Olympia Financial Group Inc. ("Olympia") for the period ended March 31, 2018.

This MD&A should be read in conjunction with Olympia's unaudited condensed consolidated interim financial statements ("interim financial statements") for the three months ended March 31, 2018 and March 31, 2017, the MD&A found in Olympia's 2017 Annual Report, and the audited consolidated financial statements and related notes for the years ended December 31, 2017 and 2016. These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of the interim financial statements, including International Accounting Standard ("IAS") 34, "Interim Financial Reporting." The audited consolidated annual financial statements for the year ended December 31, 2017, were prepared in accordance with IFRS as issued by the IASB.

Amounts are presented in Canadian dollars, Olympia's functional currency. All references to \$ are to Canadian dollars and references to US\$ are to United States dollars.

This report, and the information provided herein, is dated as at May 10, 2018. Additional information about Olympia, including quarterly and annual reports, is available on Olympia's website at [www.olympiafinancial.com](http://www.olympiafinancial.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### Cautionary note regarding forward-looking statements

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Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or Olympia's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek," "anticipate," "plan," "continue," "estimate," "expect," "may," "will," "project," "predict," "propose," "potential," "targeting," "intend," "could," "might," "should," "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Olympia believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. Any forward-looking statements included in this MD&A should not be unduly relied upon by investors, as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

With respect to forward-looking statements contained herein, Olympia has made assumptions regarding, among other things:

- general business and economic conditions in Canada;
- fluctuations in interest rates and currency values;
- changes in monetary policy;
- changes in economic and political conditions;

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- legislative and regulatory developments;
  - results from legal proceedings and disputes;
  - the level of competition in Olympia's markets;
  - the occurrence of weather related and other natural catastrophies;
  - changes in accounting standards and policies;
  - the accuracy and completeness of information Olympia receives about customers and counterparties;
  - the ability to attract and retain key personnel;
  - changes in tax laws;
  - technological developments;
  - costs related to operations remaining consistent with historical experiences; and
  - management's ability to anticipate and manage risks associated with these factors.

Olympia's actual results could differ materially from those anticipated in the forward-looking statements contained herein as a result of the risk factors set forth herein.

Although Olympia's management has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results to not be as anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and Olympia disclaims any obligation to update any forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.

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## Olympia's business

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Olympia was formed under the *Business Corporations Act* (Alberta) and is headquartered in Calgary, Alberta. Olympia is a reporting issuer in British Columbia, Alberta and Ontario and its common shares are listed on the Toronto Stock Exchange ("TSX"). The majority of Olympia's business is conducted through its wholly owned subsidiary Olympia Trust Company ("Olympia Trust"), a non-deposit taking trust corporation.

Olympia Trust received its letters patent on September 6, 1995, authorizing the formation of a trust company to be registered under the *Loan and Trust Corporations Act* (Alberta). Olympia Trust is licensed to conduct trust activities in Alberta, British Columbia, Saskatchewan, Manitoba, Quebec, Newfoundland and Labrador, Prince Edward Island, New Brunswick and Nova Scotia. The Registered Plans division and Foreign Exchange division conduct business under Olympia Trust. Olympia Trust acts as a trustee of self-directed registered plans administered by the Registered Plans division.

The Private Health Services Plan division conducts business under Olympia Benefits Inc. ("OBI"), a wholly owned subsidiary of Olympia. OBI was incorporated on May 4, 2006, under the *Business Corporations Act* (Alberta).

The ATM division conducts business under Olympia ATM Inc. ("ATM"), a wholly owned subsidiary of Olympia. ATM was incorporated on November 17, 2014, under the *Business Corporations Act* (Alberta). On May 13, 2015, ATM incorporated ATM1SOURCE Inc. ("ATM1SOURCE") under the *Business Corporations Act* (Alberta). ATM1SOURCE was amalgamated with ATM on January 1, 2018.

The Exempt Edge division conducts business under Exempt Edge Inc. ("EEI"). EEI was incorporated under the *Business Corporations Act* (Alberta) on November 28, 2016, as a subsidiary of Olympia. EEI focuses on the provision of information technology services to exempt market dealers, registrants and issuers.

Non-controlling interests in less than wholly owned subsidiaries of Olympia comprise a 20% interest held by a third party in EEI. The non-controlling interest is presented separately in the consolidated statement of net earnings and comprehensive income, and within equity in the consolidated balance sheets, but separately from Olympia's equity.

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## Summary of financial results

