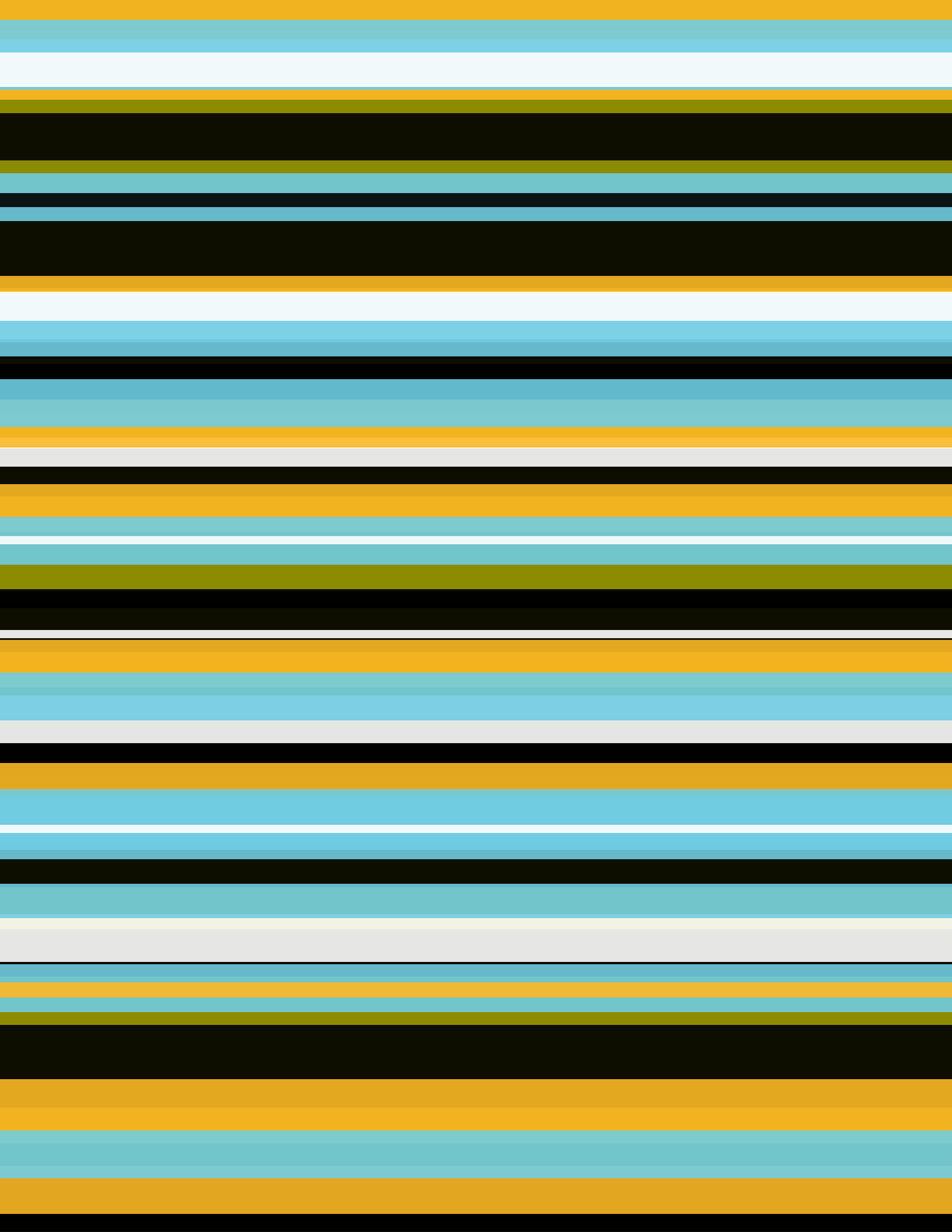
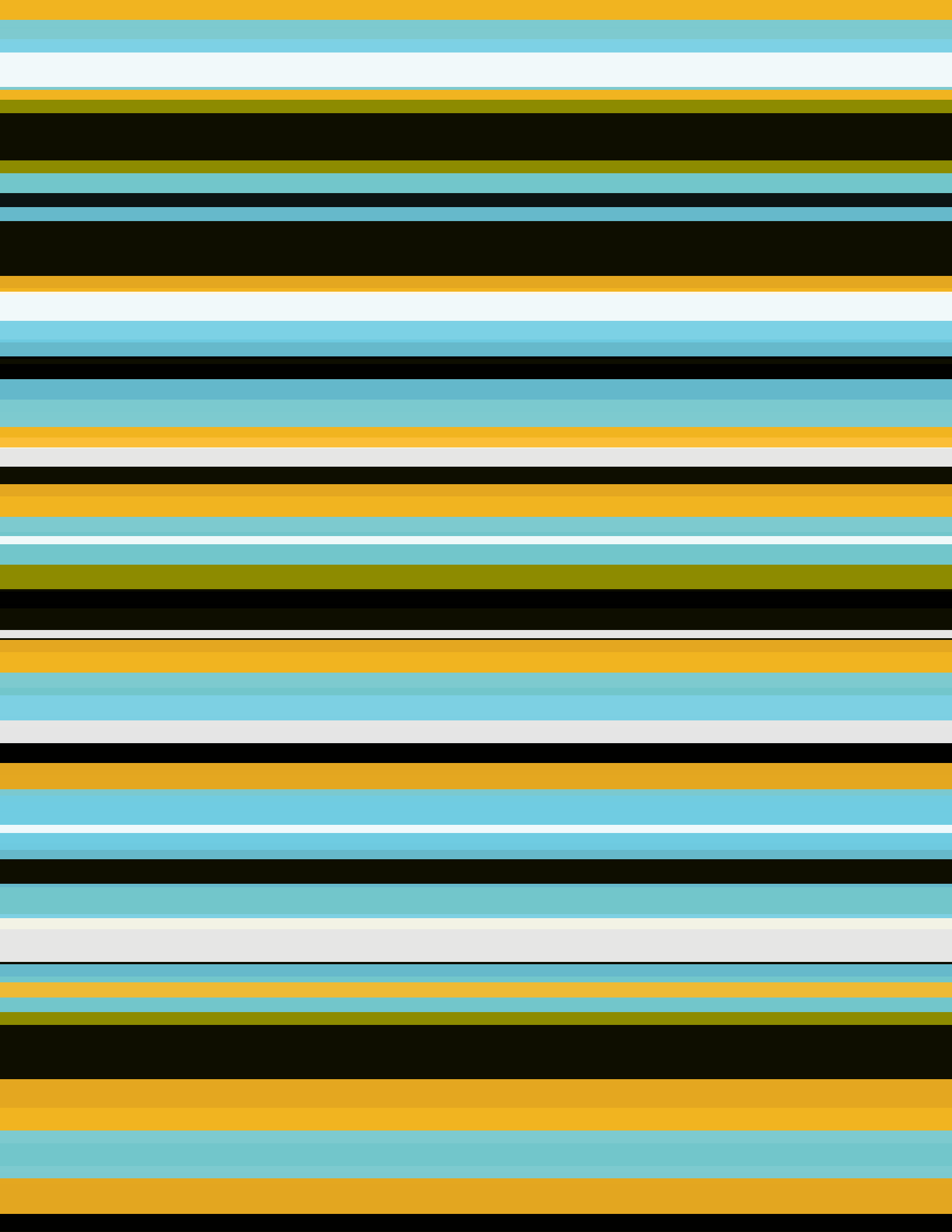


VISION
for value
and growth



annual report 2008





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On July 1, 2008, the long-planned merger of Credit Union Central of British Columbia and Credit Union Central of Ontario Limited was completed, with the two organizations combining as **Central 1 Credit Union (Central)**. This pioneering venture, the first to combine the operations of two provincial centrals, is a milestone that sets the stage for further consolidation within Canada's credit union system. ¶ From the 1940s onward, both partners have been dedicated to delivery of liquidity management, payments processing and trade associational services to credit unions in their respective provinces. Today, following the merger, these and other functions are performed more efficiently and advantageously by a single service organization. With streamlined decision-making, greater financial leverage and a broader scale of operations, Central is committed to maximizing value and growth opportunities for the nearly 200 independent credit unions it serves in British Columbia and Ontario.

This Annual Report focuses on Central's progress from the mid-year merger to year-end 2008, a period that coincided with worldwide economic upheaval. Despite challenging conditions, Central achieved or exceeded all of its financial and strategic targets, demonstrating the positive initial impact of the merger, as well as the benefits that can be expected in future years with fully integrated operations. ¶ Our narrative deals with Central's strategy as a catalyst for transformation and development. We present the goals expressed in Central's corporate vision, mission and values statements as building blocks that anchor and guide our strategic priorities and initiatives. Specific accomplishments that illustrate the strengths of the combined organization and the talents of our people are showcased as examples of Central's record in fulfilling — and often surpassing — member expectations during one of the most difficult years in the history of the financial industry.

For the credit union systems of British Columbia and Ontario, July 1, 2008 will be remembered as the day that their central organizations joined forces under the banner of Central 1 Credit Union. ¶ Our merger was unprecedented in the evolution of the Canadian credit union system, the first such combination of provincial central credit unions. ¶ Bringing together our two organizations had been the overriding priority of the boards of each central since our intention to unite was announced in October 2006. So it was most gratifying to see our intention become a reality, particularly in view of the obstacles presented by the challenging financial markets that had emerged in the meantime. ¶ With the combination, Central's 16-member Board is now drawn from two provinces. Joining the 11 Directors of Credit Union Central of British Columbia were five Directors elected at large by our Ontario membership.



