2014
Financial Report

Chinook
CREDIT UNION LTD.

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Members of Connect First Credit Union Ltd.

We have audited the accompanying financial statements of Chinook Credit Union Ltd., which comprise the statement of financial position as at October 31, 2014, and the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Chinook Credit Union Ltd. as at October 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants
December 9, 2014

STATEMENT OF FINANCIAL POSITION

As at October 31, 2014
(Canadian Dollars)

	Notes	October 31, 2014	October 31, 2013
ASSETS			
Cash and cash equivalents	**5**	13,476,392	13,135,409
Investments and accrued interest	**6**	91,597,506	88,962,492
Other assets	**7**	2,380,602	2,900,190
Loans to members	**8**	730,067,939	714,630,314
Property available for sale	**9**	–	10,000
Property and equipment	**10**	15,256,161	15,468,605
Intangible assets	**11**	835,378	1,137,737
Investment property	**12**	10,594	15,303
Deferred income tax assets	**21**	102,586	–
Current income tax receivable		315,189	–
		854,042,347	**836,260,050**
LIABILITIES			
Derivative financial liabilities		633,595	538,049
Deposits from members	**13**	771,390,347	757,727,914
Current income tax payable		–	124,680
Deferred income tax liabilities	**21**	–	34,192
Trade payables and accrued liabilities		3,812,237	5,049,193
		775,836,179	**763,474,028**
MEMBERS' EQUITY			
Member common shares	**15**	46,531,634	44,349,516
Allocation distribution	**16**	2,243,503	1,055,707
Retained earnings		29,431,031	27,380,799
		78,206,168	**72,786,022**
		854,042,347	**836,260,050**
Subsequent events	**28**		

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board of Directors: Andrew Eberl Carey Taubert

STATEMENT OF COMPREHENSIVE INCOME

(Canadian Dollars)	Notes	YEAR ENDED October 31, 2014	October 31, 2013
INTEREST INCOME			
Interest income on loans to members	**17**	28,519,475	28,126,306
Interest and dividend income on investments	**17**	1,361,219	2,948,410
		29,880,694	**31,074,716**
INTEREST EXPENSE			
Interest expense on deposits from members	**18**	8,703,333	9,322,214
Interest expense on borrowings and service charges		10,489	7,073
		8,713,822	**9,329,287**
Net interest income		21,166,872	21,745,429
(Recovery of) provision for credit losses	**8, 9**	(129,226)	132,446
Net interest margin		21,296,098	21,612,983
Other income	**19**	6,335,916	5,679,294
Total operating income		**27,632,014**	**27,292,277**
Personnel expenses	**20**	12,164,296	12,128,084
General and administrative		6,297,339	5,688,165
Depreciation and amortization		1,253,178	1,224,925
Deposit insurance premium		1,062,364	1,047,401
Occupancy		868,898	875,338
Organization		589,881	526,332
Marketing		515,203	495,120
		22,751,159	**21,985,365**
Income before income taxes		4,880,855	5,306,912
Income tax expense	**21**	1,091,152	1,169,258
Net income		3,789,703	4,137,654
Other comprehensive income		–	–
Total comprehensive income, net of income taxes		**3,789,703**	**4,137,654**

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN MEMBERS' EQUITY

Year ended October 31, 2014
(Canadian Dollars)

	Member Common Shares	Allocation Distribution	Retained Earnings	Total
AS AT OCTOBER 31, 2013	**44,349,516**	**1,055,707**	**27,380,799**	**72,786,022**
Net income	–	–	3,789,703	3,789,703
Issued member common shares	8,199,294	(1,055,707)	–	7,143,587
Redeemed member common shares	(6,017,176)	–	–	(6,017,176)
Dividends on member common shares declared, net of tax recovery of $504,032	–	2,243,503	(1,739,471)	504,032
As at October 31, 2014	**46,531,634**	**2,243,503**	**29,431,031**	**78,206,168**

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

(Canadian Dollars)	YEAR ENDED October 31, 2014	October 31, 2013
Cash flows from operating activities		
Net Income	3,789,703	4,137,654
Adjustments for:		
Interest income	(29,880,694)	(31,074,716)
Interest expense	8,713,822	9,329,287
(Recovery of) provision for impaired loans to members	(137,587)	7,592
Provision for property available for sale	8,361	124,854
Depreciation and amortization	1,253,178	1,224,925
Income tax expense	1,091,152	1,169,258
	(15,162,065)	**(15,081,146)**
Cash generated from (used in) operating activities		
Change in loans to members	(15,498,849)	(34,024,500)
Change in deposits from members	13,987,975	24,109,050
Change in other assets	519,588	19,340
Change in other trade payables and accrued liabilities	(1,141,410)	(812,885)
Cash interest received	30,062,496	30,901,007
Cash interest paid	(9,039,364)	(10,300,994)
Cash income taxes paid	(1,163,767)	(374,489)
	2,564,604	**(5,564,617)**
Investing activities		
Purchase of investments net of disposals	(2,618,005)	8,109,118
Proceeds from sale of property available for sale	60,171	498,500
Purchase of property and equipment	(729,851)	(1,913,241)
Purchase of property available for sale	(58,532)	(508,354)
Purchase of intangible assets	(3,815)	(234,412)
	(3,350,032)	**5,951,611**
Financing activities		
Common shares issued net of redemptions	1,126,411	2,682,715
Net change in cash and cash equivalents	340,983	3,069,709
Cash and cash equivalents, beginning of year	13,135,409	10,065,700
Cash and cash equivalents, end of year	**13,476,392**	**13,135,409**

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended October 31, 2014

(Canadian dollars)

1. REPORTING ENTITY

Chinook Credit Union Ltd. (the "Credit Union") was incorporated under the Credit Union Act of the Province of Alberta (the "Act") and operates branches in Brooks, Hussar, Strathmore, Drumheller, Bassano, Lomond, Hanna, Fort Macleod, Nanton, Vulcan and Claresholm. The Credit Union serves members in the trading area of its branches.

The Credit Union Deposit Guarantee Corporation (the "Corporation"), a Provincial Corporation, guarantees the repayment of all deposits with Alberta credit unions including accrued interest. The Act provides that the Province of Alberta will ensure that the Corporation carries out this obligation.

The registered office of the Credit Union is 99 2nd Street West, PO Box 1137, Brooks, Alberta TIR 1B9.

On November 1, 2014, the Credit Union amalgamated with First Calgary Financial Credit Union Limited ("First Calgary") to form Connect First Credit Union Ltd. (Note 28).

2. BASIS OF PREPARATION

Statement of compliance

These financial statements are general-purpose financial statements that have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The financial statements for the year ended October 31, 2014, were authorized for issue by the Board of Directors of Connect First Credit Union Ltd. on December 9, 2014.