### Overview and financial highlights of the three month period ended March 31, 2018

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- Total revenue increased 17% to \$12.38 million from \$10.57 million when compared to the three months ended March 31, 2017, due to an increase in both service revenue and interest earned.
- Service revenue increased 12% to \$9.80 million from \$8.73 million when compared to the three months ended March 31, 2017, mainly due to an increase in trade volume and transaction sizes in the Foreign Exchange division.
- Olympia's interest revenue is subject to fluctuations depending on account balances and changes in the Canadian prime rate. Interest revenue on monies held in trust and interest on Olympia's own cash increased 40% to \$2.58 million from \$1.84 million when compared to the three months ended March 31, 2017, due to an increase in off-balance sheet cash under administration and increases in the Canadian prime rate. The Canadian prime rate was 3.45% on March 31, 2018, and 2.70% on March 31, 2017.
- Earnings before income tax increased 60% to \$2.95 million from \$1.84 million when compared to the three months ended March 31, 2017.
- Direct and administrative expenses (excluding depreciation and amortization) increased 7% to \$9.02 million from \$8.45 million when compared to the three months ended March 31, 2017, mainly due to an increase in commission expense and bonuses.
- Income tax expense is recognized based on the estimated average annual income tax rate for the full financial year. The rate used as at March 31, 2018, was 27% (March 31, 2017 - 27%).
- Total net earnings and comprehensive income increased 61% to \$2.14 million from \$1.33 million when compared to the three months ended March 31, 2017.
- Basic and diluted earnings per share attributable to shareholders of Olympia increased 64% to \$0.90 per share from \$0.55 per share when compared to the three months ended March 31, 2017.
- Cash flow from operating activities increased 5% to \$10.67 million from \$10.19 million when compared to the three months ended March 31, 2017, as a result of changes in non-cash working capital balances of trade and other receivables, deferred revenue, trade and other payables and other long-term liabilities. The increase is also attributable to higher net earnings.

## Summary of quarterly results

The following table sets forth a summary of Olympia's quarterly results for each of the last eight quarters. The quarterly results have been derived from financial information prepared in accordance with IFRS.

QUARTERLY SUMMARY								
	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30
(\$ thousands)	2018	2017	2017	2017	2017	2016	2016	2016
Service revenue	9,801	9,584	8,626	9,096	8,735	8,482	8,649	8,623
Interest revenue	2,580	2,455	2,170	1,948	1,835	1,671	1,735	1,671
Expenses	(9,306)	(9,178)	(8,737)	(9,355)	(8,811)	(8,673)	(8,858)	(9,082)
Other (losses)/gains, net	(129)	(399)	7	274	82	78	532	259
Earnings before income taxes	2,946	2,462	2,066	1,963	1,841	1,558	2,058	1,471
Net earnings	2,142	1,798	1,443	1,462	1,335	1,532	1,439	1,304
Per share attributable to shareholders of Olympia - basic and diluted (\$)	0.90	0.75	0.61	0.61	0.55	0.63	0.60	0.54
Dividends per share (\$)	0.51	0.51	0.51	0.51	0.51	0.50	0.50	0.50

## Objectives for 2018

Management has set the following major objectives for 2018:

- Continue to invest in Olympia's online presence;
- Enhance our Foreign Exchange division with an online trading platform;
- Continue to grow our Health Spending Account ("HSA") business;
- Evaluate the future viability of the ATM division; and
- Continue to grow the Exempt Edge division.

## Continue to invest in Olympia's online presence

Olympia continues to enhance its online platforms to better serve its customers with performance and usability improvements. Olympia has devoted specialized resources to application development for the purpose of enhancing its online presence. Olympia continues to invest in its cyber security initiatives to ensure the safety and security of client information and prevention of malicious activity.



OLYMPIANS WEARING HOCKEY JERSEYS IN TRIBUTE TO THE HUMBOLDT BRONCOS

## Enhance our Foreign Exchange division with an online trading platform

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In the first half of 2018, the Foreign Exchange division will be launching a new product on PayFX.com that will cater to individual consumers on our platform. This new product will allow Canadians to purchase from more than 72 currencies on PayFX.com, choose their desired denominations and pay online with their Interac card. The FX cash will be sent via Purolator for next day delivery to the individual's home or office. With the addition of several new products such as market orders, limit orders and forward contracts, PayFX.com will continue to grow in market share throughout 2018.

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## **Grow our Health Spending Account (“HSA”) business**

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Olympia’s Private Health Services Plan division continues to add to its innovative suite of digital products. A new app is being developed to improve client experience and increase sales. This app will strengthen the entire digital platform and position the division to build on existing competitive advantages.

The HSA group product continues to gain market share. Small corporate clients appreciate how this product is affordable, easy to understand, and 100% digital. Unique online marketing efforts will reinforce inherent product advantages and attract new clients.

## **Evaluate the future viability of the ATM division**

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Olympia is evaluating the future viability of the ATM division.

## **Continue to grow the Exempt Edge division**

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Exempt Edge will continue to build on the momentum it generated in 2017 by expanding its initial product offerings and introducing a data hub that will transform the private capital market of Canada.

## **Outlook for 2018**

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Olympia is confident that its current operations will be able to generate sufficient amounts of cash and cash equivalents in the short and long term to maintain and meet Olympia’s planned growth and development activities. Olympia is well diversified, with its Registered Plans division, Private Health Services Plan division, FX division, ATM division and Exempt Edge division.

