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REPORT

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ConnectFirst
Credit Union

Interim Condensed Consolidated Financial Statements
For the six months ended
April 30, 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)

April 30, 2015

October 31, 2014

ASSETS

Cash and cash equivalents	48,109	52,460
Investments	474,269	348,686
Loans to members	3,371,252	2,475,268
Foreclosed property	391	-
Other assets	38,586	30,779
Intangible assets	4,552	4,068
Property and equipment	30,185	17,802
	3,967,344	2,929,063

LIABILITIES

Members' deposits	3,660,877	2,714,898
Accounts payable and accruals	11,721	6,361
Provisions	1,523	1,267
Deferred tax liability	1,369	1,242
	3,675,490	2,723,768

MEMBERS' EQUITY

Common shares	86,848	29,947
Investment shares	91,578	91,736
Ownership dividend allocation	-	1,657
Investment share dividends declared	-	4,588
Contributed surplus	27,576	-
Retained earnings	84,737	76,252
Accumulated other comprehensive income	1,115	1,115
	291,854	205,295
	3,967,344	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	6 Months	3 Months	6 Months
FINANCIAL INCOME				
Interest on loans to members	31,028	62,784	23,797	47,003
Interest and dividends on investments	2,976	4,337	2,951	4,013
Unrealized gain (losses) on interest rate swaps	(1,029)	562	(581)	(485)
	32,975	67,683	26,167	50,531
FINANCIAL EXPENSE				
Interest on members' deposits	10,950	22,093	8,273	16,774
Interest on loans payable	1	3	-	1
	10,951	22,096	8,273	16,775
Financial Margin	22,024	45,587	17,894	33,756
Charge for loan impairment	472	628	948	726
	21,552	44,959	16,946	33,030
Other income	4,328	9,578	2,674	6,186
Gross Margin	25,880	54,537	19,620	39,216
Personnel expenses	11,250	23,774	7,851	16,725
Operating lease expenses	1,413	2,794	1,362	2,698
Depreciation and amortization	1,060	2,216	924	1,899
Other expenses	7,469	15,302	5,534	10,632
	21,192	44,086	15,671	31,954
Income before income taxes	4,688	10,451	3,949	7,262
Income taxes				
Current	920	1,840	600	1,200
Deferred (recovery)	(232)	126	(124)	(104)
	688	1,966	476	1,096
Net income and comprehensive income	4,000	8,485	3,473	6,166

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)

Six months ended April 30, 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					6,166			6,166
Transactions with members								
Shares issued to members for cash	308							308
Shares issued by dividend	2,072	4,964	(2,072)	(4,964)				-
Shares redeemed for cash	(730)	(3,653)						(4,383)
BALANCE APRIL 30, 2014	29,119	91,903	-	-	78,491	737	-	200,250
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					8,485			8,485
Transactions with members								
Shares issued to members for cash	9,789							9,789
Shares issued by dividend	3,901	4,588	(3,901)	(4,588)				-
Shares redeemed for cash	(3,321)	(4,746)						(8,067)
BALANCE APRIL 30, 2015	86,848	91,578	-	-	84,737	1,115	27,576	291,854

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



CONSOLIDATED STATEMENT OF CASH FLOW

(unaudited)

(\$ Thousands)	SIX MONTHS ENDED	
	April 30, 2015	April 30, 2014
Cash flows from operating activities		
Net Income	8,485	6,166
Adjustments for:		
Interest on loans to members	(62,784)	(47,003)
Interest/dividends on investments	(4,337)	(4,013)
Interest expense	22,096	16,775
Unrealized loss (gain) on interest rate swaps	(562)	485
Depreciation and amortization	2,216	1,899
Charge for loan impairment	800	1,004
Current/deferred income tax expense	1,966	1,096
Change in other assets	(4,445)	337
Change in accounts payable	1,071	(1,108)
Interest received	64,220	50,254
Interest paid	(20,245)	(18,955)
Income tax paid	(1,741)	(1,041)
Increase in members' deposits	172,737	57,897
(Increase) in loans to members, net of repayments	(164,709)	(30,416)
Proceeds from sale of foreclosed property	261	32
Net cash from operating activities	15,029	33,409
Cash flows from financing activities		
Common shares issued for cash	9,789	308
Common share redemptions	(3,321)	(730)
Investment share redemptions	(4,746)	(3,653)
Net cash from (used in) financing activities	1,722	(4,075)
Cash flows used in investing activities		
Cash acquired on amalgamation	13,476	
Acquisition of investments	(701,090)	(646,939)
Proceeds from sale of investments	667,348	632,837
Acquisition of property and equipment, net	(683)	(382)
Acquisition of intangibles, net	(153)	(313)
Net cash (used for) investing activities	(21,102)	(14,797)
Increase (decrease) in cash and cash equivalents	(4,351)	14,537
Cash and cash equivalents, beginning of period	52,460	10,717
Cash and cash equivalents, end of period	48,109	25,254

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 six months ended April 30, 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 May 26, 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 April 30, 2014 , October 31, 2014 and for the three and six month periods ended April 30,2014 represent those of First Calgary, prior to 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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