Daniel A. Burns
Chairperson

Today, our Board of Directors represents nearly 200 credit unions, a big step forward in streamlining decision-making in the Canadian credit union system. ¶ Our first order of business was to set a new strategic direction. That started with a clear vision: **Relentless pursuit of value and growth, in partnership with credit unions — every day!** ¶ From that, we developed a mission statement and a strategic plan, including critical success factors and performance indicators, which are illustrated in this Annual Report. ¶ While our integration work continued at year-end, Central has been diligent in maintaining the quality of service that its member credit unions have come to expect, while focusing on achieving our strategic objectives. ¶ Central performed well in a difficult financial environment, and the Board was pleased to declare dividends at our policy rate of twice the average 90-day Treasury Bill rate. A dividend at an annualized rate of 5.76 percent for the first half of the year was paid to members of Central during that period; a dividend at an annualized rate of 4.13 percent was declared for the second half, covering the period following our combination. ¶ **The turmoil in global markets that erupted later in the year was felt throughout an increasingly inter-connected financial world. Central showed its leadership as liquidity manager for its members, making use of the expanded facilities offered by federal government agencies and encouraging prudent lending practices to address the system’s liquidity requirements.** ¶ Our deliberations during 2008 covered a range of measures aimed at enhancing the competitiveness of credit unions in serving both retail consumers and business operators. ¶ We also recommended that member credit unions continue their support of the Canadian Business Owner Strategy, as an effective method of increasing their market share among small and medium-size enterprises. ¶ It has long been a priority to maintain close relations with government, to ensure that the vital economic role of credit unions in their local communities is well understood by both elected representatives and our public service. The depth of that understanding was well illustrated by the British Columbia government’s decision to provide unlimited deposit insurance for the deposits with and non-equity shares issued by the province’s credit unions. ¶ **That decision, effective October 22, capped a remarkable year for Central, one that will stand for decades as a turning point in the credit union system’s development. Our vision to strengthen and streamline the system’s second tier of central organizations through consolidation has been mirrored by two like initiatives, as the Prairie and Atlantic centrals consider their own amalgamations. The Board of Directors of Central wishes them well in their endeavours.** ¶ The year also saw Don Rolfe assume the position of President and Chief Executive Officer on February 15. We thank Don for his leadership in guiding Central through the uncharted waters of the combination, and we thank management and staff for their extra efforts as Central expanded to a multi-site operation separated by three time zones. ¶ As our vision states, the essential role of Central is to create value for our members and promote their growth. We thank our member credit unions for their support of our vision and their confidence in Central’s Board as we pursue those aims, relentlessly.

president and ceo's message

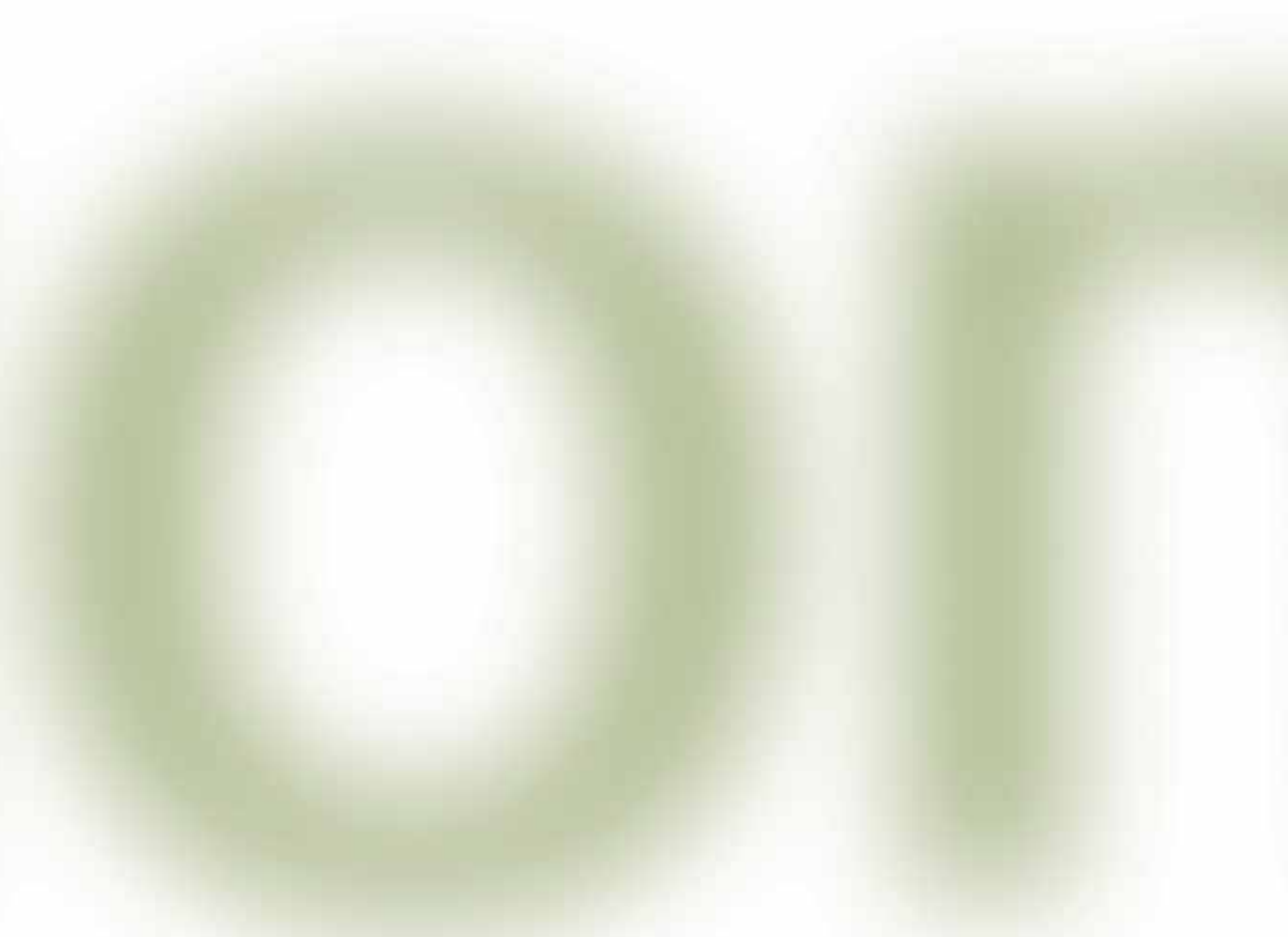
A sharp focus on our key strategic priorities guided Central 1 Credit Union through a successful year, under circumstances that were far from typical. On the one hand, we faced the challenges that can be expected when integrating two organizations. But this was compounded by the unanticipated turmoil in the world's financial markets, which tested our responsiveness to fast-changing conditions. ¶ Our priorities were clear – complete the merger of the B.C. and Ontario centrals, quickly develop a strategic plan, devise an effective organizational structure, set a comprehensive integration process into motion, build upon the existing relationships with regulators and strategic partners, and do so without losing sight of our financial and operational objectives. ¶ A new organizational structure was ready for Day 1, one that merged the strengths of the two centrals. In devising it, my aim was to build a framework that is flexible, promotes coordination among different functions, provides an effective span of control for each executive, creates a vibrant workplace that encourages staff engagement and – most important – ensures that our customers get the attention they deserve from each business unit. ¶ But structure by itself accomplishes nothing. It is people who give it life. So my deliberations focused as much on people as on boxes on an organizational chart. ¶ To work with me in pursuing the vision of Central 1, I selected an executive team drawn from the two founding centrals and elsewhere in the credit union system. I'm confident that their talent, experience and leadership will serve us well through the next steps in our evolution. ¶ The new executive team and I worked closely with the Board of Directors to create an effective strategic plan, with a freshly stated vision and mission to guide the organization. Explicit critical success factors were established to focus management and staff on the priorities to fulfill the mission, along with key performance indicators that are directly linked to financial and operational objectives. ¶ **To tackle the numerous and diverse tasks involved in integrating the two centrals, we took a coordinated approach to managing the process, which involves more than 80 distinct projects. This work is key to our future success and is overseen by a steering committee consisting of two senior executives and myself.** ¶ All of our efforts to integrate the two organizations are premised on building a solid foundation that will enhance our effectiveness and support future growth. Among the chief priorities are the integration of core back-office systems to boost efficiency and provide a scalable platform for growth. ¶ On the organizational front, we were quick to integrate the critical business functions at the two workplaces, with both the treasury and payments operations reorganized within months of the combination. ¶ A guiding principle of the integration process is that quality of service to our members will be maintained throughout. I'm pleased to report that we not only achieved that objective, but were able to deliver new value and expanded services to members and customers. ¶ As detailed elsewhere in this report, these included the provision of paper-

based and electronic clearing services to Atlantic credit unions, national leadership in preparing for the new Tax-Free Savings Account product and making enhancements to our *MemberDirect*® online services, through the addition of mobile banking and new inter-account transfer features. ¶ On top of these efforts, we faced the challenges of unprecedented market turmoil and a rapidly deteriorating economic climate. Our first priority was to continue providing sound financial stewardship to ensure the system's liquidity needs were met, a role that Central performed strongly. Beyond that, we supported credit unions throughout the turbulence, with the aim of maintaining member confidence in the system, drawing on our expertise in government relations, marketing and communications. ¶ The merger, integration and the year's financial and economic conditions placed unusual demands upon us. Despite this, Central met all of its operational objectives and performed well on the financial front, with net income approaching \$27 million. And I was particularly pleased that a survey of staff showed that employee engagement was maintained at the prior year's level. ¶ On a personal note, this was my first year with Central, and that represents a challenge in itself, quite aside from the unusual conditions. I'd like to thank the Board of Directors, my executive team and all of Central's management and staff for making that transition easier for me, and allowing me to focus on the top priorities while the essential day-to-day work was carried out to a high standard across the organization. ¶ Ultimately, our success will be measured by its impact in helping credit unions meet the needs of their members in a competitive marketplace for financial services. I look forward to working with all of our member credit unions to ensure that their central service organization fulfills its mission of creating value and supporting growth.