## Financial analysis

CONSOLIDATED BALANCE SHEETS AS AT		
	March 31, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash & cash equivalents	\$ 19,810,316	\$ 10,140,523
Restricted cash in circulation	2,570,615	3,823,110
Trade & other receivables	3,336,864	1,413,359
Inventory	273,508	223,114
Prepaid expenses	794,229	732,914
Derivative financial instruments	4,290,936	9,236,934
<b>Total current assets</b>	<b>31,076,468</b>	<b>25,569,954</b>
<b>Non-current assets</b>		
Restricted cash & investments	500,000	500,000
Equipment & other	2,221,172	2,232,396
Intangible assets	1,845,152	1,849,693
Financial asset at fair value through other comprehensive income	48,237	48,932
Derivative financial instruments	183,517	729,459
Deferred tax assets	1,447,970	1,435,531
<b>Total non-current assets</b>	<b>6,246,048</b>	<b>6,796,011</b>
<b>Total assets</b>	<b>\$ 37,322,516</b>	<b>32,365,965</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade & other payables	\$ 1,907,238	\$ 1,278,144
Deferred revenue	9,762,574	313,256
Other liabilities & charges	1,877,217	1,648,081
Cash in circulation due to bank	2,570,615	3,823,110
Revolving credit facility	5,312,347	4,812,347
Derivative financial instruments	2,969,327	7,796,036
Current tax liability	28,253	102,212
<b>Total current liabilities</b>	<b>24,427,571</b>	<b>19,773,186</b>
Other liabilities	999,508	1,068,776
Derivative financial instruments	-	543,073
<b>Total liabilities</b>	<b>\$ 25,427,079</b>	<b>\$ 21,385,035</b>
<b>EQUITY</b>		
Share capital	\$ 7,886,989	\$ 7,886,989
Contributed surplus	86,373	86,373
Retained earnings	3,975,690	3,048,996
<b>Equity attributable to shareholders of Olympia</b>	<b>11,949,052</b>	<b>11,022,358</b>
Non controlling interests	(53,615)	(41,428)
<b>Total equity</b>	<b>11,895,437</b>	<b>10,980,930</b>
<b>Total equity &amp; liabilities</b>	<b>\$ 37,322,516</b>	<b>\$ 32,365,965</b>

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## Cash, cash equivalents and restricted cash and investments

Olympia continues to generate cash from its core businesses, except for the ATM and Exempt Edge divisions. As at March 31, 2018, cash reserves increased by 95% to \$19.81 million (December 31, 2017 - \$10.14 million). This increase results mainly from Olympia Trust's Registered Plans division receiving annual administration fees for a significant number of clients in January. The unearned portion of annual administration fees is recognized as deferred revenue. In addition, Olympia used its line of credit to facilitate the expansion of the ATM business.

Restricted cash and investments as at March 31, 2018, of \$0.50 million (December 31, 2017 - \$0.50 million), comprises collateral provided to a financial institution securing Olympia Trust's foreign exchange trading platform. The restricted cash and investments consists of a Treasury bond that has a term of one year from issuance and earns interest at a rate of 0.59% (December 31, 2017 - 0.59%). Restricted cash and investments are not readily accessible for use in operations and are reported separately from cash and cash equivalents on the balance sheet.

Olympia's cash is placed with a Canadian financial institution where it generates interest. Cash and cash equivalents comprise 64% of the total current assets of Olympia at March 31, 2018, compared to 40% at December 31, 2017.

## Restricted cash in circulation

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ATM has entered into a bailment agreement with a financial institution to provide the ATM division with cash that can only be used in ATMs. ATM pays a fee for using the cash based on the total amount of cash outstanding at any given time, as well as paying fees related to the bundling and preparation of such cash prior to it being loaded in the ATMs. ATM has access and rights to the cash and bears the risk in the case of loss. ATM has obtained the required insurance coverage in the event of loss of cash while in circulation.

ATM's cash bailment agreement is for a term of five years, through to November 2020, and bears interest at the Canadian prime rate. The available bailment cash limit is \$20.00 million.

Based on the foregoing, the cash in circulation and the related obligation due to the bank are reflected separately on the balance sheet. Restricted cash in circulation for the period ended March 31, 2018, was \$2.57 million (December 31, 2017 - \$3.82 million).

## Trade and other receivables

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Trade and other receivables are comprised largely of receivables from the Registered Plans division's clients (79%). Included in trade and other receivables at December 31, 2017, was a \$0.12 million demand loan to Tarman Inc., a company controlled by the president and CEO of Olympia. During the period ended March 31, 2018, the loan was fully repaid.

Olympia has made allowances for doubtful accounts of \$0.53 million, compared to \$0.61 million as at December 31, 2017. Management is committed to a policy of closely monitoring risk and exposure in this area and is actively pursuing past due accounts through its internal collection process.

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## Forward foreign exchange contracts

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Olympia purchases forward exchange contracts when its Foreign Exchange division enters into a transaction to buy or sell foreign currency in the future. These contracts are both short term and long term in nature, are in the normal course of business and are used to manage foreign exchange exposures. Forward foreign exchange contracts are not designated as hedges and they are recorded using the mark-to-market method of accounting.

Forward foreign exchange contracts are recorded on Olympia's balance sheet as either an asset or liability, with changes in fair value included in net earnings. This accounting treatment resulted in the disclosure of a forward foreign exchange contract asset of \$4.47 million on the balance sheet at March 31, 2018, compared to \$9.97 million as at December 31, 2017, and a forward foreign exchange contract liability of \$2.97 million at March 31, 2018, compared to \$8.34 million as at December 31, 2017. The movement in the derivative financial instruments assets and liabilities on the balance sheet is due to the fluctuation of the Canadian and United States dollar exchange rates, as the vast majority of the Foreign Exchange division's trades are in Canadian and United States dollars. The number and size of outstanding forward foreign exchange contracts also impacts the movement in the derivative financial instrument assets and liabilities on the balance sheet.

## Current liabilities

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The breakdown of Olympia's trade and other payables consists of trade payables (27%), government taxes and other payables (57%), amounts due to agents, clients and commission payable (12%) and amounts due to related parties (4%).

The balance in other liabilities and charges consists of professional fees payable, bonuses payable, accrued vacation pay, employee benefits payable, legal fees payable, onerous contract obligation and leasehold inducements.

