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REPORT

2015

ConnectFirst
Credit Union

Interim Condensed Consolidated Financial Statements
For the three months ended
January 31, 2015
(unaudited)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

The accompanying unaudited interim condensed consolidated financial statements of Connect First Credit Union Ltd. 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 Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

(\$ Thousands)

January 31, 2015 October 31, 2014

ASSETS

Cash and cash equivalents	34,379	52,460
Investments	517,623	348,686
Loans to members	3,267,367	2,475,268
Foreclosed property	21	-
Other assets	44,282	30,779
Intangible assets	4,689	4,068
Property and equipment	32,380	17,802
	3,900,741	2,929,063

LIABILITIES

Members' deposits	3,602,456	2,714,898
Accounts payable and accruals	9,919	6,361
Provisions	1,511	1,267
Deferred tax liability	1,600	1,242
	3,615,486	2,723,768

MEMBERS' EQUITY

Common shares	82,241	29,947
Investment shares	91,731	91,736
Ownership dividend allocation	-	1,657
Investment share dividends declared	-	4,588
Contributed surplus	29,431	-
Retained earnings	80,737	76,252
Accumulated other comprehensive income	1,115	1,115
	285,255	205,295
	3,900,741	2,929,063

The accompanying Notes to the Condensed Consolidated Interim Financial Statements are an integral part of these statements.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(unaudited)

(\$ Thousands)	THREE MONTHS ENDED	
	January 31, 2015	January 31, 2014
FINANCIAL INCOME		
Interest on loans to members	31,756	23,206
Interest on investments	1,361	1,062
Unrealized gain on interest rate swaps	1,591	96
	<u>34,708</u>	<u>24,364</u>
FINANCIAL EXPENSE		
Interest on members' deposits	11,143	8,501
Interest on loans payable	2	1
	<u>11,145</u>	<u>8,502</u>
Financial Margin	23,563	15,862
Charge for (recovery of) loan impairment	156	(222)
	<u>23,407</u>	<u>16,084</u>
Other income	5,250	3,512
Gross Margin	28,657	19,596
Personnel expenses	12,524	8,874
Operating lease expenses	1,381	1,336
Depreciation and amortization	1,156	975
Other expenses	7,833	5,098
	<u>22,894</u>	<u>16,283</u>
Income before income taxes	5,763	3,313
Income taxes		
Current	920	600
Deferred	358	20
	<u>1,278</u>	<u>620</u>
Net income and comprehensive income	4,485	2,693

The accompanying Notes to the Condensed Consolidated Interim Financial Statements are an integral part of these statements.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

Three months ended January 31, 2015 and 2014

(\$ Thousands)

	Common shares	Series A-F investment shares	Ownership dividends declared	Investment share dividends declared	Retained earnings	Accumulated other comprehensive income	Contributed surplus	Total equity
BALANCE NOVEMBER 1, 2013	27,469	90,592	2,072	4,964	72,325	737	-	198,159
Net income					2,693			2,693
Transactions with members								
Shares issued to members for cash	22							22
Shares issued by dividend	2,072	4,964	(2,072)	(4,964)				-
Shares redeemed for cash	(440)	(3,342)						(3,782)
BALANCE JANUARY 31, 2014	29,123	92,214	-	-	75,018	737	-	197,092
Balance October 31, 2014	29,947	91,736	1,657	4,588	76,252	1,115		205,295
Acquisition of Chinook (note 2)	46,532		2,244				29,431	78,207
Net income					4,485			4,485
Transactions with members								
Shares issued to members for cash	4,247							4,247
Shares issued by dividend	3,901	4,588	(3,901)	(4,588)				-
Shares redeemed for cash	(2,386)	(4,593)						(6,979)
BALANCE JANUARY 31, 2015	82,241	91,731	-	-	80,737	1,115	29,431	285,255

The accompanying Notes to the Condensed Consolidated Interim Financial Statements are an integral part of these statements.