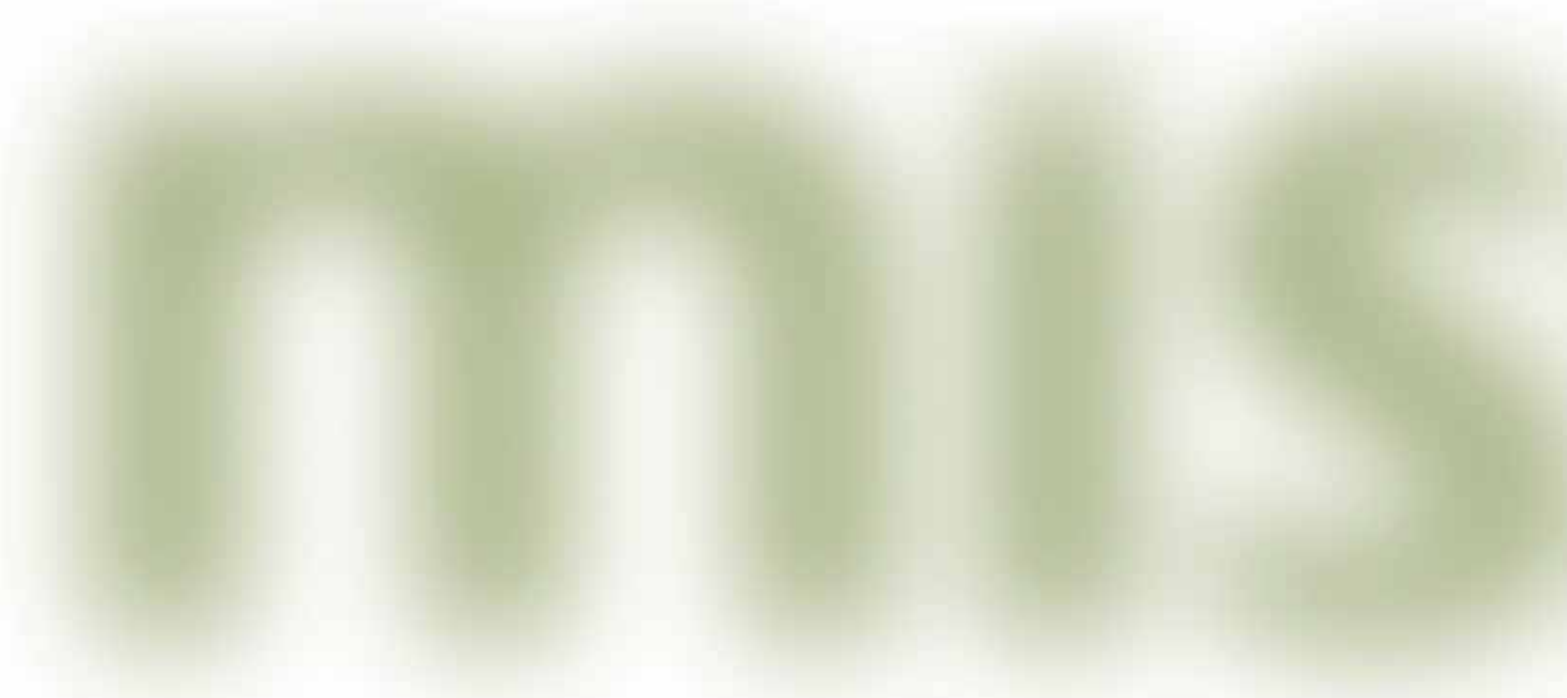


Donald J. Rolfe
President and Chief Executive Officer





relentless pursuit of value and growth, in
partnership with credit unions — every day!



Central 1 will be the preferred partner of credit unions, providing financial stewardship, fair value and competitive advantage. ¶ We will achieve our mission by being the preferred partner of credit unions requiring excellent products and services that demonstrate fair value and competitive advantage, and will consistently strive to exceed member expectations. We will demonstrate financial stewardship in managing assets and providing liquidity support to prudent and effective standards. ¶ A high performing team will deliver innovative solutions, leading-edge operational and technical support, and exceptional relationship management, guided by our principles and values. ¶ We will attract partners to Central 1. We will achieve above-average financial returns, and effective governance for the benefit of our members, staff, and other stakeholders.





- Integrity** We are true to our values; we act in a forthright manner and engender trust.
- Respect** We respect ourselves and others; we care about the organization, our colleagues and our members.
- Accountability** We take responsibility for our actions; we honour our commitments.
- Leadership** We are confident in our knowledge and insightful in the trends of our industry; we communicate, inspire and enable shared success.
- Cooperation** We value partnership; we listen, learn and collaborate.
- Innovation** We are entrepreneurial and offer creative solutions within regulatory boundaries; we evolve and advance for the benefit of our members.

CRITICAL SUCCESS FACTORS

KEY PERFORMANCE INDICATORS

Central evaluates its performance through achievements in the following areas:

These are the criteria by which Central measures each critical success factor:

Business Development

Broader range of products and services with clear segment-specific value propositions, delivered cost effectively to support member needs and the Central 1 brand.

Market penetration
Brand awareness
Revenue (by business line, segment, product, client)
Product ROI

Service Quality

Consistently meet or exceed credit union and partner service expectations with reliable and responsive service aligned to their needs.

Customer loyalty
Customer satisfaction
Internal client satisfaction

Partner Relationships

Strong relationships with credit unions, key business partners, and regulators to influence positive outcomes.

Customer loyalty
Regulator confidence
Central 1 image/brand awareness
Revenue growth
Partnership Growth

Technical and Business Processes

Highly effective business processes supported by integrated technology platforms and processes that make it easy for members to do business with us.

Competitive technology
Client satisfaction
Successful delivery of roadmap projects
Productivity ratio

Financial and Risk Management

Provide sound financial management to ensure system liquidity and manage returns within established risk parameters.

ROE
Margin
Net profit by line of business
Net Income
ERM dashboard

Financial value to credit unions
Capital to risk-weighted assets
Borrowing multiple

People and Infrastructure

Strong leadership and teamwork in a high-performing accountability culture, supported with the knowledge, skills and tools to effectively do our work.

Employee engagement
Culture measure
Leadership capability

member engagement

partnership growth

return on equity

revenue growth

net income

product return on investment

productivity ratio

employee engagement

brand awareness

The process of building Central 1 Credit Union (Central)

has coalesced under a far-sighted strategy for integrating the two founding centrals in British Columbia and Ontario into a single, cohesive organization with the service capacity and management depth to meet the current and future needs of nearly 200 credit unions in both provinces. Together, our shareholder credit unions, which we refer to as “the system”, serve over 2.9 million members through 835 branches and, at year-end 2008, had assets exceeding \$65 billion.

The adoption of Central’s Strategic Plan, soon after completion of the merger, was a critical milestone in our 2008 achievements. From the start, the plan provided guidance and motivation for Central’s newly integrated staff by defining operating goals, priorities and objectives,

along with precise indicators to measure performance.

Central's vision, mission, critical success factors and key performance indicators are graphically illustrated earlier in this report to highlight the various building blocks of our strategy. All elements derive from the Vision Statement, which is the cornerstone of Central's operating philosophy: *relentless pursuit of value and growth in partnership with credit unions — every day!*

From this vision, Central developed other layers of the plan. The Mission Statement, which defines our business and performance goals, led, in turn, to identifying the six factors considered to be critical to

success — business development, service quality, partner relationships, technical and business processes, financial and risk management, people and infrastructure. Each of these was translated into well-defined strategic objectives to be pursued in the year ahead.

Central's accomplishments in 2008 illustrate the success of the Strategic Plan in directing resources toward the pursuit of value and growth for the system. The record shows that Central has emerged as a strong, forward-looking organization, capable of leading our members and partners to new levels of productivity — while, at the same time, providing calm, competent stewardship in a time of economic crisis.

**PROACTIVE STRATEGY
PROMOTES SYSTEM
STABILITY**

Given the market conditions we faced in 2008, Central took a deliberately proactive approach to its primary responsibility for liquidity management. It's gratifying to report that our year-end results show the strategies we employed were effective. Not only did Central perform strongly as manager of its own financial resources, but our stewardship ensured that the credit unions we serve had consistent access to funding to meet the loan demands of their members.