Functional currency

These financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

Basis of measurement

The financial statements are prepared on the historical cost basis except for available-for-sale investments, derivative financial instruments, other financial assets and liabilities held for trading, and financial assets and liabilities designated at fair value through profit or loss ("FVTPL") which are stated at their fair value.

Use of significant accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosures of contingent assets and contingent liabilities at the date of these financial statements, and the reported amounts of revenues and expenses during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates made in these financial statements. The use of estimates and assumptions has been made by management in the following areas - fair value of financial instruments (see Note 25), allowance for credit losses, useful life and residual values of property and equipment and intangible assets, fair value less costs to sell of property available for sale, measurement of provisions, and provisions for current and deferred income taxes.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on these financial statements include assessment of impairment of property and equipment, assessment of impairment of intangible assets, impairment of property available for sale, impairment of financial instruments, allowance for credit losses and lease classification.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Credit Union to all periods presented in these financial statements, unless otherwise indicated.

Financial instruments

Financial assets and financial liabilities are recognized when the Credit Union becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Credit Union's designation of such instruments. Trade date accounting is used.

The Credit Union is required to classify all financial assets as either fair value through profit or loss, available-for-sale, held-to-maturity, or loans and receivables, and financial liabilities are classified as either fair value through profit or loss, or other liabilities. The standards require that all financial assets and financial liabilities, including all derivatives, be subsequently measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity, available-for-sale financial assets that do not have quoted market prices in an active market and whose fair value cannot be reliably estimated, and other liabilities.

Fair value through profit or loss

Financial assets and financial liabilities are classified as at FVTPL when either the financial asset or financial liability is held for trading or it is designated as at FVTPL.

A financial asset or financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Credit Union manages together and has a recent actual pattern of short-term profit-taking; or

- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset and financial liability other than a financial asset or financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset/liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Credit Union's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives.

Financial assets and financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Transaction costs on held FVTPL designated items are recognized immediately in the statement of comprehensive income.

The Credit Union's derivatives and embedded derivatives on its equity index-linked deposits from members are classified as FVTPL.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Credit Union has the positive intent and ability to hold to maturity, other than those that the Credit Union upon initial recognition designates as fair value through profit or loss or as available-for-sale financial assets.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, net of impairment losses.

The Credit Union has designated its term deposits and certain mortgage pool investments as held-to-maturity.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Credit Union has designated its common shares in Credit Union Central Alberta ("Central") and other investments as available-for sale.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, and the gains and losses on such assets are recorded in other comprehensive income until the investment is derecognized or until the investment is identified as being subject to impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Credit Union does not intend to sell immediately or in the near term. The Credit Union has designated cash and cash equivalents, loans to members, accrued interest on loans, accrued interest on investments, and accounts receivable as loans and receivables.

Loans and receivables are measured at amortized cost using the effective interest method, net of impairment losses. Impairment losses are determined using discounted expected cash flows and are reported as a deduction from the carrying value of the financial instrument and recognized in net income.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the asset/liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For financial assets carried at amortized cost and available-for-sale, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans to members, where the carrying amount is reduced through the use of an allowance account. When a loan to a member is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in net income.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to net income in the period.

For financial assets other than available-for-sale equity securities, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

The Credit Union derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Credit Union continues to recognize the transferred asset to the extent of the Credit Union's continuing involvement in that asset. If the Credit Union retains substantially all the risks and rewards of ownership of a transferred financial asset, the Credit Union continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity are recognized in net income.

On derecognition of a financial asset other than in its entirety (e.g. when the Credit Union retains an option to repurchase part of a transferred asset or retains a residual interest that neither results in the retention nor transfer of substantially all the risks and rewards of ownership), the Credit Union allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Credit Union has designated deposits from members, trade payables and accrued liabilities, provisions and borrowings as other financial liabilities.

Derecognition of financial liabilities

The Credit Union derecognizes financial liabilities when, and only when, the Credit Union's obligations are discharged, cancelled or they expire.

Transaction costs

Transaction costs related to financial assets and liabilities at fair value through profit and loss are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are amortized over the expected life of the instrument using the effective interest method. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative costs.

Derivative instruments

The Credit Union enters into derivative financial instruments to manage its exposure to equity indices on equity indexed-linked deposits from members. The Credit Union does not enter into derivatives for other purposes.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a cash flow hedging instrument, in which event the effective portion of the gain or loss is recognized in other comprehensive income while the ineffective portion is recognized in profit or loss.

A derivative with a positive fair value is recognized as a financial asset. A derivative with a negative fair value is recognized as a financial liability. The Credit Union does not designate its derivatives as cash flow hedges.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts. The embedded derivative is bifurcated from the host contract and recorded as FVTPL. The Credit Union has identified the equity feature of equity indexed-linked deposits from members as an embedded derivative.

Business combinations

Business combinations are accounted for using the acquisition method. The assets and liabilities of the acquiree are recognized at their fair value at the date of the acquisition, which is the date on which control is transferred to the Credit Union. Transaction costs that are directly attributable to the acquisition are expensed as incurred.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and other liquid investments with original maturities of three months or less. Cash and cash equivalents are classified as loans and receivables and are carried at amortized cost, which is considered to be equivalent to fair value due the short-term nature of these assets.

Loans to members

Loans to members include mortgages, consumer loans, and commercial and agricultural mortgages and loans, and are recognized when the cash is advanced to the borrower. All loans to members are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables, which are subsequently measured at amortized cost using the effective interest method.

Allowance for impaired loans

The allowance for impaired loans is maintained in an amount considered adequate to absorb incurred losses in the loan portfolio. The allowance for impaired loans reflects management's best estimate of the losses existing in the loan portfolio and its judgments about economic conditions. If the circumstances under which these estimates and judgments were made change, there could be a significant change to the allowance for impaired loans currently recognized. The allowance for impaired loans consists of a specific provision component attributable to individually significant exposures and a collective provision, established for groups of loans with similar risk characteristics. Each component of the allowance for impaired loans is reviewed at least on the reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The reversal does not result in a carrying amount of a financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in net income.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery. The methodology and assumptions used are reviewed on a quarterly basis.

Property available for sale

Assets that are expected to be recovered principally through sale rather than through continued use are classified as available for sale. Property available for sale includes property that has been repossessed following default of member loans. Assets classified as available for sale are actively marketed for sale and are intended to be sold within one year.

Property available for sale is stated at the lower of its carrying amount and fair value less costs to sell and is not depreciated. An impairment loss is recognized for any initial or subsequent write-down of the assets to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell, but not exceeding any cumulative impairment losses previously recognized.