## Deferred revenue

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At March 31, 2018, deferred revenue totaled \$9.76 million compared to \$0.31 million as at December 31, 2017. This consists of annual registered plans administration fees, as well as the Private Health Services Plan division's annual fees for maintaining customer health saving accounts. The unearned portion of these annual fees is recognized as deferred revenue at the time of billing and revenue is recognized on a straight-line basis in relation to Olympia rendering these services.

## Employee Share Ownership Plan (ESOP)

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Olympia has established an Employee Share Ownership Plan ("ESOP"). Under this plan, Olympia contributes \$1 for each \$1 contributed by an employee up to a maximum that is based on the employee's earnings and years of service. The employee and Olympia's contributions are used to purchase common shares of Olympia through the facilities of the TSX. Olympia's contribution is included as an administrative expense in the statement of net earnings and comprehensive income

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and amounted to \$0.06 million for the three months ended March 31, 2018 (March 31, 2017 - \$0.06 million).

## **Contingencies**

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Olympia is not a money lender nor does it guarantee or participate in loans or mortgages of any type, except in its capacity as trustee of mortgages held on behalf of its clients.

Olympia is a defendant and plaintiff in a number of legal actions that arise in the normal course of business, the losses or gains from which, if any, are not anticipated to have a material effect on the interim financial statements.

## **Related party transactions**

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Refer to Note 24 of the interim financial statements for the period ended March 31, 2018, for disclosure on Olympia's related party transactions.

## **Shareholders' equity**

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As at March 31, 2018, and December 31, 2017, Olympia had 2,406,352 outstanding shares, with a carrying value of \$7.89 million.

## **Income taxes**

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Deferred income tax assets are recognized for loss carry-forward and other deductible temporary differences to the extent that the realization of the related tax benefit is probable through future taxable profits or other tax planning opportunities. The average corporate rate used for the three months ended March 31, 2018, was 27% (December 31, 2017 - 27%).

## Analysis of results by segment

### Registered Plans Division

SUMMARY OF DIVISIONAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31			
(\$ thousands)	2018	2017	Variation
Service revenue	4,504	4,566	-1%
Interest revenue	2,437	1,766	38%
Direct expenses	(2)	(23)	-91%
	6,939	6,309	10%
Administrative expenses	(4,664)	(4,495)	4%
Depreciation and amortization	(125)	(153)	-18%
Earnings before income tax	2,150	1,661	29%
Income taxes	(564)	(451)	25%
Net earnings	1,586	1,210	31%

The Registered Plans division (“RRSP”) specializes in the administration of registered plan accounts, including RRSPs, RRIFs, LIRAs, LIFs and TFSAs. In contrast to traditional registered plan account administrators, Olympia’s focus is on exempt market securities, including arms-length mortgages. The holder of a registered plan account with Olympia will typically hold multiple exempt market securities or mortgages in their Olympia registered plan account.

RRSP service revenue decreased 2% to \$4.50 million from \$4.57 million when compared to the three months ended March 31, 2017. The decrease is mainly attributable to a change in accounting policy, whereby administrative revenue from new accounts opened during the year are recognized on a straight line basis over the calendar year, rather than immediately. The change was applied prospectively from January 1, 2018, as the impact is limited to the quarterly reporting. Had the change been applied retrospectively service revenue for the three months ended March 31, 2017, would have decreased by \$0.31 million.



CORA DUMAIS, JOHNNY LUONG, VIBHA BHAGAT  
Winter Olympic Supporters



JUSTIN QUACH, STEPHEN PRESTON, CARLING LAM, CRAIG SKAUGE, INDERPAL UBHI,  
ROYCE LEE, KYLE LETNES, JOHNNY LUONG  
*Olympia's own Hyenas hockey team getting some ice time*

Interest revenue includes interest income on cash held in trust. Interest revenue increased 38% to \$2.44 million from \$1.77 million when compared to the three months ended March 31, 2017, reflecting an increase in off-balance sheet cash under administration, as well as increases in the Canadian prime interest rate.

Direct, administrative, depreciation and amortization expenses increased 3% to \$4.79 million from \$4.67 million when compared to the three months ended March 31, 2017. This increase is largely due to an increase in operating expenses, such as salaries and bonuses, and computer maintenance.

Earnings before income tax increased 30% to \$2.15 million from \$1.66 million when compared to the three months ended March 31, 2017.

RRSP net earnings increased 31% to \$1.59 million from \$1.21 million when compared to the three months ended March 31, 2017.

RRSP is responsible for 56% of Olympia's total revenue (including interest), a decrease from 60% when compared to the three months ended March 31, 2017.

## Private Health Services Plan Division

SUMMARY OF DIVISIONAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31			
(\$ thousands)	2018	2017	Variation
Service revenue	2,055	2,062	-
Interest revenue	54	34	59%
Direct expenses	(460)	(492)	-7%
	1,649	1,604	3%
Administrative expenses	(979)	(1,028)	-5%
Depreciation and amortization	(23)	(49)	-53%
Earnings before income tax	647	527	23%
Income taxes	(167)	(142)	18%
Net earnings	480	385	25%

The Private Health Services Plan division (“Health”) markets, sells and administers health and dental benefits to business owners through OBI, a wholly owned subsidiary of Olympia. Health’s primary focus remains on health and dental plans for small businesses. Health’s launch of MY Online Claim in late 2012 marked a significant step in digitizing Health’s services. This digital overhaul of Health assisted with the launch of the Health Spending Account (“HSA”) product in January 2014. The HSA product has gained momentum and continues to receive a positive response from the market. The company has now completed the digitization of all its products with the recent release of Group HSA Online. The product’s innovative interfaces, pricing models and digital nature provide a competitive advantage for Health as it continues to expand into the Ontario and Eastern Canadian markets.