We employed a variety of tools in our strategy, including expanding access to the Canada Mortgage Bond Program and working with member credit unions to adjust lending activities to more closely match system funding capacity. We also broadened access to liquidity through various new funding facilities offered by the Bank of Canada and Canada Mortgage and Housing Corporation to financial market participants.

I should emphasize that our success in providing the level of stability the system required involved more than expertise in liquidity management. We had major contributions from Central's personnel in government relations, marketing and communications – and, most importantly, unswerving support and cooperation from our member credit unions.

It was a strong start for Central, and a showcase for the advantages of team integration.

– Charles Milne,
Vice-President, Treasury and Funding Services

With increasing turmoil in the markets during the course of the year, Central's leadership in financial management was in the spotlight. Given the credit squeeze, our priority was to maintain the system's liquidity and lending capacity, which required a prudent, but proactive, approach to investment activity and strategy. Central's performance in this role is a prime example of how we deliver value. We ensured system liquidity through judicious use of expanded facilities offered by external funding sources – and supported our strategy with intensive communications that enhanced confidence within the credit union community at all levels.

Central continued to contribute leadership and expertise in efforts to manage the financial crisis, with our Chief Operating Officer representing Central, Saskatchewan Central and Credit Union Central of Canada (CUCC) in the restructuring of third-party asset-backed commercial paper through the “Montreal Accord” of the Pan-Canadian Investors Committee. In addition

to these key activities, Central’s financial management team continued to pursue business and partnership opportunities, such as those achieved in our ongoing contract to provide treasury services to Newfoundland & Labrador Credit Union.

Meanwhile, Central’s government relations team helped set the stage for a regulatory milestone that promises to strengthen the financial position of credit unions in British Columbia. In 2008, the provincial government moved to provide unlimited deposit insurance for B.C. credit unions. This significant competitive benefit is expected to generate increased public awareness and growth in member deposits.

The year saw the first commercial paper ratings of the merged organization by independent credit rating agencies, with Standard & Poor's and Dominion Bond Rating Service both confirming the ratings for short-term, long-term and subordinated debt that had previously been awarded to Credit Union Central of British Columbia.

**MORE INNOVATION FROM
MemberDirect ONLINE SERVICES**

Business development is a critical goal in Central's technology operations. We're continually building and refining our *MemberDirect* product line to boost market opportunities for credit unions, as well as to generate revenues for Central. Over the past seven years, we have become the number one supplier of web banking services to Canada's credit unions. And the streamlining that's occurring with post-merger integration will allow us to concentrate even more resources on developing market-competitive products.

In 2008, we launched three new services under the *MemberDirect* umbrella. Mobile Banking, in particular, is proving to be an important new line of business for Central. Through the efforts of our product development team, credit unions became the first financial institutions in Canada to feature mobile banking via SMS Text Messaging — and, by year - end, the service was accessible to over 90 percent of credit union members in British Columbia. Central raised awareness of the product with a successful media campaign in B.C. We also added value to our menu with the introduction of Inter-Institution – or “Me-to-Me” – transfers and a convenient *Interac* Email Money Transfer service.

Technology plays a primary role in developing business with external clients. In 2008, we celebrated a major win with a contract from a large Canadian retailer to develop and manage a new website for its 4 million credit card holders, using *MemberDirect* software. This is Central's largest external contract to date – and an indicator of our prospects for the future.

— Oscar van der Meer
Chief Technology & Payments Officer

Business development is a critical focus for all of Central's operating units. We target multiple objectives to enhance value and economy for our core credit union clients and increase customer satisfaction with our range of products and services. High-profile achievements in new business development often originate with Central's technology operations as a result of continuous research and development, coupled with commitment to innovation. Ongoing expansion of the products offered through our proprietary *MemberDirect*[®] web banking service provides growth opportunities for our client base as well as increased revenue for Central. *MemberDirect* Services, which now commands 80 percent of the Canadian credit union market, has also developed an enviable record as a provider to external clients.

In 2008, after pilot testing in co-operation with several B.C. credit unions, we introduced an advanced version of mobile banking and two innovative money transfer services, as part of the *MemberDirect* package. All received

enthusiastic uptake in the credit union market. And, a landmark contract for website development from one of Canada's largest national retailers established a new benchmark in external business development.

Integration of business functions, systems, services and people was a top priority in 2008. We took a coordinated approach to the range of activities involved in integration, concentrating on building a foundation to support system growth, while maintaining quality and enhancing the value of the services we deliver.

Even before our merger, the centrals in British Columbia and Ontario were working together to provide efficient, economical clearing services to credit unions in the Atlantic provinces through their respective centrals. Now, in our post-merger environment, I think it's accurate to describe the Atlantic clearing project as an example of how we used teamwork and entrepreneurialism to achieve strategic goals in both business development and partner relationships.

Our project began in 2007, when the Atlantic centrals were seeking an alternative to their existing supplier and required a cost-efficient service provider, capable of supporting their needs and those of their member credit unions for cheque and AFT clearing. We were able to meet those requirements in 2008 through a collaboration in which Ontario provided clearing for paper based items, while B.C. handled AFT transactions. Our approach demonstrated the benefits of doing business with Central and the positive impact of integration by making maximum use of payments expertise and capabilities in both provinces. As a result of this project, we increased internal revenue while delivering exceptional value and economy to the Atlantic centrals and their members.

This arrangement with our Atlantic counterparts marks the first time in history that all centrals in Canada are processing and clearing payments items under the national system umbrella. I see it as a major step forward in credit union service consolidation – and a strong indication of what Central 1 can accomplish in the future.

*Susan McNulty,
Vice-President, Policy & Strategy*

Among the first operations to be reorganized were Central's payments services. In this critical function, the stage was set prior to the merger, when the two founding centrals had joined in an interprovincial alliance to serve the needs of their counterparts in Atlantic Canada.

Streamlined under the framework of the merger, Central's payments team is setting new performance standards by maximizing the capabilities of personnel in both provinces. Targeting critical goals in business development, service quality, partner relationships and technology, Central's payments operations exemplify the benefits of integration, and serve as a model for system-wide service consolidation.

In the competitive arena in which credit unions operate, cooperative effort is also essential in product delivery and marketing. In 2008, Central's financial services team took the lead in coordinating a national initiative to lay the groundwork for offering the new Tax Free Savings Account (TFSA) by credit unions across Canada. As a result of his leadership role with CUCC's TFSA Task Force and in other promotional and training projects, Central's Manager, Financial Services is recognized nationally as the credit union expert in all aspects of this important personal savings vehicle. Through the contributions of the manager and his dedicated team, Canada's credit unions have the tools to make it easy and convenient for members to open these accounts based on solid knowledge of the product.

NATIONAL LEADERSHIP IN NEW PRODUCT LAUNCH

Central was off to a strong start following the merger, often surpassing performance goals in pursuit of value and growth for member credit unions. Fully focused on the needs of the system, we provided structure, service and stability through a period of unprecedented challenges. With ongoing integration, we are positioned to offer increasingly powerful support as we move with our members into the future.

In preparing for the launch of the new Tax Free Savings Account (TFSA), Central's Financial Services team had the opportunity to provide leadership and promotional support, as well as financial value, to our members.

I represented Central on the national *ad hoc* TFSA Task Force, formed by Credit Union Central of Canada (CUCC) to research the product and raise awareness within the system prior to its introduction in the 2008 Federal Budget. We used a variety of media to deliver the message, including presentation of six live national webinars to capacity credit union audiences. That webinar is now hosted on the CUSOURCE website, where we also contributed to online TFSA training for front-line employees.

Our team created a TFSA leaflet for national distribution, which credit unions purchased in volume through CUCC and is now in its second printing. We produced a comprehensive brochure for retail consumers — *Understanding the TFSA: Your Guide to Tax-Free Savings Accounts*. After its initial uptake by credit unions in B.C., we required a second run to fill orders from across Canada.

As trustee of registered plans for our members in B.C., Central developed the administrative framework for offering credit union TFSAs in the province. Our TFSA program provides credit unions in British Columbia three options for participation and, at year-end, we had signed agreements with nearly 90 percent of our members.