CONSOLIDATED STATEMENT OF CASH FLOW

(unaudited)

(\$ Thousands)	THREE MONTHS ENDED	
	January 31, 2015	January 31, 2014
Cash flows from operating activities		
Net Income	4,485	2,693
Adjustments for:		
Interest on loans to members	(31,756)	(23,206)
Interest on investments	(1,361)	(1,062)
Interest expense	11,145	8,502
Unrealized (gain) on interest rate swaps	(1,591)	(96)
Depreciation and amortization	1,156	975
Charge for (recovery of) loan impairment	270	(185)
Current/deferred income tax expense	1,278	620
Change in other assets	(9,112)	3,264
Change in accounts payable	(451)	(2,472)
Interest received	30,257	24,238
Interest paid	(8,430)	(8,741)
Income tax paid	(1,113)	(668)
Increase in members' deposits	113,452	25,710
Decrease (increase) in loans to members, net of repayments	(59,969)	29,984
Proceeds from sale of foreclosed property	-	32
Net cash from operating activities	48,260	59,588
Cash flows from financing activities		
Common shares issued for cash	4,247	22
Common share redemptions	(2,386)	(440)
Investment share redemptions	(4,593)	(3,342)
Net cash (used in) financing activities	(2,732)	(3,760)
Cash flows used in investing activities		
Cash acquired on amalgamation	13,476	
Acquisition of investments	(343,121)	(305,094)
Proceeds from sale of investments	266,300	280,862
Acquisition of property and equipment, net	(217)	(281)
Acquisition of intangibles, net	(47)	(65)
Net cash (used for) investing activities	(63,609)	(24,578)
Increase in cash and cash equivalents	(18,081)	31,250
Cash and cash equivalents, beginning of period	52,460	10,717
Cash and cash equivalents, end of period	34,379	41,967

The accompanying Notes to the Condensed Consolidated Interim Financial Statements are an integral part of these statements.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the three months ended January 31, 2015.

(\$ thousands)

1. REPORTING ENTITY

Connect First Credit Union Ltd. (“Connect First” or the “Credit Union”) was formed on November 1, 2014 when First Calgary Financial Credit Union Limited (“First Calgary”) amalgamated with Chinook Credit Union Ltd. (“Chinook”) pursuant to the Credit Union Act of the Province of Alberta. Connect First operates a network of Credit Union branches in the City of Calgary and southern Alberta. The registered office is located at 200, 510 – 16 Avenue NE, Calgary, Alberta, T2E 1K4.

2. BUSINESS COMBINATION

Pursuant to the terms of the amalgamation, all members of First Calgary and Chinook exchanged their common shares and investment shares of the predecessor credit unions for shares of Connect First on a one for one basis.

The amalgamation took place to achieve economies of scale for the combined credit union that will drive enhanced profitability and the ability to invest in returns to members, enhance products and services, and support both local communities.

The business combination has been accounted for using the acquisition method, with First Calgary acquiring 100% of the net assets of Chinook.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition:

Cash	13,476
Investments	91,609
Other assets	2,799
Loans	730,068
Property and equipment	15,256
Intangible assets	835
Total assets acquired	<u>854,043</u>
Derivative financial liabilities	634
Accounts payable	3,812
Deposits	<u>771,390</u>
Total liabilities assumed	<u>775,836</u>
Net assets acquired	<u>78,207</u>

The above figures are preliminary and are subject to change.

The par value of equity shares issued to former members of Chinook was \$48,776. The credit union has recognized the excess of the fair value of the net assets acquired over the par value of the equity interests of Connect First as Contributed Surplus in the amount of \$29,431.



3. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Credit Union have been prepared by management in accordance with International Accounting Standard 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements, and should be read in conjunction with First Calgary's 2014 audited annual consolidated financial statements. The accounting policies, methods of computation and presentation of these interim condensed consolidated financial statements are consistent with the most recent 2014 annual financial statements of First Calgary.

These condensed consolidated interim financial statements were approved by the Board of Directors on February 24, 2015.

Significant Accounting Estimates, Assumptions and Judgements

Since a determination of some assets and liabilities is dependent upon uncertain future events, the preparation of these financial statements requires the use of estimates and assumptions, which have been made by management using careful judgement. Actual results may differ from these estimates. These significant estimates, assumptions and judgements have been disclosed in note 1 in First Calgary's 2014 annual consolidated financial statements. The estimates, assumptions and judgements used in preparation of these interim condensed consolidated financial statements are consistent with the most recent 2014 annual financial statements of First Calgary.

4. COMPARATIVE FIGURES

The comparative figures for the interim condensed consolidated statement of financial position conform with the audited consolidated statement of financial position of First Calgary as at October 31, 2014.





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