If the Credit Union has classified an asset as available for sale, but the recognition criteria are no longer met, the Credit Union measures the asset at the lower of the carrying value before the asset was classified as available for sale, adjusted for any depreciation that would have been recognized, and its recoverable amount at the date the recognition criteria are no longer met.

Property and equipment
Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The residual values, useful lives and depreciation methods are reviewed each year end and changed if necessary. Cost includes expenditures that are directly attributable to bring the asset into working condition for its intended use.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in net income.

Depreciation is recognized in net income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Depreciation of property and equipment for the current and comparative periods is straight line based on their estimated useful lives using the following annual rates:

• Parking lots	4%
• Buildings	2.5% - 4%
• Furniture and equipment	20% - 40%
• Computer equipment	20% - 40%
• Leasehold improvements	Lesser of useful life and lease term

Intangible assets
Finite life intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Indefinite life intangible assets are carried at cost less accumulated impairment losses. Cost of intangible assets includes expenditures directly attributable to the acquisition of the asset and required to establish the asset in working condition given its intended use as well as borrowing costs. The cost of self-constructed intangible assets includes the cost of materials and direct labor, any other costs required to establish the asset in working condition given its intended use as well as borrowing costs.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

Amortization is recognized in net income and is computed on a straight-line basis using the rates and estimated useful lives indicated below. These rates most closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset.

- Software .... 10% - 20%

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Impairment of tangible and intangible assets
At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or assets within a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or assets within a cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in net income.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating. The Credit Union has not entered into any finance leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Deposits from members
Deposits from members are the Credit Union's main source of funding and are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions
Provisions are recognized when the Credit Union has a present obligation (legal or constructive) because of a past event, it is probable that the Credit Union will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts
Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Credit Union has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructurings
A restructuring provision is recognized when the Credit Union has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Credit Union.

Contingent liabilities acquired in a business combination
Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18 *Revenue*.

EMPLOYEE BENEFITS

Short-term employee benefits
Short-term employee benefits include salaries and wages, vacation pay, employee benefits, allowances, bonuses and burdens. Short-term employee benefits are expensed as the related service is provided.

Post-retirement benefits
The Credit Union operates a defined contribution pension plan. Contributions are made by both the Credit Union and the employee. Contributions are based on a percentage of salary and no further contributions are required once the employee retires or leaves the Credit Union. The contribution payable to the plan is recorded as an expense under “Personnel expenses”. Unpaid contributions are recorded as a liability.

Termination benefits
Termination benefits are recognized when the Credit Union is committed to terminating the employment of a current employee according to a formal plan without possible withdrawal. Termination benefits for voluntary redundancies are recognized if the Credit Union has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be reliably estimated. If benefits are payable more than 12 months after the reporting period, they are recorded at their discounted present value.

Membership common shares
Dividends are recorded on membership common shares when declared by the Board of Directors.

Revenue recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured. The principal sources of revenue are interest income, dividends, account service charges, other commissions and fees.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Interest income on impaired member loans is recognized using the original effective interest rate on the member loan.

Dividend income is recognized when the right to receive payment is established.

Account service charges, other commissions and fees are recognized over the period the services are provided.

Patronage allocation to members
Patronage allocation to members is recognized when circumstances indicate that the Credit Union has a constructive obligation to make payment and where it can make a reasonable estimate of the amount required to settle the obligation.

Income taxes
Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the statement of financial position date.

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable net income.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognized directly in members' equity are also recognized in members' equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currency translation
The financial statements are presented in Canadian dollars.

Transactions in foreign currencies are initially translated into Canadian dollars at the rate of exchange in effect at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into Canadian dollars at the rate of exchange at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation gains and losses are recognized immediately in profit or loss and are included in other income.

Financial guarantees
Financial guarantees are contracts that require the Credit Union to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the debt instrument. Financial guarantee liabilities are recognized initially at fair value and the initial fair value is amortized over the life of the guarantee. The financial guarantee liability is subsequently carried at the higher of the amortized amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included in other liabilities.

Special purpose entities (SPEs)
SPEs are entities that are subject to control on a basis other than ownership of voting interests. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the company and the SPE's risk and rewards, the company concludes that it controls the SPE. The Credit Union currently does not have any SPEs.

4. A) ACCOUNTING STANDARDS ADOPTED IN CURRENT YEAR

During the current year, the Credit Union adopted the following accounting standards:

IFRS 10 Consolidated Financial Statements ("IFRS 10")
The standard replaces the consolidation requirements currently contained in IAS 27 *Consolidated and Separate Financial Statements* ("IAS 27") and Standard Interpretation Committee *Consolidation - Special Purpose Entities* ("SIC-12"). IFRS 10 includes a new definition of control to be applied to all entities in determining which entities are consolidated. The Credit Union has retrospectively adopted IFRS 10 on November 1, 2013. The adoption did not have any impact on the financial statements.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12")
The new standard establishes disclosure requirements for all interests in other entities, including associates, joint arrangements and special purpose entities. The standard carries forward existing disclosures and introduces significant additional disclosure requirements that focus on the nature of and risks associated with an entity's interests in other entities. The Credit Union adopted IFRS 12 on November 1, 2013. The adoption did not have any impact on the financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13")
IFRS 13 is a new standard on fair value measurement for use across all standards. IFRS 13 does not change when an entity is required to use fair value, but provides guidance on how to measure fair value when permitted or required by an IFRS. The Credit Union adopted IFRS 13 on November 1, 2013. The adoption did not have any impact on the financial statements.

IFRS 7 – Financial Instruments - Disclosures ("IFRS 7")
The standard has been amended requiring an entity to disclose information to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position including the effect or potential effect of rights of set-off associated with the entity's recognized financial assets

and recognized financial liabilities. The Credit Union adopted IFRS 7 on November 1, 2013. The adoption did not have any impact on the financial statements.

4. B) FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended October 31, 2014, and have not been applied in preparing these financial statements. The Credit Union is currently evaluating the impact of these future accounting standards on the financial statements.

IAS 32 – Financial Instruments - Presentation ("IAS 32")
The standard has been amended requiring the presentation of financial assets and financial liabilities on a net basis when doing so reflects an entity's expected future cash flows from settling two or more separate financial instruments. The amended standard is effective for financial years beginning on or after January 1, 2014.

IFRS 9 - Financial Instruments ("IFRS 9")
In July 2014, the IASB issued the complete version of IFRS 9, first issued in November 2009, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39.

IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at FVTPL, fair value through other comprehensive income ("FVTOCI") or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39.

IFRS 9 also introduces an expected loss impairment model for all financial assets not as at FVTPL. The model has three stages:

(1) on initial recognition, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established;
(2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and
(3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount.

Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities. IFRS 9 will be effective for the Credit Union on November 1, 2018.