Current legislation doesn't allow Central to provide trustee services in Ontario. But the national coordination we saw in this effort shows that consolidation of product delivery is a sign of the system's future

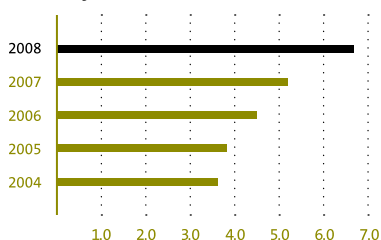
*Bob Perfonic,
Manager, Financial Services*

Financial Review - 2008

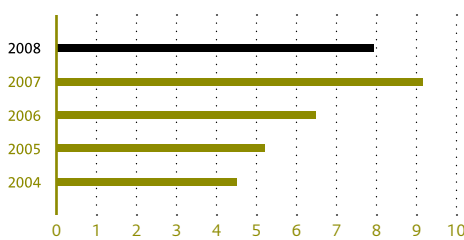
COMPARATIVE HIGHLIGHTS – CENTRAL 1 CREDIT UNION

<i>(Millions of dollars)</i>	2008	2007	2006
Balance Sheet			
Total Assets	8,557.78	5,662.18	5,177.09
Liquid Assets	5,431.30	3,810.28	3,548.41
Loans	2,425.95	1,482.98	1,416.04
Deposits and Notes	7,464.41	5,192.15	4,630.54
Subordinated Debt	50.68	49.67	49.81
Equity	434.60	269.91	262.80
Earnings			
Net Interest Margin	47.10	31.12	25.76
Other Income	73.89	52.67	49.92
Operating Expense	83.46	58.57	55.60
Unusual Items	(2.44)	2.01	(0.17)
Net Income	26.56	24.40	16.60
Statistical Information			
Average Assets	6,611.28	5,083.59	4,481.92
Interest Margin – % average assets	0.71%	0.61%	0.57%
Interest Margin & Trading – % average assets	0.67%	0.66%	0.61%

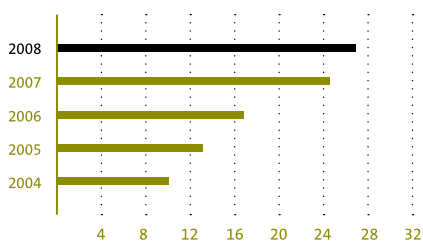
AVERAGE ASSETS
(Billions of dollars)



RETURN ON AVERAGE EQUITY
(%)



NET INCOME
(Millions of dollars)



LIQUID ASSETS
(Billions of dollars)

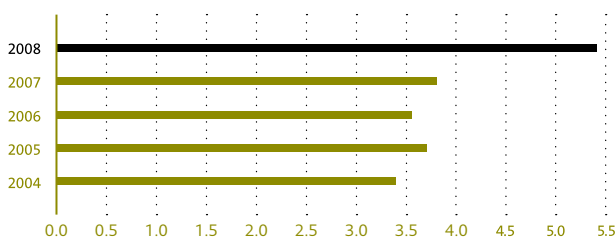


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MANAGEMENT'S DISCUSSION & ANALYSIS

As at February 15, 2009
except for revisions as explained in Note 2 of the financial statements which are as at May 8, 2009

OVERVIEW

This section of the Annual Report of Central 1 Credit Union (Central) provides a discussion and analysis of its financial condition and results of operations for the 12 months ended December 31, 2008, compared to those of the prior two years.

Effective June 30, 2008, Credit Union Central of British Columbia changed its name to Central 1 Credit Union (Central). On July 1, 2008, Central purchased substantially all of the assets and assumed substantially all of the liabilities of Credit Union Central of Ontario Limited (CUCO). As of that date, Central manages the liquidity reserves of member credit unions in both British Columbia and Ontario. The results of the operations acquired from CUCO have been included in Consolidated Financial Statements for the same period.

The results presented in this management discussion and analysis and in the financial statements that follow are reported in Canadian dollars and are based on the significant accounting policies summarized in *Note 4* to the financial statements. Certain comparative amounts have been reclassified to conform to the current year's presentation. Additional information on Central, including its Annual Information Form, may be found on the Canadian Securities Administrators' website at www.sedar.com.

These documents may also include statements about the credit union system in British Columbia and Central's member credit unions in Ontario, the latter of which are collectively identified as the Ontario credit union system. In the charts and discussion presented in this report, the two provincial systems are individually referred to as the "British Columbia (or B.C.) credit union system" and the "Ontario credit union system." Where the term "system" appears without regional designation, it refers to Central's total membership, encompassing credit unions in both provinces.

Financial information for the British Columbia system has been provided by the Financial Institutions Commission of British Columbia (FICOM), the provincial credit union regulator. Financial information for the Ontario system has been provided by the Deposit Insurance Corporation of Ontario (DICO), which makes available reports on information it receives from Ontario credit unions. Central has no means of verifying the accuracy of information provided by credit unions to FICOM or DICO or the subsequent compilation of that information by FICOM and DICO.

Business Profile

As the primary financial facility and trade association for the networks of independent credit unions in British Columbia and Ontario, Central provides leadership, support and a multitude of services to its member/owners. Together, Central's member credit unions, which numbered 48 in British Columbia and 148 in Ontario as at December 31,

2008, operate over 800 branches and deliver a wide range of financial services to more than 2.9 million members.

Central's services to members generally fall into three distinct categories: 1) centralized liquidity and funding services; 2) technology and payment services; 3) government relations and trade services.

Centralized liquidity and funding services are fundamentally concerned with managing the system's statutory and excess liquidity reserves and fostering its growth, which involves lending funds to credit unions, accessing capital markets for short-term and long-term funding, and coordinating and administering securitization programs. Central also provides foreign exchange services, derivatives capabilities and other ancillary treasury, funding, and lending services.

Central's payment and settlement operations encompass processing paper items and electronic transactions such as Electronic Funds Transfer (EFT) and Electronic Data Interchange (EDI) payments on behalf of member credit unions. Central also provides other centralized payment services, including domestic and foreign wire transfers. Central is a member of the Canadian Payments Association (CPA) and clears items through the Canadian credit union clearing group, which is represented in the Canadian payments system by Credit Union Central of Canada (CUCO).

Central's technology personnel develop and deliver electronic Internet banking products and e-commerce technology, not only for member credit unions in British Columbia and Ontario but for credit unions and other financial institutions across the country. Under the *MemberDirect*[®] umbrella, Central provides credit unions with both the personal electronic banking services they offer to their individual members and business-to-business products for small and medium-size enterprises.

Central is the primary spokesperson for the British Columbia and Ontario credit union systems, identifying and promoting dialogue on issues, providing government relations and legislative representation and promoting the system's collective interests with all levels of government.

In other aspects of its trade association role, Central delivers operational support, strategic consulting and research services tailored to the needs of member credit unions. Among these services are strategic planning, research and analysis, insurance, project management and compensation advice.

While Central's primary focus is on servicing member credit unions, Central is expanding the scope of its business to provide services to credit unions and other centrals across Canada, particularly in the consulting and payments areas. In addition, Central continues to build and diversify its external client base through contracts to provide payments processing and technology services to financial institutions,

retail organizations, government and crown corporations. The benefits resulting from increased volumes and fees flow through to member credit unions via lower direct fees on certain products or through higher dividends paid by Central.

Factors that May Affect Future Results

There are numerous factors, many beyond Central's control, that could cause results to differ from expectations. Some of the major factors are identified below. Other factors, including credit, liquidity, market and appreciation risk, are described elsewhere in this document. The following discussion of factors that may influence future results is not exhaustive. In addition, this discussion may include forward-looking statements with regard to 2009 and beyond, which, by their nature, involve some risk with regard to accuracy. Where forward-looking comments appear, they should be interpreted in the context of this uncertainty.

Industry and Non-Corporate Factors

As the wholesale financial services provider to member credit unions, Central is affected by prevailing economic and business conditions in Canadian capital markets, including the impact of the continuing volatility in the financial markets and lack of liquidity in credit markets. Factors such as interest rates, inflation, consumer spending and business spending not only impact residential real estate lending – the primary lending activity for B.C. and Ontario credit unions – but also influence demand for the majority of other credit union products and services.

Although Central and its member credit unions have excellent working relationships with all levels of government and with regulators, changes in statutes, regulations and regulatory policies that govern the financial industry's activities could affect results for Central and the system. In addition, while Central takes what it believes to be reasonable measures to ensure compliance with governing statutes, laws, regulations and regulatory policies in the jurisdictions in which it conducts business, there can be no complete assurance that Central will always be in compliance. Hence, it is possible that Central could be subject to fines or other costs that could damage Central's reputation and have an adverse effect on earnings.

Central's earnings are affected by the monetary policies of the Bank of Canada and, to a lesser extent, by those of the U.S. Federal Reserve system. Monetary policy decisions determine the level of interest rates, which, in turn, have a significant impact on earnings. Central manages its balance sheet in a reasonably risk-neutral manner, one in which the interest rate exposures of assets and liabilities are mostly matched, with the residual assets that represent the investment of Central's equity spread across terms of up to seven years.

Consequently, a prolonged period of low rates would tend to reduce net interest income earned on Central's non-trading portfolio, while increasing the value of its longer-term assets. Conversely, an increase in interest rates would produce an increase in net interest income, while decreasing the value of Central's longer-term assets.

The interest rate differential, or spread, between Government of Canada securities and those issued by other participants in fixed income markets also affects Central's earnings. Central earns income from accepting credit union statutory deposits at rates based on Government of Canada securities and investing in securities issued by the Government of Canada, other levels of government and corporations. To the extent that spreads change, Central's net interest income would be affected.

System-Specific Factors

Demand for Central's products and services reflects the needs of credit unions and their members. Thus, the system's performance and competitive positioning in the marketplace are critical to Central's long term success. For example, statutory credit union deposits are a function of system assets, whereas loans to credit unions are driven by consumer lending at the retail level. Consumer usage also dictates payment volumes.

There is strong competition for members/customers among Canada's financial services providers. The degree of such competition may have an impact on the performance of Central and the system. Although credit unions enjoy strong member loyalty, retention is influenced by their ability to deliver products and services at competitive price and service levels vis-à-vis other financial institutions. Non-financial companies can also offer members a range of competing service and product options.

Corporate-Specific Factors

Ongoing mergers within both provincial systems have resulted in fewer but larger credit unions and a disparity between the relative asset size of Central and some of its members. This presents a challenge to Central in maintaining its ability to deliver the breadth of financial services required by these large, steadily growing organizations. However, on July 1, 2008, Central achieved significant growth and greatly narrowed this disparity, as a result of its merger with CUCO.