Health’s service revenue remained similar at \$2.06 million when compared to the three months ended March 31, 2017.

Direct, administrative, depreciation and amortization expenses decreased 7% to \$1.46 million from \$1.57 million when compared to the three months ended March 31, 2017. This decrease results from a decrease in operating expenses such as depreciation, salaries, computer maintenance, rent and travel.

Earnings before income tax increased 23% to \$0.65 million from \$0.53 million when compared to the three months ended March 31, 2017.



RRSP CELEBRATING THE WINTER OLYMPICS

Health's net earnings increased 23% to \$0.48 million from \$0.39 million when compared to the three months ended March 31, 2017.

Health is responsible for 17% of Olympia's total revenue (including interest), a decrease from 20% when compared to the three months ended March 31, 2017.

## Foreign Exchange Division

SUMMARY OF DIVISIONAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31			
(\$ thousands)	2018	2017	Variation
Service revenue	2,214	1,420	56%
Interest revenue	43	17	>100%
Direct expenses	(260)	(149)	74%
	1,997	1,288	55%
Administrative expenses	(1,518)	(1,226)	24%
Depreciation and amortization	(25)	(51)	-51%
Other losses, net	(122)	(30)	>100%
Earnings/(loss) before income tax	332	(19)	>100%
Income taxes (expense)/recovery	(87)	5	>100%
Net earnings/(loss)	245	(14)	>100%

The FX division allows corporations and private clients to buy and sell foreign currencies at competitive rates. The division offers its clients same-day transactions as well as long-term forward contracts. With offices in Vancouver, Surrey, Calgary and Winnipeg, the FX division is well situated to service Western Canada.

FX's service revenue increased 56% to \$2.21 million compared to \$1.42 million when compared to the three months ended March 31, 2017. The increase is due to an increase in trade volume and transactions sizes.

Direct, administrative, depreciation and amortization expenses increased 26% to \$1.80 million from \$1.43 million when compared to the three months ended March 31, 2017. The increase is mainly due to higher employee commissions and bonuses, and bank charges and interest.

Earnings/(loss) before income tax increased more than 100% to \$0.33 million from (\$0.02) million when compared to the three months ended March 31, 2017.

FX's net earnings/(loss) increased more than 100% to \$0.25 million from (\$0.01) million when compared to the three months ended March 31, 2017.

FX is responsible for 18% of Olympia's total revenue (including interest), an increase from 14% when compared to the three months ended March 31, 2017.

## ATM Division

SUMMARY OF DIVISIONAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31			
(\$ thousands)	2018	2017	Variation
Service revenue	702	652	8%
Interest revenue	3	1	>100%
Direct expenses	(480)	(508)	-6%
	225	145	55%
Administrative expenses	(402)	(415)	-3%
Depreciation and amortization	(96)	(95)	1%
Other (losses)/gains, net	(7)	115	>-100%
Loss before income tax	(280)	(250)	12%
Income tax recovery	90	73	23%
Net loss	(190)	(177)	7%

The ATM division is focused on building a portfolio of ATMs in Canada.

Service revenue relates mainly to interchange and surcharge fees charged for the use of ATMs managed by the ATM division. Service revenue increased 8% to \$0.70 million from \$0.65 million when compared to the three months ended March 31, 2017, due to the growth in the number of locations where the ATM division provides processing, cash loading, maintenance and other services.

Direct, administrative, depreciation and amortization expenses remained similar at \$0.98 million when compared to the three months ended March 31, 2017.

Other (losses)/gains, net decreased more than 100% when compared to the three months ended March 31, 2017, due to monies received from a consultant for release from a restraint of trade agreement in the prior year.

Loss before income tax increased 12% to (\$0.28) million from (\$0.25) million when compared to the three months ended March 31, 2017.

ATM's net loss increased 6% to (\$0.19) million from (\$0.18) million when compared to the three months ended March 31, 2017.

ATM is responsible for 6% of Olympia's total revenue (including interest), similar to the three months ended March 31, 2017.

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## Exempt Edge Division

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SUMMARY OF DIVISIONAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31			
(\$ thousands)	2018	2017	Variation
Service revenue	132	33	>100%
Direct expenses	(53)	(27)	96%
	79	6	>100%
Administrative expenses	(148)	(53)	>100%
Depreciation and amortization	(18)	(8)	>100%
Loss before income tax	(87)	(55)	58%
Income taxes recovery	25	15	67%
Net loss	(62)	(40)	55%

Exempt Edge focuses on the provision of information technology services to exempt market dealers, registrants and issuers.

Service revenue for the three months ended March 31, 2018, mainly relates to fees for onboarding clients onto the Exempt Edge platform.

For the three months ended March 31, 2018 the Exempt Edge division incurred direct, administrative, depreciation and amortization expenses of \$0.22 million. These relate mainly to employee salaries, computer maintenance, depreciation and amortization.

Loss before income tax for the three months ended March 31, 2018 increased 50% to (\$0.09) million from (\$0.06) million compared to the three months ended March 31, 2017.