IFRS 15 – Revenue from contracts with members ("IFRS 15")
In May 2014, the IASB issued IFRS 15 which establishes principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based five-step model for revenue recognition to be applied to all contracts with customers. IFRS 15 will be effective for the Credit Union on November 1, 2017.

IFRS Interpretations Committee Interpretation 21 Levies ("IFRIC 21")
In May 2013, the IASB issued IFRIC 21, which provides guidance on when to recognize a liability to pay a levy that is accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* It also addresses the accounting for a liability to pay a levy whose timing and amount is uncertain. IFRIC 21 is effective for financial years beginning on or after January 1, 2014.

5. CASH AND CASH EQUIVALENTS

	October 31, 2014	October 31, 2013
Cash on hand	2,357,793	2,180,003
Cash held with Central	11,118,599	10,955,406
	$ 13,476,392	**13,135,409**

6. INVESTMENTS AND ACCRUED INTEREST

	October 31, 2014	October 31, 2013
Held to maturity		
Term deposits	82,954,200	80,613,898
Accrued interest	104,374	91,487
	83,058,574	80,705,385
Available for sale		
Central common shares (Note 26)	8,363,000	8,070,000
Others	38,014	53,311
Accrued dividends	137,918	133,796
	8,538,932	8,257,107
	91,597,506	**88,962,492**

As required by the Act, the Credit Union holds common shares in Central. The Credit Union classifies these shares as available for sale; however, because no market exists for the Central shares, the fair value of these shares cannot be reliably measured, and therefore, the Credit Union records these shares at cost, subject to review for impairment.

7. OTHER ASSETS

	October 31, 2014	October 31, 2013
Prepaid expenses and other	759,888	681,167
Accounts receivable	1,620,714	2,219,023
	2,380,602	**2,900,190**

Prepaid expenses and other include the fair value of derivative financial instrument assets. The fair value of the derivative financial instrument assets at October 31, 2014 is $633,595 (2013 - $538,049) on an outstanding notional amount of $12,461,599 (2013 - $10,329,271).

8. LOANS TO MEMBERS

2014	Recorded Loans	Specific Allowance	Collective Allowance	Net Carrying Value	Gross Impaired Loans
Residential Mortgages	351,496,506	(25,536)	(440,593)	351,030,377	38,699
Consumer Loans	69,372,041	(27,851)	(355,664)	68,988,526	27,927
Commercial Loans	44,068,785	(3,024)	(88,300)	43,977,461	3,085
Commercial Mortgages	154,213,174	–	(112,300)	154,100,874	–
Agricultural Loans	81,158,111	–	–	81,158,111	–
Agricultural Mortgages	28,363,407	–	–	28,363,407	–
	728,672,024	(56,411)	(996,857)	727,618,756	69,711
Accrued interest	2,450,325	(1,142)	–	2,449,183	–
	731,122,349	**(57,553)**	**(996,857)**	**730,067,939**	**69,711**

2013	Recorded Loans	Specific Allowance	Collective Allowance	Net Carrying Value	Gross Impaired Loans
Residential Mortgages	361,046,454	(57,694)	(483,688)	360,505,072	57,701
Consumer Loans	69,658,283	(16,613)	(397,666)	69,244,004	16,628
Commercial Loans	43,005,164	(126,103)	(134,790)	42,744,271	126,214
Commercial Mortgages	143,035,059	–	(160,500)	142,874,559	–
Agricultural Loans	72,468,914	–	–	72,468,914	–
Agricultural Mortgages	24,147,450	–	–	24,147,450	–
	713,361,324	(200,410)	(1,176,644)	711,984,270	200,543
Accrued interest	2,647,994	(1,950)	–	2 ,646,044	–
	716,009,318	**(202,360)**	**(1,176,644)**	**714,630,314**	**200,543**

The activity in the allowance for impaired loan to members is summarized as follows:

2014	Residential Mortgages	Consumer Loans	Commercial Loans and Mortgages	Agricultural Loans and Mortgages	Total
Balance, beginning of year	541,386	414,665	422,953	–	1,379,004
Loans written off	–	(51,127)	(135,880)	–	(187,007)
Provision for impaired loans to members	(74,118)	19,980	(83,449)	–	(137,587)
Balance, end of year	**467,268**	**383,518**	**203,624**	**-**	**1,054,410**

2013	Residential Mortgages	Consumer Loans	Commercial Loans and Mortgages	Agricultural Loans and Mortgages	Total
Balance, beginning of year	516,032	514,831	370,906	–	1,401,769
Loans written off	–	(28,362)	(1,995)	–	(30,357)
Provision for impaired loans to members	25,354	(71,804)	54,042	–	7,592
Balance, end of year	**541,386**	**414,665**	**422,953**	**-**	**1,379,004**

Credit quality of member loans is summarized as follows:

2014	**Residential Mortgages**	**Consumer Loans**	**Commercial Loans and Mortgages**	**Agricultural Loans and Mortgages**	**Total**
Neither past due nor impaired	349,839,510	67,923,734	197,741,340	109,521,518	725,026,102
Past due but not impaired	1,618,297	1 ,420,380	537,534	–	3,576,211
Impaired	38,699	27,927	3,085	–	69,711
	351,496,506	69,372,041	198,281,959	109,521,518	728,672,024
Less: specific allowances	(25,536)	(27,851)	(3,024)	–	(56,411)
	351,470,970	69,344,190	198,278,935	109,521,518	728,615,613
Less: collective allowance	(440,593)	(355,664)	(200,600)	–	(996,857)
	351,030,377	**68,988,526**	**198,078,335**	**109,521,518**	**727,618,756**

2013	**Residential Mortgages**	**Consumer Loans**	**Commercial Loans and Mortgages**	**Agricultural Loans and Mortgages**	**Total**
Neither past due nor impaired	359,005,450	68,695,752	183,209,643	96,536,793	707,447,638
Past due but not impaired	1,983,303	945,903	2,704,366	79,571	5,713,143
Impaired	57,701	16,628	126,214	–	200,543
	361,046,454	69,658,283	186,040,223	96,616,364	713,361,324
Less: specific allowances	(57,694)	(16,613)	(126,103)	–	(200,410)
	360,988,760	69,641,670	185,914,120	96,616,364	713,160,914
Less: collective allowance	(483,688)	(397,666)	(295,290)	–	(1,176,644)
	$360,505,072	**69,244,004**	**185,618,830**	**96,616,364**	**711,984,270**

9. PROPERTY AVAILABLE FOR SALE

	October 31, 2014	October 31, 2013
Foreclosed property held for sale	3,335	86,506
Provision for foreclosed property	(3,335)	(76,506)
Balance, end of year	**-**	**10,000**
Provision for foreclosed property		
Balance, beginning of year	76,506	182,131
Loss on sale of foreclosed property	(81,532)	(230,479)
Provision for foreclosed property	8,361	124,854
Balance, end of year	**3,335**	**76,506**