The business combination was structured as a purchase and sale transaction, with Central acquiring substantially all of the assets and assuming substantially all of the liabilities of CUCO. CUCO provided wholesale financial and trade services to member credit unions in Ontario similar to those provided by Central to British Columbia credit unions. As part of the

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transaction, 148 credit unions in Ontario became members of Central. These credit unions contributed capital to Central by subscribing for Class A shares and contributed surplus to ensure that Central continued to be well capitalized. As a result of the merger, Central's assets increased to over \$8.5 billion, the majority of which consist of highly rated liquid securities or loans to member credit unions, in keeping with Central's role as the liquidity manager for its member credit unions. Although Central has acquired some syndicated commercial loans from the merger with CUCO, there has not been a substantial change in Central's overall risk profile.

Integration risks of harmonizing the Ontario and British Columbia operations are relatively low and should not represent a major disruption to Central's operations. However, integration of the two organizations is inherently a complex and time consuming process, which has the potential to disrupt Central's business if not completed in a timely and efficient manner. The integration process involves a number of risks and challenges, including the possibility that resources may be diverted from regular business opportunities and operations. Failure to effectively complete the integration in a timely manner could adversely affect the business and future operating results of the combined organization.

Contracts to extend payment and technology services to other organizations have enabled Central to stabilize and reduce overall costs for member credit unions. Continued expansion of its customer base for such services is considered a factor in Central's ability to realize profitability improvement in these areas.

Central is exposed to operational and infrastructure risks. Given the high volume of transactions Central processes on behalf of its members and external organizations, shortcomings in its internal processes could lead to financial and reputational damage. Furthermore, although Central has contingency and business continuity plans, its ability to conduct business could be adversely affected by disruptions in the infrastructure required to support its business.

Risk Management

During 2008, Central's assessment of risk, at the corporate level, was largely directed to ensuring that the controls associated with the disclosure of public information were adequate. This involved an assessment and testing of entity level, disclosure, operational and information technology controls as they relate to the effectiveness of Central's disclosure controls. Central determined that these controls provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. Because of the July 1, 2008 merger of Central with CUCO, the assessment and testing of controls was confined to those systems and operations that

were in place in B.C. prior to completion of that transaction. The systems and operations in place in Ontario will be documented, assessed and tested prior to September 1, 2009.

In 2007, Central obtained certification under ISO 27001, an internationally recognized standard for information technology security over the *MemberDirect*[®] suite of operations. During 2008, the scope of the certification was successfully expanded to include a significant portion of the others areas of business. The remaining business areas and Ontario region are expected to be brought into scope within two years. The process for maintaining certification requires a semi-annual on-site audit by the certification body and that Central maintain a robust Information Security Management System (ISMS). The ISMS requires Central to design, implement and maintain a coherent suite of processes and systems for effectively managing information accessibility, thus ensuring the confidentiality, integrity and availability of information assets and minimizing information security risks.

Central's management, with the support of the Audit Committee, continues to undertake rigorous testing of the effectiveness of internal controls over financial reporting. Although this testing is not mandated by current securities commissions' requirements, Central continues with this process as it provides a further layer of assurance on the control framework surrounding financial reporting.

CUCC, Central, and the other provincial central credit unions that participate in the Canadian clearing system through CUCC also take part in a Clearing Risk Committee, which oversees risks related to new payment technologies and businesses.

Based on assessment of its risk profile, Central addresses the categories of risk noted above at the corporate and operational policy levels. Central's operational policies are the subject of internal review by senior management, Board committees and the Board of Directors. The Audit Committee has overall responsibility for the adoption, implementation and adherence to enterprise risk management guidelines and oversees the quality and effectiveness of Central's policies and procedures. In addition, these policies are scrutinized in external reviews by both provincial and federal regulators and reviewed as part of Central's internal audit process. To augment these ongoing measures, Central engages external consultants with the requisite technical expertise to review and evaluate new or substantially revised processes, systems and policies.

It is the role of Central's Disclosure Committee to ensure that all material financial information, as defined in Central's Disclosure Policy and released by Central to its members, to investors in its securities, and to regulatory authorities, is accurate, complete, and presents fairly the financial position

of Central and the results of its operations, in all material respects. All such information is required to be disclosed in a timely manner, and in a format in accordance with the requirements established by applicable laws and regulatory authorities. The committee is accountable to the Chief Executive Officer (CEO) and, through the CEO, reports to the Audit Committee of the Board of Directors.

Central's approach to managing and mitigating specific types of risk is as follows:

Credit Risk

Credit risk is the risk of financial loss resulting from the failure of a debtor, for any reason, to fully honour financial or contractual obligations. Credit risk arises from traditional lending and investment activity and from settling payments between Central and its counterparties associated with both on- and off-balance sheet financial instruments.

Credit risk associated with Central's credit union lending portfolio is minimal, as member credit union loans are fully secured and Central has never experienced a loss on any of these loans.

Involvement in commercial lending has been restricted to syndications originated by member credit unions under the Loan Syndication Program in response to the needs of local members. Commercial loans are evaluated by a skilled commercial lender and are subject to review by an objective Credit/Delinquency Committee. A credit scoring system is used to quantify and evaluate the risks inherent in proposed credits. Annually, the status of each credit is reviewed in the same manner as a new credit proposal.

The Credit/Delinquency Committee is responsible for monitoring problem loans, ensuring that appropriate action is taken and that allowances are adequate to cover potential losses. Specific allowances are established for exposures based on analysis of individual accounts to reduce the carrying value of an impaired loan to its estimated realizable amount. General allowances for loss are also established to absorb probable credit losses on the aggregate exposures in each of Central's business lines for which losses are not yet specifically identified on an item-by-item basis.

Investment credit risk is carefully managed by imposing strict requirements on the credit quality of each issuer of securities and on derivative counterparties. Credit risk in settlement operations is mitigated by the taking of security or by ensuring that the counterparty is of high credit quality.

In managing credit risk exposure, Central's policies establish limits for acceptable levels and areas of credit risk, establish clearly defined accountabilities for decision-making and determining credit worthiness, and provide for diversification to avoid excessive risk concentrations. These policies involve adherence to a number of key procedures, including:

- application of sound, stringent lending and/or funding criteria to all assets prior to their acquisition;
- credit reviews by internal management, and if required by policy, either a Board-appointed committee or the Board, itself, before funding is extended;
- once funding is approved, ongoing credit risk evaluation and assessment;
- diversification of assets to reduce credit exposure to issuer and industry concentration, with all loan and securities credits being subject to individual and related group limits;
- continuous review of the criteria used to establish credit approval, and the immediate reduction in credit limit approval if market or other conditions indicate that a deterioration in credit quality has occurred or is likely to occur; and
- appropriate pricing of approved credits to ensure that adequate compensation is received for the risk incurred.

Liquidity Risk

Liquidity risk is the risk of being unable to obtain funds at a reasonable price or within a reasonable time period to meet obligations as they come due. As manager of its own liquidity and that of its member credit unions, Central is responsible for ensuring that managed assets are available to meet its own needs, together with those of the system. Central is also the manager of national liquidity under the terms of the National Liquidity Fund Agreement (NLFA), an agreement by which participating central credit unions have agreed to provide liquidity to one another under certain conditions.

The key elements of Central's liquidity risk framework are:

- **Funding Diversification** -- Central strives to diversify its funding liabilities by source, type of depositor, type of instrument and term.
- **Core Liquidity** -- Central maintains a pool of highly liquid securities that can be readily sold or pledged to secure borrowings under even stressed market conditions. Central also maintains liquid securities to support system obligations in settlement, payment and clearing systems.
- **Stress Testing** -- Central performs stress testing on a regular basis to evaluate disruptions on Central's and the systems' liquidity positions.
- **Measurement and Modelling** -- Central in conjunction with key credit unions in the system measures and models system liquidity on a regular basis.
- **Contingency Planning** -- Central maintains a liquidity contingency plan that specifies an approach for responding to a liquidity crisis. The plan outlines the mandate of the crisis management team, the internal

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and external parties to be contacted and the actions to be considered at various stages of a liquidity event.

(See also *Liquidity Management*, page 48.)

Market Risk

Market risk refers to the risk of loss resulting from changes in interest rates and foreign exchange rates. The level of market risk to which Central is exposed varies depending on market conditions, future price and market movements and the composition of Central's investment, lending and derivative portfolios.

Interest rate risk is the potential adverse impact on Central's earnings and economic value due to changes in interest rates. As most of its balance sheet is made up of interest-bearing assets and liabilities with different maturity dates, Central potentially has significant exposure to interest rate changes.

Central continuously monitors its exposure to interest rate changes and their potential effects on financial margin by modelling its assets, liabilities and equity, including off-balance sheet exposures, against the impact of various possible rate increases or decreases. Central's interest rate risk policy defines acceptable percentage limit changes in net interest income and net economic value to parallel shifts in the yield curve. Central also analyzes the impact of interest rate volatility on net interest income, using Monte Carlo income simulations, and sets statistical limits on the variance of net interest income in such simulations.

