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REPORT

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ConnectFirst
Credit Union

Interim Condensed Consolidated Financial Statements
For the nine months ended
July 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)	July 31, 2015	October 31, 2014
ASSETS		
Cash and cash equivalents	59,259	52,460
Investments	599,761	348,686
Loans to members	3,393,432	2,475,268
Foreclosed property	107	-
Other assets	48,808	30,779
Intangible assets	4,529	4,068
Property and equipment	30,718	17,802
	4,136,614	2,929,063
LIABILITIES		
Members' deposits	3,828,299	2,714,898
Accounts payable and accruals	7,230	6,361
Provisions	1,553	1,267
Deferred tax liability	1,491	1,242
	3,838,573	2,723,768
MEMBERS' EQUITY		
Common shares	89,319	29,947
Investment shares	91,405	91,736
Ownership dividend allocation	-	1,657
Investment share dividends declared	-	4,588
Contributed surplus	27,576	-
Retained earnings	88,474	76,252
Accumulated other comprehensive income	1,267	1,115
	298,041	205,295
	4,136,614	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)	2015		2014	
	3 Months	9 Months	3 Months	9 Months
FINANCIAL INCOME				
Interest on loans to members	31,402	94,186	24,070	71,073
Interest and dividends on investments	1,242	5,579	1,159	5,172
Unrealized gain (losses) on interest rate swaps	349	911	(43)	(528)
	32,993	100,676	25,186	75,717
FINANCIAL EXPENSE				
Interest on members' deposits	11,301	33,394	8,618	25,392
Interest on loans payable	1	4	-	1
	11,302	33,398	8,618	25,393
Financial Margin	21,691	67,278	16,568	50,324
Charge for loan impairment	1,231	1,859	366	1,092
	20,460	65,419	16,202	49,232
Other income	5,580	15,158	2,878	9,064
Gross Margin	26,040	80,577	19,080	58,296
Personnel expenses	10,827	34,601	8,424	25,149
Operating lease expenses	1,500	4,294	1,366	4,064
Depreciation and amortization	931	3,147	906	2,805
Other expenses	8,046	23,348	6,063	16,695
	21,304	65,390	16,759	48,713
Income before income taxes	4,736	15,187	2,321	9,583
Income taxes				
Current	920	2,760	600	1,800
Deferred (recovery)	79	205	(15)	(119)
	999	2,965	585	1,681
Net Income	3,737	12,222	1,736	7,902
Change in unrealized gains on available for sale investments, net of income tax of \$44 (2014-\$110)	152	152	378	378
Comprehensive Income	3,889	12,374	2,114	8,280

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)

For the nine months ended July 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					7,902			7,902
Change in unrealized gains on available for sale investments (net of income tax of \$110)						378		378
Transactions with members								
Shares issued to members for cash	1,057							1,057
Shares issued by dividend	2,072	4,964	(2,072)	(4,964)				-
Shares redeemed for cash	(1,037)	(3,705)						(4,742)
BALANCE JULY 31, 2014	29,561	91,851	-	-	80,227	1,115	-	202,754
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				27,576	76,352
Net income					12,222			12,222
Change in unrealized gains on available for sale investments (net of income tax of \$44)						152		152
Transactions with members								
Shares issued to members for cash	13,099							13,099
Shares issued by dividend	3,901	4,588	(3,901)	(4,588)				-
Shares redeemed for cash	(4,160)	(4,919)						(9,079)
BALANCE JULY 31, 2015	89,319	91,405	-	-	88,474	1,267	27,576	298,041

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



CONSOLIDATED STATEMENT OF CASH FLOW

(unaudited)

(\$ Thousands)	NINE MONTHS ENDED	
	July 31, 2015	July 31, 2014
Cash flows from operating activities		
Net Income	12,222	7,902
Adjustments for:		
Interest on loans to members	(94,186)	(71,073)
Interest/dividends on investments	(5,579)	(5,172)
Interest expense	33,398	25,393
Unrealized loss (gain) on interest rate swaps	(911)	528
Depreciation and amortization	3,147	2,805
Charge for loan impairment	2,080	1,410
Current/deferred income tax expense	2,965	1,681
Change in other assets	(14,319)	(3,430)
Change in accounts payable	(3,854)	(1,215)
Interest received	95,548	75,794
Interest paid	(29,266)	(25,362)
Income tax paid	(2,197)	(635)
Increase in members' deposits	337,878	113,528
(Increase) in loans to members, net of repayments	(187,387)	(98,871)
Proceeds from sale of foreclosed property	674	32
Net cash from operating activities	150,213	23,315
Cash flows from financing activities		
Common shares issued for cash	13,099	1,057
Common share redemptions	(4,160)	(1,037)
Investment share redemptions	(4,919)	(3,705)
Net cash from (used in) financing activities	4,020	(3,685)
Cash flows used in investing activities		
Cash acquired on amalgamation	13,476	
Acquisition of investments	(1,085,257)	(819,503)
Proceeds from sale of investments	926,624	808,220
Acquisition of property and equipment, net	(1,836)	(650)
Acquisition of intangibles, net	(441)	(526)
Net cash (used for) investing activities	(147,434)	(12,459)
Increase in cash and cash equivalents	6,799	7,171
Cash and cash equivalents, beginning of period	52,460	10,717
Cash and cash equivalents, end of period	59,259	17,888

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 nine months ended July 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

On November 1, 2014, 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	91,598
Other assets	2,799
Loans	730,068
Property and equipment	13,412
Intangible assets	835
Total assets acquired	<u>852,188</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>76,352</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 \$27,576.



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 August 25, 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 as at July 31, 2014, October 31, 2014 and for the three and nine-month periods ended July 31, 2014 represent those of First Calgary, prior to the amalgamation.

5. INVESTMENT INCOME

On March 13, 2015, the Credit Union received a patronage distribution of \$1,255 from Credit Union Central of Alberta. This distribution has been recorded in interest and dividends on investments in the statement of income and comprehensive income.





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