10. PROPERTY AND EQUIPMENT

	2014					
	Land & parking lot	Buildings	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Cost						
Balance at October 31, 2013	2,154,305	15,984,381	1,516,615	1,437,519	65,471	21,158,291
Additions	63,575	211,863	105,620	348,793	–	729,851
Disposals	–	(14,087)	(46,759)	(1,570)	–	(62,416)
Balance at October 31, 2014	**2,217,880**	**16,182,157**	**1,575,476**	**1,784,742**	**65,471**	**21,825,726**
Accumulated Depreciation						
Balance at October 31, 2013	47,984	3,977,076	930,993	696,056	37,577	5,689,686
Additions	6,796	437,872	230,430	252,268	14,929	942,295
Disposals	–	(14,087)	(46,759)	(1,570)	–	(62,416)
Balance at October 31, 2014	**54,780**	**4,400,861**	**1,114,664**	**946,754**	**52,506**	**6,569,565**
Carrying amounts at October 31, 2013	2,106,321	12,007,305	585,622	741,463	27,894	15,468,605
October 31, 2014	**2,163,100**	**11,781,296**	**460,812**	**837,988**	**12,965**	**15,256,161**

	2013					
	Land & parking lot	Buildings	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Cost						
Balance at October 31, 2012	2,143,482	14,583,500	1,390,574	1,267,668	80,011	19,465,235
Additions	10,823	1,406,622	199,541	296,255	–	1,913,241
Disposals	–	(5,741)	(73,500)	(126,404)	(14,540)	(220,185)
Balance at October 31, 2013	**2,154,305**	**15,984,381**	**1,516,615**	**1,437,519**	**65,471**	**21,158,291**
Accumulated Depreciation						
Balance at October 31, 2012	42,036	3,567,225	777,283	612,961	35,032	5,034,537
Additions	5,948	415,592	227,210	209,499	17,085	875,334
Disposals	–	(5,741)	(73,500)	(126,404)	(14,540)	(220,185)
Balance at October 31, 2013	**47,984**	**3,977,076**	**930,993**	**696,056**	**37,577**	**5,689,686**
Carrying amounts at October 31, 2012	2,101,446	11,016,275	613,291	654,707	44,979	14,430,698
October 31, 2013	**2,106,321**	**12,007,305**	**585,622**	**741,463**	**27,894**	**15,468,605**

Assets under construction of $556,729 that was included in buildings in 2013 became available for use in 2014 and is being depreciated.

Assets under construction of $9,004 that was included in furniture and equipment in 2013 became available for use in 2014 and is being depreciated.

Assets with a cost of $1,974,009 (2013 - $1,625,847) included in property and equipment have been fully depreciated; however, they remain in use by the Credit Union.

11. INTANGIBLE ASSETS

	Software
Cost	
Balance at October 31, 2012	2,244,116
Additions	234,412
Disposals	(16,568)
Balance at October 31, 2013	2,461,960
Additions	3,815
Balance at October 31, 2014	**2,465,775**
Accumulated Depreciation	
Balance at October 31, 2012	1,027,834
Depreciation	312,957
Disposals	(16,568)
Balance at October 31, 2013	1,324,223
Depreciation	306,174
Balance at October 31, 2014	**1,630,397**
Carrying amounts	
At October 31, 2013	1,137,737
At October 31, 2014	**835,378**

Software under development of $41,186 (2013 - $37,371) is not yet available for use and therefore has not been amortized.

12. INVESTMENT PROPERTY

	Cost	Accumulated Depreciation	Carrying Amounts
Balance at October 31, 2013	143,884	128,581	15,303
Additions	–	4,709	(4,709)
Balance at October 31, 2014	**143,884**	**133,290**	**10,594**

	Cost	Accumulated Depreciation	Carrying amounts
Balance at October 31, 2012	220,986	169,049	51,937
Additions	–	36,634	(36,634)
Disposals	(77,102)	(77,102)	–
Balance at October 31, 2013	**143,884**	**128,581**	**15,303**

The Credit Union applies the cost model in the valuation of its investment property. The fair value of investment property is based on property tax assessments provided by the Village of Bassano, the location of the investment property. This property is unique in nature and comparable market data is difficult to establish. The fair value as at October 31, 2014 was $201,970 (2013 - $167,620).

The investment property that was held in the Village of Hussar has been demolished and the tenant relocated to premises attached to the credit unions office facilities.

The investment properties generated $20,000 of rental income in 2014 (2013 - $39,000). Direct operating expenses, including repairs and maintenance, that generated the rental income were $11,264 (2013 - $24,233).

Depreciation of investment properties for the current and comparative periods is calculated on a straightline basis over their estimated useful lives at a rate of 2.5%.

13. DEPOSITS FROM MEMBERS

	October 31, 2014	October 31, 2013
Demand deposits	437,995,048	417,706,877
Term deposits	281,623,486	285,970,511
RRSP	36,466,626	37,668,414
RRIF	11,034,780	11,879,610
Accrued interest	2,896,256	3,221,798
RESP	1,374,151	1,280,704
	771,390,347	**757,727,914**

The repayment of all deposits from members, including accrued interest, is guaranteed by the Corporation for which the Credit Union pays a deposit guarantee assessment fee.

Concentra Trust is the trustee for the registered retirement investment funds ("RRIF"), registered retirement savings plans ("RRSP"), and registered education savings plans ("RESP") offered to members. Under an agreement with Concentra Trust, members' contributions to these plans, as well as income earned on them, are deposited in the Credit Union. On withdrawal, payment of the plan proceeds is made to the members, or the parties designated by them, by the Credit Union, on behalf of Concentra Trust.

At October 31, 2014, the Credit Union has $12,461,599 (2013 - $10,329,271) of equity index-linked deposits from members. These term deposits have maturities of three and five years and pay interest to the depositors at the end of the term, based on the performance of various stock exchange indices. The embedded derivatives associated with these deposits are presented in deposits from members and have a fair value of $633,595 (2013 - $538,049).

14. BORROWINGS

The Credit Union has established an authorized overdraft of $16,200,000 that bears interest at Central prime minus 0.5%, including $1,000,000 US with Central that bears interest at US base rate plus 0.5%. Any borrowings in excess of 5% of the Credit Union's assets will carry a 2% interest premium. Balances outstanding at October 31, 2014 were nil CDN and nil U.S., respectively (2013 - nil).

The Credit Union has established a term loan of $25,364,000 with Central and bears interest at Central prime minus 1%. Any borrowings above 5% of the Credit Union's assets will carry a 2% interest premium. Balances outstanding at October 31, 2014 were nil (2013 - nil).