The extent of Central's exposure to interest rate changes at each of the last three year-ends is illustrated in the interest sensitivity schedule (*Chart 1*). *Notes 28* and *30* to the financial statements provide, respectively, additional information regarding weighted average yields and costs associated with the assets and liabilities and information on the fair value of financial assets and liabilities compared to their book value. The chart summarizes carrying amounts by the earlier of the contractual repricing or maturity dates.

Foreign exchange rate risk is the potential adverse impact on Central's earnings and economic value due to currency

rate movements and volatility. Central has assets and liabilities denominated in US dollars and buys foreign currencies from and sells these currencies to its member credit unions. The risk associated with changing foreign currency values is managed by applying stringent limits on the amounts (short or long positions) that can be maintained in the various currencies, and by utilizing derivative exchange contracts to lessen the impact of on-balance sheet positions. *Note 29* to the financial statements provides additional information regarding foreign currency exposure.

Operational Risk

Operational risk is the exposure to loss resulting from inadequate internal controls, policies that do not provide sufficient direction, practices that expose Central to the risk of loss, and human error or management failure. Generally, operational risk is measured in terms of actual losses that have occurred. While the financial impact associated with operational risk can be significant, it is equally important to recognize the less identifiable and quantifiable non-financial impacts. Real or perceived changes in an institution's credibility can damage its reputation, image, and customer confidence.

Central manages this type of risk through implementation of a comprehensive set of procedures and policies that are basic to its operating infrastructure. Elements of this process include: developing and maintaining a comprehensive system of internal controls – integrated with ongoing internal and external evaluation and testing – encompassing segregation of functional activities, managerial reporting and delegation of authority; maintaining best industry practices in the area of operational risk management through continued monitoring and evaluation of Central's practices; selection and training of highly qualified staff, supported by policies that provide for skills upgrading, clear authorization levels and adherence to an employee code of conduct; and maintaining a comprehensive portfolio of insurance to reduce the impact of any potential losses, augmented by

CHART 1 CARRYING AMOUNTS BY EARLIER OF CONTRACTUAL REPRICING OR MATURITY DATE

<i>December 31</i> <i>(Millions of dollars)</i>	Within Three Months	Three Months to One Year	One Year to Five Years	Over Five Years	Not Rate Sensitive	Total
Total Assets	\$ 5,043.9	\$ 663.8	\$ 2,201.6	\$ 77.6	\$ 570.9	\$ 8,557.8
Total Liabilities	4,890.9	1,226.2	1,488.9		951.8	8,557.8
On-Balance Sheet Gap	153.0	(562.4)	712.7	77.6	(380.9)	
Off-Balance Sheet Gap	(395.1)	246.4	148.7	-	-	
Total Gap 2008	\$ (242.1)	\$ (316.0)	\$ 861.4	\$ 77.6	\$ (380.9)	
Total Gap 2007	\$ 6.1	\$ 312.3	\$ 17.6	\$ 42.7	\$ (378.7)	
Total Gap 2006	\$ 92.1	\$ 103.5	\$ 113.0	\$ 41.4	\$ (350.0)	

contingency business resumption plans for activation in response to systems failure or catastrophic events, including off-site data storage and back-up processing capabilities for all critical operations.

The merger with CUCCO involves a number of integration risks and challenges. Central has prepared detailed integration plans designed to minimize these risks and realize the benefits of the merger in a timely and efficient manner. The approach includes the following measures to integrate existing processes, systems and business continuity arrangements and to establish the platform for future business opportunities:

- creation of the strategic vision and integration approach aimed at common understanding of the strategic goals and integration objectives;
- assessment and implementation of the opportunities;
- project organization, management and oversight including multilevel organizational involvement in the project;
- detailed project planning and current control over the integration process including regular reporting on implementation status;
- engagement of human resources and business culture harmonization;
- regular internal and stakeholder communications; and
- integration risk management.

As well as having the above measures in place, Central's policies provide for a rigorous, ongoing review of its practices and procedures by internal audit teams, technology systems security personnel and management personnel. External resources, when required, also supplement the internal reviews. With the increasing exposure to electronic/technological risk, Central has implemented real-time intrusion detection monitoring of its remote banking applications, which are accessed by credit union members across Canada. In addition, both provincial and federal regulatory agencies undertake periodic reviews of Central's operations and contingency plans.

OVERALL PERFORMANCE

In 2008, as unprecedented turmoil rocked the global economy, Central successfully managed the internal organizational challenges involved in completing the first merger in Canada between two provincial central credit unions. Reflecting the growth achieved through this landmark combination, Central's financial results for the year reached all-time highs, while its member credit unions in British Columbia posted record net income of \$235

million and those in Ontario maintained solid performance before the writedown described on page 38. The following summaries of the economic landscape, the state of financial markets and performance by both provincial systems in 2008 offer a context for interpreting Central's year-over-year results and an insight into its future.

The Economic Environment

Economic conditions and trends in 2008 reflected the chaos that prevailed in global financial markets. A series of events involving major financial institutions resulted in large losses in holdings of mortgage-backed and other securitized assets, often held in complex financial instruments. Most forms of credit became more costly and less available to borrowers; some credit markets seized up, prompting unprecedented policy responses from central banks to increase the flow of credit. Such repercussions were initially sparked by price declines among the underlying assets.

The institutional failures that occurred during 2008, particularly those reported in September, constituted a major shock to the world economy and subsequently spurred a rapid deterioration in consumption, production, investment, and resource utilization. Commodity prices plummeted and global trade volumes decreased. Sharp declines in equity markets, rapid currency realignments, a flight-to-safety plunge in government bond yields, and strong risk-aversion drove up corporate bond yields.

Fallout from the financial crisis resulted in a global economic recession. The economies of B.C. and Ontario could not avoid the impact of lower commodity prices and falling demand for exports. Credit unions operating in this financial and economic environment found it challenging to maintain credit flows and financial profitability.

British Columbia

In British Columbia, these negative global forces struck at a time when the economy was already slowing due to a correction in the province's previously overheated housing industry and the longer-running recession in wood products manufacturing and exports. The economy likely slipped into recession in the fourth quarter of the year, when the number of job losses mounted.

Lower prices and export demand for forestry, mining, and energy products led to production cutbacks and job layoffs in B.C.'s resource sectors. Companies pared back on investment spending in new projects or on expansion of existing operations. The transportation sector faced less demand for rail and port services to export markets as well as less demand to handle incoming imports.

B.C.'s housing market experienced a mild adjustment during the first half of the year. Slackening sales and slower

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price increases first emerged in 2007 as a consequence of decreased affordability for low-equity buyers and less investor demand. In early 2008, sales and prices continued to decline gradually. However, later in the year, a rapid fall in sales coincided with the increased frequency of negative financial events, ominous economic news, and a deteriorating economic outlook. Surveys captured a sharp plunge in consumer confidence by year-end. Builders and developers swiftly cut back on new projects and cut prices on standing inventory to spur sales. The housing market fell into a steeper recession with price declines accelerating.

Commercial real estate held up better than residential in 2008, but rising bankruptcies and fewer business incorporations are a negative precursor to 2009 market conditions. Investment in commercial buildings steadily declined during the year.

Population growth and net migration, in particular, plateaued in 2008. Declining interprovincial migration to B.C. has been temporarily offset by higher international migration. However, diminishing job opportunities reduce the movement of people, which cuts into the demand for real estate and consumer goods and services.

The province's tourism industry is facing the effects of the unfolding recession. International tourist visits to the province continued to fall over the course of the year and domestic tourism no longer provides a positive offset. The economic downturn in B.C. and in neighbouring provinces is having a direct negative impact on the various tourism-related sectors such as accommodation, food, transportation and retail sales.

Consumer spending was down in 2008, with falling sales of new motor vehicles a major cause of a substantial drop-off by year-end. The declining housing market was a blow to sales of furniture, appliances and building materials. During the holiday season, retailers ran aggressive sales programs to attract customers whose wealth was reduced due to lower equity and real estate values. Income uncertainty was a rising concern among the labour force.

Job losses escalated during the last three months of the year, pushing the unemployment rate on a sharp upward trajectory. Job losses were fairly widespread across industries but mostly concentrated in construction and resources.

The economic and jobs outlook for 2009 is not favourable, particularly for the first half of the year. Low inflation and interest rates -- along with new fiscal stimulus packages and further market adjustments -- offer some basis for improved growth prospects later in the year and in 2010.

Ontario

Ontario's economic performance during 2008 was poor, showing an overall contraction due mainly to declining export volumes combined with a sharp drop in housing

activity and consumer spending in the latter part of the year. This is the province's first recession since 1991 and is closely related to the U.S. economic downturn and its plummeting auto sales. Ontario's domestic-oriented economy was shaken as well by the financial crisis that hit the global economy following the shock waves experienced in September.

Conditions in the province's large auto industry deteriorated throughout 2008, reaching crisis proportions by year-end when the federal and provincial governments pledged \$4 billion in emergency loans to the Canadian subsidiaries of General Motors and Chrysler. The outcome of these and other measures to be undertaken by key industry participants is still unfolding. The industry faces significant challenges ahead, likely including further consolidation and contraction.

Job losses materialized in the fourth quarter, largely outside the Greater Toronto Area (GTA). Regions highly dependent on the auto industry, mining, and forestry resources fared poorly. Toronto's job market was not immune to the financial and economic crisis, as shown in unemployment rates that climbed sharply toward the year-end. The city's large financial services sector has undergone job cuts and its role as the country's financial and corporate centre also reflects adjustments occurring outside the GTA.