EEL's net loss increased 50% to (\$0.06) million from (\$0.04) million when compared to the three months ended March 31, 2017.

## Corporate Division

SUMMARY OF DIVISIONAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31			
(\$ thousands)	2018	2017	Variation
Service revenue	194	1	>100%
Interest revenue	42	17	>100%
	236	18	>100%
Administrative expenses	(53)	(37)	43%
Depreciation and amortization	(1)	(1)	-
Other losses, net	-	(4)	-100%
Earnings/(loss) before income tax	182	(24)	>100%
Income taxes expense	(100)	(6)	>100%
Net earnings/(loss)	82	(30)	>-100%

The Corporate division carries out support functions in the areas of accounting, information technology, legal services, human resources, payroll and internal audit. Support function remuneration is allocated, based on usage, to the various divisions.

Total revenue earned is incidental to Olympia's activities. During the three months ended March 31, 2018, the Corporate division received indemnification payments from customers involved in the previously reported Canadian Revenue Agency dispute.

Administrative, depreciation and amortization expenses for the three months ended March 31, 2018, have increased 25% to \$0.05 million from \$0.04 million when compared to the three months ended March 31, 2017, due to collection fees paid.

The Corporate division's net earnings/(loss) increased more than 100% to \$0.08 million from (\$0.03) million when compared to the three months ended March 31, 2017.

## Off-balance sheet arrangements

During the normal course of operations, Olympia administers client assets that are not reported on its balance sheet. The cash component of the off-balance sheet arrangements represents the cash and cash equivalents held in trust.

OFF-BALANCE SHEET ARRANGEMENTS UNDER ADMINISTRATION				
(\$ thousands)	March 31, 2018		December 31, 2017	
	Cash & public securities at estimated fair value	Private securities, mortgages and mutual funds at cost	Cash & public securities at estimated fair value	Private securities, mortgages and mutual funds at cost
Registered Plans	\$ 533,596	\$ 3,913,634	\$ 535,348	\$ 4,090,555
Private Health Services Plan	9,588	-	10,124	-
Foreign Exchange	24,384	-	18,900	-
	\$ 567,568	\$ 3,913,634	\$ 564,372	\$ 4,090,555

Refer to Note 4 of the interim financial statements for the period ended March 31, 2018, for disclosure on Olympia's off-balance sheet arrangements.

## Management of capital resources

Olympia includes shareholders' equity, which comprises share capital, contributed surplus and retained earnings, in the definition of capital. Olympia's main objectives when managing its capital structure are to:

- Maintain sufficient cash and cash equivalents over the short and medium term in order to finance its growth and development, including capital expenditures;
- Maintain investor and creditor confidence to sustain future development of the business;
- Maintain regulatory capital for Olympia Trust as required by the *Loan and Trust Corporations Act* (Alberta) (\$2 million). Similar regulatory capital is required by legislation in Nova Scotia (\$5 million). Regulatory capital is defined as share capital and retained earnings. Olympia Trust has maintained these minimum capital requirements throughout the period ended March 31, 2018; and
- Maintain compliance with financial covenants. The financial covenants are reviewed and controls are in place to maintain compliance with the covenants. Olympia complied with its financial covenants for the year ended December 31, 2017, and for the period ended March 31, 2018.



OLYMPIA WISHING TAYLOR HENRICH A FABULOUS WINTER OLYMPICS

In managing capital, Olympia estimates its future dividend payments and capital expenditures, which are compared to planned business growth for purposes of sustainability. The capital structure of Olympia is managed and adjusted to reflect changes in economic conditions. In order to maintain or adjust the capital structure, adjustments may be made to the amount of dividends (if any) to shareholders, in addition to the number of new common shares issued or common shares repurchased. Management reviews the financial position of Olympia on a monthly and cumulative basis.

Financing decisions are set based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining capital and the amount of operational cash required are weighed against the costs associated with excess cash, its terms and availability, whether to issue equity and the creation of value for the shareholders. Olympia works towards managing its capital objectives to the extent possible while facing the challenges of market conditions and the public's assessment of Olympia's risk profile.

Olympia maintains a strong capital base to maintain investor and creditor confidence and to sustain future development of the business.

Olympia has committed capital resources to its 2018 Objectives (set out previously) and has sufficient capital through internally generated cash flows and its credit facility to meet these spending objectives.

Completing and fulfilling its 2018 Objectives will help Olympia meet its growth and development activities. No other significant expenditure is required to maintain growth and development activities.

Olympia's Foreign Exchange division maintains various foreign currency bank accounts of which Canadian dollar and United States dollar bank accounts are the most significant. It is Olympia

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Trust's policy to limit the amount of foreign currencies on hand to \$1.25 million to reduce exposure to foreign currency risk.

Olympia's capital management objectives have remained substantively unchanged over the years presented.

## Liquidity

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Liquidity risk is the risk that Olympia will encounter difficulties in meeting its financial obligations. Olympia manages its liquidity risk by keeping surplus cash in liquid investments and fixed term deposits with highly rated financial institutions. This allows Olympia to earn interest on surplus cash while having access to it within a short time. Olympia seeks to ensure the security and liquidity of these investments.

Olympia has a healthy current ratio (current assets: current liabilities). The ratio is 1.27:1 as at March 31, 2018, compared to 1.29:1 as at December 31, 2017, and indicates that Olympia should not have difficulty in meeting working capital requirements.