15. MEMBER COMMON SHARES

The Credit Union's common shares have the following characteristics:

i) An unlimited number may be issued;
ii) A par value of $1, but fractional shares may be issued;
iii) Transferable only in restricted circumstances;
iv) Non-assessable; and
v) Redemption of common shares is at par value and is at the discretion of the Credit Union, subject to the restrictions contained in the Act and Regulations and Credit Union By-Laws.

A membership in the Credit Union requires the purchase of a minimum of five (5) common shares. The Corporation does not guarantee common shares that represent "at risk" capital. Common share purchases can qualify for RRSP or RRIF status under the Canadian Income Tax Act and such shares are identified as RRSP common shares or RRIF Common Shares.

Dividends on shares may be declared by the Board of Directors, subject to availability of sufficient earnings to meet the regulatory requirements of the Act as described in Note 23. The Board of Directors declared a dividend equivalent to 5.0% on October 31, 2014 (2013 - 2.5%). This is to be paid subsequent to year-end based on the minimum monthly balance, by way of issuance of additional registered and nonregistered common shares.

16. ALLOCATION DISTRIBUTABLE

The Board of Directors declared a 5.0% dividend (2013 – 2.5%) in the amount of $2,243,503 (2013 - $1,055,707). The dividend consists of dividends on non-registered common shares in the amount of $1,229,451 (2013 - $581,752) and dividends on registered common shares in the amount of $1,014,052 (2013 - $473,955).

17. INTEREST INCOME

Interest income on loans to members is as follows:

	October 31, 2014	October 31, 2013
Residential mortgages	12,247,898	12,386,061
Consumer loans	3,530,862	3,440,077
Commercial mortgages	6,369,047	6,145,723
Agricultural loans	3,321,412	3,074,413
Commercial loans	1,962,509	1,952,032
Agricultural mortgages	1,087,747	1,128,000
	28,519,475	**28,126,306**

Interest and dividend income on investments is as follows:

	October 31, 2014	October 31, 2013
Held to maturity		
Term deposits	804,144	990,827
Available for sale		
Dividends on Central common shares	164,322	159,459
Central Patronage	392,753	1,798,124
	1,361,219	**2,948,410**

18. INTEREST EXPENSE

	October 31, 2014	October 31, 2013
Term deposits	5,384,653	6,120,240
Demand deposits	2,393,296	2,140,349
RRSP	713,176	814,675
RRIF	193,945	226,848
RESP	18,263	20,102
	8,703,333	**9,322,214**

19. OTHER INCOME

	October 31, 2014	October 31, 2013
Service charges, commissions and fees	2,780,967	2,687,826
Wealth management revenue	1,980,277	1,411,159
Prepayment of loan fees	927,491	883,800
Insurance commissions	284,805	306,114
Foreign exchange gains	307,312	336,102
Other	55,064	54,293
	6,335,916	**5,679,294**

20. PERSONNEL EXPENSES

	October 31, 2014	October 31, 2013
Short-term benefits	11,237,301	11,026,183
Post-employment benefits	656,461	645,202
	11,893,762	**11,671,385**

In addition, included in personnel expense is $270,534 (2013 - $456,699) of training and employee related costs.

21. INCOME TAXES

The following are major components of the income tax expense:

	October 31, 2014	October 31, 2013
Current tax		
Current tax expense in respect of the current year	1,146,910	1,169,573
Adjustments recognized in the current year in relation to the current tax of prior years	81,020	(726)
	1,227,930	**1,168,847**
Deferred tax		
Deferred tax expense (recovery) in the current year	(47,909)	(543)
Adjustments recognized in current year in relation to the future tax of prior years	(88,869)	954
	(136,778)	411
Total income tax expense	**1,091,152**	**1,169,258**

The provision for income taxes reported differs from the amount computed by applying the Canadian statutory rate to income before income taxes for the following reasons:

	October 31, 2014	October 31, 2013
Income before income taxes	4,880,855	5,306,912
Income tax expense based on statutory rate of 22.47% (2013 - 21.53%)	1,096,728	1,142,578
Effect of non-deductible expenses	1,179	3,772
Future tax rate change	9,588	21,178
Other	(8,494)	1,502
	1,099,001	**1,169,030**
Adjustments recognized in the current year in relation to the tax expense of prior years	(7,849)	228
Total income tax expense	**1,091,152**	**1,169,258**

Temporary differences that give rise to the following deferred income tax assets (liabilities) as at October 31 are as follows:

	October 31, 2014	October 31, 2013
Deferred income tax assets (liabilities)		
Property and equipment	(352,370)	(397,743)
Allowance for credit losses in excess of		
amount deducted for tax purposes	454,956	269,091
Provision for future obligations	–	94,460
Deferred income tax assets (liabilities), net	**102,586**	**(34,192)**

22. COMMITMENTS AND CONTINGENCIES

Credit commitments

To ensure that its members receive funds when needed, the Credit Union issues financial instruments with contractual amounts representing credit risk which carry the same requirements for collateral security as loans. It makes the following instruments available to its members:

- Guarantees and standby letters of credit represent irrevocable assurances that the Credit Union will pay if members cannot meet their obligations to third parties.

- Documentary and commercial letters of credit require the Credit Union to honor drafts presented by third parties upon completion of specific activities.

- Commitments to extend credit represent undertakings to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions and include recently authorized credit not yet drawn down and credit facilities available on a revolving basis.

These credit arrangements are subject to the Credit Union's normal credit standards and collateral may be obtained where appropriate. The contract amounts set out below represent maximum credit risk exposure to the Credit Union should the contracts be fully drawn, and any collateral held proves to be of no value. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts do not necessarily represent future cash requirements.

The Credit Union had the following credit commitments outstanding for October 31, 2014:

Guarantees and standby letters of credit commitments to extend credit with a maturity of:

1 year or less	$140,432,192
Beyond 1 year	$37,100,721

Non-cancellable lease commitments

The Credit Union has the following branch premises operating lease commitments:

2015	$77,360
2016	$55,160

Card loyalty

The Credit Union participates in a card loyalty program whereby members earn points redeemable for merchandise or travel. At October 31, 2014, the Credit Union's contingent liability if all points were redeemed would amount to $341,147 (2013 - $312,448). Based on experience, management estimates that 50% of the total outstanding points are likely to be redeemed in the future and, accordingly, has accrued a liability of $170,574 (2013 - $156,224) included in accounts payable in the statement of financial position.

Credit Card liability

The Credit Union participates in a credit card program whereby members are able to obtain with approval from the Credit Union, a credit card that the credit union guarantees re-payment to the credit card company in the event of default. At October 31, 2014, the Credit Union's contingent liability if all guarantees were called on would amount to $243,788 (2013 - $219,725).

Celero Solutions Inc.

