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REPORT

2016

ConnectFirst
Credit Union

Interim Condensed Consolidated Financial Statements
For the three months ended
January 31, 2016
(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, 2016	October 31, 2015
ASSETS		
Cash and cash equivalents	53,733	74,807
Investments	490,659	503,993
Loans to members	3,450,453	3,472,423
Foreclosed property	288	658
Other assets	43,244	46,466
Intangible assets	4,534	4,621
Property and equipment	30,325	30,981
	4,073,236	4,133,949
LIABILITIES		
Members' deposits	3,736,011	3,818,048
Accounts payable and accruals	7,530	10,230
Deferred tax liability	1,519	1,542
	3,745,060	3,829,820
MEMBERS' EQUITY		
Common shares	99,868	91,751
Investment shares	111,277	91,215
Ownership dividend allocation	-	3,528
Investment share dividends declared	-	4,562
Contributed surplus	27,576	27,576
Retained earnings	88,190	84,232
Accumulated other comprehensive income	1,265	1,265
	328,176	304,129
	4,073,236	4,133,949

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, 2016	January 31, 2015
FINANCIAL INCOME		
Interest on loans to members	31,421	31,756
Interest on investments	1,101	1,361
Unrealized gain (losses) on interest rate swaps	(95)	1,591
	<u>32,427</u>	<u>34,708</u>
FINANCIAL EXPENSE		
Interest on members' deposits	11,015	11,143
Interest on loans payable	1	2
	<u>11,016</u>	<u>11,145</u>
Financial Margin	21,411	23,563
Charge for loan impairment	331	156
	<u>21,080</u>	<u>23,407</u>
Other income	5,158	5,250
Gross Margin	26,238	28,657
Personnel expenses	11,209	12,524
Operating lease expenses	1,461	1,381
Depreciation and amortization	1,071	1,156
Other expenses	7,585	7,833
	<u>21,326</u>	<u>22,894</u>
Income before income taxes	4,912	5,763
Income taxes		
Current	977	920
Deferred (recovery)	(23)	358
	<u>954</u>	<u>1,278</u>
Net income and comprehensive income	3,958	4,485

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)

<i>(\$ Thousands)</i>	Common shares	Investment shares	Ownership dividends declared	Investment share dividends declared	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity
BALANCE NOVEMBER 1, 2014	76,479	91,736	3,901	4,588	29,431	76,252	1,115	283,502
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	-	-	29,431	80,737	1,115	285,255
Balance October 31, 2015	91,751	91,215	3,528	4,562	27,576	84,232	1,265	304,129
Net income						3,958		3,958
Transactions with members								
Shares issued to members for cash	7,730	20,044						27,774
Shares issued by dividend	3,528	4,562	(3,528)	(4,562)				-
Shares redeemed for cash	(3,141)	(4,544)						(7,685)
BALANCE JANUARY 31, 2016	99,868	111,277	-	-	27,576	88,190	1,265	328,176

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

CONSOLIDATED STATEMENT OF CASH FLOW

(unaudited)

THREE MONTHS ENDED

(\$ Thousands)

January 31, 2016 January 31, 2015

Cash flows from operating activities

Net Income	3,958	4,485
Adjustments for:		
Interest on loans to members	(31,421)	(31,756)
Interest on investments	(1,101)	(1,361)
Interest expense	11,016	11,145
Unrealized loss (gain) on interest rate swaps	95	(1,591)
Depreciation and amortization	1,071	1,156
Charge for loan impairment	375	270
Current/deferred income tax expense	954	1,278
Change in other assets	3,127	(9,112)
Change in accounts payable	(2,695)	(451)
Interest received	32,775	30,257
Interest paid	(13,090)	(8,430)
Income tax paid	(982)	(1,113)
Increase (decrease) in members' deposits	(79,964)	113,452
(Increase) decrease in loans to members, net of repayments	21,225	(59,969)
Proceeds from sale of foreclosed property	241	-
Net cash from (used in) operating activities	(54,416)	48,260

Cash flows from financing activities

Common shares issued for cash	7,730	4,247
Common share redemptions	(3,141)	(2,386)
Investment shares issued for cash	20,044	-
Investment share redemptions	(4,544)	(4,593)
Net cash from (used in) financing activities	20,089	(2,732)

Cash flows used in investing activities

Cash acquired on amalgamation with Chinook	-	13,476
Acquisition of investments	(267,157)	(343,121)
Proceeds from sale of investments	280,738	266,300
Acquisition of property and equipment, net	(127)	(217)
Acquisition of intangibles, net	(201)	(47)
Net cash from (used in) investing activities	13,253	(63,609)

(Decrease) in cash and cash equivalents	(21,074)	(18,081)
Cash and cash equivalents, beginning of period	74,807	52,460
Cash and cash equivalents, end of period	53,733	34,379

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, 2016

(\$ 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. 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 Connect First’s 2015 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 2015 annual financial statements of Connect First.

These condensed consolidated interim financial statements were approved by the Board of Directors on February 23, 2016.

3. 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 2 in Connect First’s 2015 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 2015 annual financial statements of Connect First.

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 Connect First as at October 31, 2015.

5. SHARE CAPITAL

\$20.0 million of Investment Shares Series G were sold to January 31, 2016, with an additional \$10.0 million sold subsequent to the quarter end, for a total of \$30.0 million.

The Investment Shares were sold with a guaranteed dividend rate of 5.0% in the first year. The payment will be made in December 2016 through the issuance of additional Series G Investment Shares.

Series G Investment Shares were issued for consideration of \$1 per share and have the following characteristics:

- i) no par value;
- ii) no voting rights;
- iii) transferable under limited circumstances;
- iv) callable at the discretion of the Credit Union upon 5 years written notice;
- v) dividends are non-cumulative and rank ahead of ownership dividend on common shares. They are also subject to the Credit Union's dividend policy which can be changed at the discretion of the Board of Directors; and
- vi) redemptions are permitted in the Credit Union's redemption policy, as approved by the Board of Directors, which is subject to change at their discretion. Redemptions are also subject to the limits outlined in the Act.

Series G Investment Shares represent "at risk" capital and are not guaranteed by CUDGC.



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