There are no legal or practical restrictions on the ability of subsidiaries to transfer cash to Olympia.

## Cash flows

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### ▪ Operating activities

The movement in cash flow from operating activities for the three months ended March 31, 2018, is a result of changes in non-cash working capital balances of trade and other receivables, deferred revenue, trade and other payables and other liabilities and charges. The increase is also attributable to higher net earnings.

### ▪ Investing activities

The movement in cash from/(used) in investing activities during the three months ended March 31, 2018, is mainly attributable to capital asset expenditure.

### ▪ Financing activities

Cash used in financing activities during the three months ended March 31, 2018, decreased, mainly due to Olympia having decreased its cash in circulation due to bank. This was partially offset by the increase in the revolving credit facility.

## Cash

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Cash is placed with Canadian financial institutions where it generates interest. Cash and cash equivalents comprise 64% of the total current assets of Olympia, compared to 40% as at December 31, 2017.

One factor that affects Olympia's profitability is effective interest rates. Although Olympia Trust is not a deposit taking trust company, it does earn interest on cash held in trust. Cash held in trust generated interest of \$2.42 million, a 37% increase from \$1.77 million when compared to the three months ended March 31, 2017, due to an increase in off-balance sheet cash under administration and increases in the Canadian prime rate. The Canadian prime rate was 3.45% on March 31, 2018, and 2.70% on March 31, 2017.

Olympia, through its operational cash flow and line of credit, has sufficient funds to meet its Objectives for 2018.

Liquidity risks associated with financial instruments are addressed in the notes to the accompanying interim financial statements. Management understands that currency markets are volatile and therefore subject to higher risk. Olympia's FX division mitigates currency risk through its policy of limiting the amount of foreign currencies on hand to \$1.25 million.

## Credit facility

As at March 31, 2018, Olympia had drawn \$5.31 million on its credit facility, compared to \$4.81 million as at December 31, 2017. Amounts drawn during the period ended March 31, 2018, have been used primarily to finance the expansion of the ATM division. Amounts drawn in previous years were used for capital expenditures related to the ATM division and Olympia's Normal Course Issuer Bid ("NCIB"). The credit facility provides a maximum of \$8.50 million and bears interest at the Canadian prime rate plus 0.25%. The Canadian prime rate at March 31, 2018 was 3.45% (December 31, 2017 - 3.20%). The credit facility is subject to review at any time, and in any event will be reviewed annually based on Olympia's audited consolidated financial statements for the year ended December 31, 2018.

The credit facility contains a number of affirmative covenants, including maintaining specific security and maintenance of a specific financial ratio. The financial ratio is an annual cash flow coverage ratio of not less than 1.50:1.

Security for the credit facility includes a general security agreement providing a first security charge over all present and after acquired property.

On May 16, 2016, Olympia Trust entered into a contingent credit facility to be used only by the FX division. The contingent credit facility has a maximum of \$5.00 million, which can only be used to enter into spot, forward or foreign exchange transactions with the issuing financial institution. The contingent credit facility bears interest at the Canadian prime rate. The contingent credit facility is currently undrawn.

Credit facility	March 31, 2018	December 31, 2017
Available balance at January 1	\$ 8,500,000	\$ 8,500,000
Drawn	(5,312,347)	(4,812,347)
Available at the end of the period/year	\$ 3,187,653	\$ 3,687,653



LEBEAU DANVI, SHIRLEY LEONARD, ARDEN IWANOW, AMY MCNEIL, BRITTANY FITZGERLAD, CODY BORAS,  
CRAIG SKAUGE, ANDREA GILLIS, KELLY REVOL, STEPHANIE BRUNELLE, KAYLA MURRAY  
*RRSP rewarding exceptional staff*

## Risk framework

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Olympia is exposed to various types of risks owing to the nature of the commercial activities it pursues. Management has identified the following risks:

- Liquidity risk
- Market risk
- Foreign currency exchange risk
- Interest rate risk
- Credit risk
- Capital risk management
- Operational risk (cyber security risk)

Refer to Note 5 of the interim financial statements for the three months ended March 31, 2018, for disclosure on Olympia's above-mentioned risk framework.

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## Accounting policies

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The financial information contained in the accompanying interim financial statements and this MD&A is prepared in accordance with IAS 34 “Interim Financial Reporting” as issued by the IASB. The accounting policies adopted are consistent with those in the prior years except as noted below. In addition, some accounting policies, due to their nature, require further explanation.

A number of new amended standards became applicable for the current reporting period and Olympia had to change its accounting policies and/or make retrospective adjustments as a result of adopting the following standards:

- IFRS 9 “Financial Instruments”
- IFRS 15 “Revenue from Contracts with Customers”

The impact of the adoption of these standards and the new accounting policies are disclosed below.

### IFRS 9 “Financial instruments” - impact of adoption

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#### Trade receivables

Olympia applies the IFRS 9 simplified approach to measuring Expected Credit Losses (“ECL”), which uses a lifetime expected loss allowance for all trade and other receivables. Olympia holds trade receivables that do not have a significant financing component. To determine the amount of the ECL to be recognized, Olympia has set up a provision matrix based on its historically observed default rates, which is adjusted for forward-looking estimates and has established that the expected credit loss should be calculated as follows:

- less than 90 days: nominal;
- between 90 days and 365 days: 20% of carrying value;
- more than one year but less than three years past due: 70% of carrying value; and
- three or more years past due: 100% of carrying value.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a customer to make contractual payments for a period of greater than 365 days past due, and the value of a customer’s asset being assessed as nil value.