The Credit Union has signed an agreement with Celero Solutions Inc., for a 10-year commitment effective April 1, 2007. The commitment involves a variable cost component for computer support and administration. Management estimates the commitment to be approximately $700,000 per annum, adjusted for inflation and growth of assets of the Credit Union.

Contingent liabilities

In the normal course of business, various claims and proceedings have been or may be instituted against the Credit Union. Management believes the disposition of the matters that are pending or asserted is not expected to have a material adverse effect on the financial position or the results of operations of the Credit Union. No provision has been provided for in the current year (2013 - $130,000) related to claims and proceedings.

23. CAPITAL MANAGEMENT

The capital in the Credit Union, as outlined below, totals $78,265,061 (2013 - $72,859,121). Capital is administered using a set of policies that have been approved by the Board of Directors. These policies were developed to ensure the Credit Union will be compliant with all legislative requirements of the Act as well as internal capital objectives. These policies are regularly reviewed and approved by the Board of Directors.

Actions in these policies include but are not limited to:

- Establishing limits in which patronage rebates and dividends are to be paid to ensure capital adequacy requirements adhere to legislation;
- Establishing guidelines for the redemption of common shares; and
- Reporting the capital position of the Credit Union on a frequent and scheduled basis.

Externally imposed regulations by the Act require the Credit Union to maintain capital equal to or exceeding the greater of:

- 4% of total assets; and
- 8% of risk weighted assets.

An additional regulatory requirement of capital equal to 2.5% of risk weighted assets will be phased in by 2015 as follows:

- 1.0% of risk weighted assets by the end of fiscal 2013.
- 2.0% of risk weighted assets by the end of fiscal 2014.
- 2.5% of risk weighted assets by the end of fiscal 2015.

In addition the regulator expects all credit unions to hold a capital buffer equal to 2.00% of risk weighted assets in addition to the capital levels described above.

The Credit Union has set long-range internal targets equal to the greater of:

- 10% of total assets; and
- 14% of risk weighted assets.

At October 31, 2014, the Credit Union has met the legislated requirements and recommended requirements by the Corporation as its capital adequacy position is:

- Capital as a percentage of risk weighted assets is 14.34% (2013 - 13.78%).
- Capital as a percentage of total assets is 9.16% (2013 - 8.71%)

Summary of quantitative data for the Credit Union's primary and secondary capital:

	October 31, 2014	October 31, 2013
Member common shares	46,531,634	44,349,516
Allocation distribution	2,243,503	1,055,707
Retained earnings	29,431,031	27,380,799
Collective allowance for credit risk	996,857	1,176,644
Deferred income tax liabilities	–	34,192
Less other intangible assets	(835,378)	(1,137,737)
Less deferred income tax assets	(102,586)	–
	78,265,061	**72,859,121**

24. RELATED PARTY TRANSACTIONS

Key management personnel ("KMP") are those persons having the authority and responsibility for planning, directing and controlling the activities of an entity. For the Credit Union, those consist of the President & Chief Executive Officer, Executive Vice President & Chief Operating Officer, Senior Vice President Finance, Vice President Regulations & Compliance and Vice President Credit. The remuneration of Board of Directors and other members of KMP is as follows:

	October 31, 2014	October 31, 2013
Director remuneration	208,064	179,092
Director expenses	30,595	27,767
KMP short-term benefits	1,254,013	1,113,033
KMP post-employment benefits	93,755	89,176
	$ 1,586,427	**1,409,068**

Amounts paid to directors range from $10,925 (2013 - $7,650) to $45,325 (2013 - $28,313) with an average of $20,558 (2013 - $16,013).

The Credit Union grants loans to its management and staff at preferred interest rates. Management and staff loans outstanding at October 31, 2014 are $16,822,887 (2013 - $16,932,342).

Loans granted to the Board of Directors are at consistent rates with loans outstanding at October 31, 2014 with the Board of Directors and are $1,630,581 (2013 - $908,792).

There was no allowance for impaired loans required in respect of the management, staff or Board of Director loans as at October 31, 2014 and October 31, 2013.

As at October 31, 2014, the Board of Directors, management and staff of the Credit Union have $4,621,104 (2013 - $4,849,721) in deposits with the Credit Union.

As at October 31, 2014, the Board of Directors and management of the Credit Union have $805,461 (2013 - $621,810) in member common shares with the Credit Union.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value

The amounts set out below represent the fair values of the Credit Union's financial instruments using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets that are not considered financial instruments, such as prepaid tax, property and equipment, intangible assets, deferred income tax assets and liabilities, and accrued employment contract benefits.

The estimated fair value amounts are designed to approximate amounts at which instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Because of the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

Rounded to nearest thousands:

	October 31, 2014			October 31, 2013		
	Carrying Value	**Fair Value**	**Fair Value Over Carrying Value**	**Carrying Value**	**Fair Value**	**Fair Value Over Carrying Value**
Cash and cash equivalents	13,476	13,476	–	13,135	13,135	–
Investments and accrued interest	91,598	91,599	1	88,962	88,970	8
Loans to members	730,068	732,159	2,091	714,630	715,755	1,125
Derivative financial assets	634	634	–	538	538	–
	835,776	837,868	2,092	817,265	818,398	1,133
Liabilities						
Deposits from members	771,390	771,390	–	757,728	757,728	–
Trade payables and accrued liabilities	3,812	3,812	–	5,049	5,049	–
Derivative financial liabilities	634	634	–	538	538	–
	775,836	775,836	–	763,315	763,315	–
	59,940	**62,032**	**2,092**	**53,950**	**55,083**	**1,133**

The following methods and assumptions were used to estimate the fair value of financial instruments:

i) The fair values of cash, other assets and other liabilities are assumed to approximate carrying values, due to their short-term nature.

ii) The estimated fair values for floating rate member loans and member deposits are assumed to equal carrying value as the interest rates automatically reprice to market.

iii) The estimated fair values of fixed rate member loans and fixed rate member deposits are determined by discounting the expected future cash flows of these loans and deposits at current market rates of products with similar terms and credit risks.

Fair value hierarchy
Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The only financial instruments carried at fair value are the derivative liability of $633,595 (2013 - $538,049) and the derivative asset of $633,595 (2013 - $538,049), which are both Level 2 financial instruments.

There has been no significant transfer of amounts between Level 1, Level 2 and Level 3 financial instruments for the year ended October 31, 2014.

26. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Credit Union is exposed to the following risks as a result of holding financial instruments: credit risk, liquidity risk and market risk. The following is a description of these risks and how the Credit Union manages its exposure to these risks.

Credit risk
Credit risk is the risk of financial loss due to borrowers failing to meet their financial obligations. Credit risk arises from both on and off statement of financial position transactions. The Credit Union's credit risk is significantly influenced by movements in the Alberta economy that in recent years has shown strong growth and occasional sharp declines. The loan portfolio is managed to ensure diversification. Further, policies and procedures are established to promote sound lending and underwriting practices and ensure prompt attention to problem loans.