The loss allowance for trade receivables as at December 31, 2017, remains consistent with the reported consolidated financial statements for the year ended December 31, 2017.

#### Classification

As of January 1, 2018, Olympia classifies its financial assets in the following measurement categories:

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- those to be measured subsequently at fair value (either through Other Comprehensive Income [“OCI,”] or through profit or loss); and
  - those to be measured at amortized cost.

The classification depends on Olympia’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at Fair Value Through Other Comprehensive Income (“FVOCI”).

Olympia has elected to recognize its investment in a private issuer at FVOCI.

### **Measurement**

At initial recognition, Olympia measures a financial asset at its fair value plus, in the case of a financial asset not at Fair Value Through Profit or Loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

### **IFRS 15 “Revenue from Contracts with Customers”**

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Effective January 1, 2018, Olympia adopted IFRS 15, “Revenue From Contracts With Customers” (“IFRS 15”) replacing IAS 11, “Construction Contracts,” IAS 18, “Revenue” and several revenue-related interpretations. Olympia adopted IFRS 15 using the modified retrospective with cumulative effect approach using the following practical expedients:

- Electing to apply the standard retrospectively only to contracts that were not completed contracts on January 1, 2018; and
- For modified contracts, evaluating the original contract together with any contract modifications at the date of initial application.

IFRS 15 did not have any impact on Olympia’s accounting policies and did not require retrospective adjustments.

### **Critical accounting estimates**

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The preparation of financial statements requires management to make judgments, estimates and assumptions based on currently available information that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgments are evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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However, actual results could differ from these estimates. By their very nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements of future periods could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The list of critical accounting estimates was included in the MD&A for the year ended December 31, 2017, and those listed are unchanged for the three months ended March 31, 2018, except for those arising from a change in accounting policy as discussed above.

### **Future accounting pronouncements**

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There were no new or amended accounting standards issued during the three months ended March 31, 2018, that are applicable to Olympia in future periods. As noted in the annual consolidated financial statements for the year ended December 31, 2017, IFRS 16 “Leases” is effective for annual reporting periods beginning on or after January 1, 2019. Olympia is currently evaluating the impact that the standard will have on the consolidated financial statements.

### **Evaluation of disclosure controls and procedures and internal control over financial reporting**

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There have been no changes in Olympia’s internal control over financial reporting that occurred during the interim period ended March 31, 2018, which have materially affected, or are reasonably likely to materially affect, Olympia’s internal control over financial reporting.

### **Outstanding share data**

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As at May 10, 2018, Olympia has an aggregate of 2,406,352 common shares issued and outstanding.

### **Additional information**

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Further information regarding Olympia can be accessed under Olympia’s public filings found at [www.sedar.com](http://www.sedar.com).

Shareholders seeking to contact Olympia’s independent directors may do so by calling Rick Skauge, Olympia’s President and CEO, at 403-261-7501 or by email at [ricks@olympiafinancial.com](mailto:ricks@olympiafinancial.com).

## CORPORATE INFORMATION

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### Directors

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Rick Skauge  
Gerard Janssen<sup>1234</sup>  
Brian Newman<sup>1234</sup>  
Craig Skauge  
Diana Wolfe<sup>1234</sup>  
Dennis Nerland  
Tony Lanzl

### Board Committees

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- <sup>1</sup> Audit Committee
- <sup>2</sup> Corporate Governance Committee
- <sup>3</sup> Executive Compensation Committee
- <sup>4</sup> Investment Committee

### Head Office

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[www.olympiafinancial.com](http://www.olympiafinancial.com)  
[info@olympiafinancial.com](mailto:info@olympiafinancial.com)

### Transfer Agent

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AST Trust Company  
600, 333 - 7th Avenue SW  
Calgary, AB T2P 2Z1  
Tel: 403-776-3900  
Fax: 403-776-3916

### Auditors

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PricewaterhouseCoopers LLP  
Chartered Professional Accountants  
Suite 3100, 111 - 5th Avenue SW  
Calgary, AB T2P 5L3

## EXECUTIVE TEAM

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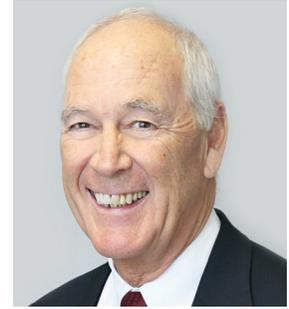
**RICK SKAUGE**  
*President and Chief  
Executive Officer*



**CRAIG SKAUGE**  
*Executive Vice President  
and President, Olympia  
Trust Company*



**GERHARD BARNARD**  
*Chief Financial Officer and  
Vice President, Finance*



**ROBIN FRY**  
*CEO, Olympia Benefits Inc.*



**KEN FRY**  
*President,  
Olympia Benefits Inc.*



**DERICK KACHUIK**  
*Vice President,  
Foreign Exchange*



**ANDREA GILLIS**  
*Vice President, Client Services  
Registered Plans*



**KELLY REVOL**  
*Vice President, Operations  
Registered Plans*



**JIM WILSON**  
*President, Olympia ATM Inc.*



**JONATHAN BAHNUIK**  
*General Counsel*



**RYAN MCKENNA**  
*Vice President,  
Information Technology*



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