The Credit Union employs a risk measurement process for its loan portfolio. Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. Risk is measured by reviewing exposure to individual borrowers and by reviewing qualitative and quantitative factors that impact the loan portfolios. Qualitative and quantitative analysis of a borrower's financial information are important factors used in determining the financial state of the counterparty.

Loan exposures are managed and monitored through facility limits for individual borrowers and a credit review process. These reviews ensure that the borrower complies with internal policy and underwriting standards. The Credit Union relies on collateral security typically in the form of a fixed and floating charge over the assets and underwriting of its borrowers. Credit risk is also managed through regular analysis of the ability of members and potential members to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Credit risk for counterparties in other financial instruments, such as investments and derivatives, is assessed through published credit ratings.

Loans to members that are past due but not impaired:

2014	Residential Mortgages	Consumer Loans	Commercial Loans and Mortgages	Agricultural Loans and Mortgages	Total
30 - 59 days	769,462	994,089	–	–	1,763,551
60 to 89 days	309,721	111,286	133,886	–	554,893
90 days and above	539,114	315,005	403,648	–	1,257,767
	1,618,297	**1,420,380**	**537,534**	**-**	**3,576,211**
2013					
30 - 59 days	232,964	433,112	2,394,924	–	3,061,000
60 to 89 days	1,338,589	367,279	–	–	1,705,868
90 days and above	411,750	145,512	309,442	79,571	946,275
	1,983,303	**945,903**	**2,704,366**	**79,571**	**5,713,143**

Breakdown of secured and unsecured loans is as follows:

	October 31, 2014	October 31, 2013
Secured loans	693,921,007	679,199,069
Unsecured loans	34,751,017	34,162,255
	728,672,024	**713,361,324**

The Credit Union also mitigates credit risk by obtaining quality collateral. The Credit Union considers collateral to be of good quality if it can determine the legal validity and market value on an ongoing basis. The Credit Union's internal policy provides additional information regarding the appropriate collateral based on the category of loan. Types of collateral generally obtained by the Credit Union are, but are not limited to, real and non-real property by way of mortgages and security agreements.

The Credit Union has exposure to groupings of individual loans that concentrate risk and creates exposure to particular segments. The maximum exposure to credit risk of loans to members is as disclosed in Note 8 and above.

Liquidity risk

Liquidity risk is the risk of having insufficient financial resources to meet either of the Credit Union's cash or of funding or statutory liquidity requirements.

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgment pertaining to current and prospective market conditions and the related behavior of its members and counterparties. The Credit Union manages liquidity by monitoring, forecasting and managing cash flows and the concentration of loans and deposits within approved policies. Management provides monthly reports on these matters to the Board of Directors.

The Act requires credit unions to maintain eligible assets for adequate liquidity. Assets held by the Credit Union for such purposes are outlined in the table below.

	October 31, 2014	October 31, 2013
Central statutory investments	60,700,000	60,070,000
Central common shares	8,363,000	8,070,000
Total assets held for liquidity	**69,063,000**	**68,140,000**

Contractual maturities of financial liabilities are shown under interest rate risk. The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

Interest rate risk

Interest rate risk refers to the potential impact of changes in interest rates on the Credit Union's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets or which are priced on a different basis. It is the policy of the Credit Union to keep exposure to interest rate fluctuations within limits set by the Board of Directors and by the Act.

The table below summarizes the carrying amounts of financial instruments exposed to interest rate risk by maturity dates and effective interest rates for the following on statement of financial position financial instruments (rounded to nearest thousands).

		October 31, 2014				
		Floating rate	**Within 1 year**	**1 to 5 years**	**Non-rate sensitive**	**Total**
Assets						
Cash and equivalents		11,118	–	–	2,358	13,476
Investments and accrued interest		8,363	82,954	32	249	91,598
	Effective yield	2.00%	1.00%	0.00%	0%	1.09%
Loans to members		242,401	108,560	377,711	–	728,672
	Effective yield	3.78%	3.50%	3.30%	0%	3.49%
Total		**261,882**	**191,514**	**377,743**	**2,607**	**833,746**
Liabilities						
Deposits from members		428,304	199,494	89,285	51,410	768,493
	Effective yield	0.63%	1.69%	1.53%	0.00%	0.97%
Trade payables and accrued liabilities		–	–	–	3,812	3,812
Total		**428,304**	**199,494**	**89,285**	**55,222**	**772,305**
Net gap		(166,422)	(7,980)	288,458	(52,615)	61,441
% of assets		-64%	-4%	76%	-2018%	7%

An analysis of the Credit Union's risk due to changes in interest rates determined that a 1% increase in interest rates, with all other variables held constant, would result in an increase in net income of $366,000 while a 1% decrease in interest rates, with all other variables held constant, would result in a decrease in net income of $1,169,000.

Market risk

Market risk is the risk of loss that may arise from change in market factors such as interest rates and foreign exchange rates. The Credit Union is exposed to this market risk in its investing and asset/liability management activities.

Exposure to this risk directly impacts the Credit Union's income from its loan to members, deposits from members and derivatives. The Credit Union's objective is to earn an acceptable return without taking unreasonable risk, while meeting member needs.

Foreign currency exchange risk

The Credit Union is subject to foreign exchange rate risk as the value of the Canadian dollar exchange fluctuates in relation to the foreign currency. At October 31, 2014, the Credit Union had net assets of $59,609 U.S. (2013 - $56,816 U.S.).

27. PRIOR PERIOD RECLASSIFICATION

An amount of $791,834 was reclassified from deposits to trade payables and accrued liabilities. Interest costs associated with this reserve of $431 were reclassified as a transaction cost against interest income on loans to members. The corresponding changes have been reflected in the statement of cash flows. These changes were made to conform to the current year's presentation.

28. SUBSEQUENT EVENT

Subsequent to year-end, on November 1, 2014, Chinook Credit Union Ltd. amalgamated with First Calgary to form Connect First Credit Union Ltd. ("Connect First"). Pursuant to the terms of the amalgamation, all members of First Calgary and the Credit Union exchanged their common shares and investment shares of the predecessor credit unions for shares of Connect First on a one-for-one basis.

The business combination will be accounted for using the acquisition method, with First Calgary acquiring 100% of the net assets of the Credit Union.

The new credit union will create new economies of scale that will drive enhanced profitability and the ability to invest in returns to members, enhance products and services, and support both local communities. Leveraging the best of both legacy credit unions, the core financial strategy for the new credit union will be to share resources across a larger asset base, expand lending opportunities across the region and retain a diversified, well-managed portfolio of assets.

Chinook

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