Most regions in Ontario experienced a sharp drop in housing sales in the second half of 2008, when the previously mild market adjustment deteriorated into a full-blown recession. Some markets fared better than others but none was spared and prices fell in varying degrees across all sectors. Builders and developers reacted to the sudden change in market conditions by putting the brakes on new investments. This bodes poorly for the domestic economy in 2009, as residential construction has a large employment base and is an employment multiplier.

Private investment spending adjusted for inflation on non-residential buildings declined steadily during the year and was poised for an ongoing contraction in 2009 due to market conditions and the credit squeeze. Spending on new machinery and equipment fared only slightly better. Consumer spending weakened considerably and tailed off in the closing months of 2008 in another sign of growing weakness in Ontario's domestic economy.

Economic trends heading into 2009 are mostly negative, suggesting continuing difficulties at the outset. The substantial monetary actions and planned fiscal stimuli will provide a boost to the economy later in the year and in 2010.

Financial Markets

As it turns out, the problems that surfaced in 2007 were only appetizers before the main course served up in 2008 in what is proving to be a long and traumatic chapter in the history of financial markets. Few foresaw the "once in a lifetime" events that brought widespread havoc to global

financial systems and economies. Over the course of the year, the world witnessed the spectacular collapse of some U.S. investment banks, the nationalization or near nationalization of many of the major banks in Europe and the United States and the virtual bankruptcy of some sovereign countries. Only unprecedented monetary actions and fiscal stimulus packages by central banks and their governments throughout the developed world have prevented, to date, an outright depression rather than the current severe recession that is likely to continue throughout 2009.

The first half of 2008 was dominated by liquidity concerns as financial institutions sharply cut back on lending to each other and hoarded liquidity to ensure their own survival. Following the collapse of Lehman Brothers in September, liquidity issues quickly became solvency issues, which prompted sovereign governments to inject massive amounts of capital into key financial institutions, as well as to provide guarantees of deposits and borrowings and introduce plans to buy troubled assets from banks' balance sheets.

As 2009 begins, although liquidity and solvency issues linger, the focus is on restarting the global economy.

While Canada was not at the centre of the global financial maelstrom, its financial markets and economy were not immune to its effects. Liquidity dried up in fixed income markets and credit spreads, which were already wide entering the year, moved out to unprecedented levels, effectively preventing debt capital markets from functioning. In response, the federal government and the Bank of Canada implemented extraordinary measures to ensure that Canadian financial institutions -- Central and its member credit unions included -- had access to sufficient liquidity to be able to lend to individuals and businesses.

The Bank of Canada, in concert with other central banks, aggressively cut short-term interest rates. The Bank of Canada rate, which began the year at 4.50 percent, was 1.75 percent at year-end -- its lowest level on record. Moreover, in the first quarter of 2009 the rate is poised to fall even further. Interest rates right along the rest of the yield curve have also fallen sharply to levels not seen in a generation. More recently, the federal and provincial governments have announced aggressive fiscal stimulus plans that focus on job creation and infrastructure spending. While these plans call for substantial budgetary deficits, they are seen to be essential to moderate the severity and length of the current recession.

Clearly, 2009 will be a difficult year for capital markets and the Canadian economy. Financial margins for Central and its member credit unions will be under pressure from a combination of lower interest rates, higher funding costs and rising loan loss provisions. However, earnings were strong in 2008, capital levels are robust and liquidity is

firm, which leaves Central and the credit union system well prepared to meet the challenges that lie ahead.

B.C. Credit Union System Performance 2008

Maintaining its momentum in 2008, British Columbia's credit union system forged ahead, ending the year with record-high earnings. Net operating income reached \$291 million, a gain of \$34 million, or 13.2 percent, over 2007. Return on equity was 9.5 percent, up a single basis point from 2007.

The B.C. system's strong growth in earnings in 2008 reflects much improved operating efficiency, mainly driven by higher margin, investment and fee income. These gains far outweighed higher loan expense and offset increased expenses on administration, labour, data processing, premises and equipment.

Earnings growth was led by financial margin, which increased entirely on the strength of asset growth, as gross spread narrowed very slightly.

At year-end 2008, B.C. system assets totalled \$45.5 billion, up a robust \$2.9 billion (6.7 percent) over year-end 2007. Asset growth was concentrated in liquid investments and mortgages. Cash and liquid investments rose by \$1.3 billion (26.7 percent); commercial mortgages by \$909 million (10.8 percent); and personal mortgages by \$413 million (1.7 percent). Meanwhile, commercial loans increased by \$61.9 million (6.6 percent) but personal loans were down by \$50 million (2 percent). (*Chart 2*, page 39, Loan Composition — B.C. Credit Union System.)

The year's asset growth was largely financed with non-registered deposits and capital. Non-registered demand deposits increased by \$1.3 billion (13.3 percent) and non-registered term deposits were up by \$1.0 billion (5.1 percent). The system's capital grew by \$302 million (12.8 percent) almost entirely on the strength of retained earnings. Meanwhile, registered term deposits rose by \$199 million (3.5 percent), registered demand deposits grew by \$66 million (19.2 percent) and borrowings fell by \$98 million (3.2 percent).

Realized credit risks increased in 2008 following several years of steady decline. The 90-day delinquency rate at year-end 2008 was 0.40 percent of the loan portfolio, up 19 basis points over year-end 2007. Loan loss expenses for the year were 0.14 percent of the loan portfolio, up from 0.09 percent in 2007. Reserves held against loan losses totalled 0.54 percent of the portfolio at year-end 2008, up from 0.48 percent a year earlier.

The B.C. system's pooled liquidity and capital adequacy ratios remained well above regulatory standards in 2008 and were, on average, higher than in 2007. Meanwhile, financial leverage remained close to traditional levels and was, on average, down slightly from 2007.

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B.C. credit union membership stood at 1,681,500 at year-end 2008, representing a year-over-year gain of 3.2 percent, or 52,065 members. System-wide staffing totalled 7,838 full-time equivalent positions, a 0.9 percent year-over-year increase of 73 positions. With one merger completed in 2008, B.C. had 48 local credit unions at year-end. The number of branches increased to 373 from 368 in 2007, while additions to the system's network of ATMs brought the total to 532 at year-end. (See page 58 for a five-year summary of the combined performance of the B.C. credit union system.)

Ontario Credit Union System Performance 2008

(As of September 30, 2008; data for December 31, 2008 were not available at time of writing.)

For the nine months ending September 30, 2008, net operating income decreased by 9.2 percent to \$67.8 million compared to \$73.1 million for the same period last year. Return on equity for the nine month period annualized was 5.13 percent, down 55 basis points from the same period in 2007.

Asset growth was modest. At the end of the third quarter, assets for Central's Ontario members totalled \$19.9 billion, up from \$19.2 billion or 3.4 percent over third quarter 2007. Preliminary December 2008 system assets are reported at \$20.1 billion. Commercial lending activity was curtailed in light of the crippling credit markets. Cash and liquid investments increased by \$193 million (7.4 percent); commercial loans by \$402 million (9.7 percent); and residential mortgages by \$92 million (1.0 percent), after the securitization of \$324 million over the 12 month period. Personal loans were down by \$119 million (5 percent) as the trend in personal lending is shifting to home equity types of loan structures. (*Chart 2, Loan Composition -- Ontario Credit Union System*).

The Ontario system's growth was in retail deposits supporting residential lending, with a reduction in the reliance on wholesale borrowing. Non-registered demand deposits increased by \$465 million (7.7 percent); non-registered term deposits were up by \$431 million (2.3 percent); and registered deposits rose by \$22 million (0.5 percent). Credit unions in Ontario borrow from Central. Throughout 2008, they reduced their borrowings by \$4.5 million (0.8 percent). The system's capital grew overall by \$11 million (0.8 percent) with 2.6 percent of the growth from retained earnings and a reduction of 1.8 percent in membership shares and other Tier 1 and Tier 2 Capital.

The 90-day delinquency rate at the third quarter 2008

was 0.57 percent of the loan portfolio, up 14 basis points over the same period in 2007. The system's pooled liquidity remained in line with levels observed in prior years at close to 13 percent, which is well in excess of regulatory minimums of 8 percent. Capital adequacy ratios remained well above regulatory standards in 2008 and were, on average, higher than in 2007.

As at the third quarter 2008, Central had 148 member credit unions in Ontario, ten fewer than were members of CUCO in the same period in 2007. Ontario credit union membership stood at 1,230,477 at the third quarter 2008, representing a year-over-year decline reported as 4.4 percent, or 57,108 members. The number of branches decreased to 462 from 474. (See page 59 for a five-year summary of the combined performance of the Ontario credit union system.)

Ontario ABCP

At a special general meeting held May 31, 2008, members of CUCO approved a resolution to facilitate the merger with Central. As a pre-condition of the merger, CUCO divested itself of investments in certain third-party asset-backed commercial paper (ABCP). The resolution approved the creation of a limited partnership, ABCP 2008 Limited Partnership (the Partnership), to acquire these instruments, funded by member credit unions in proportion to their share investment in CUCO. As a result, on June 30, 2008, immediately prior to the merger, the excluded ABCP with a total par value of \$186.9 million was acquired by the Partnership at its estimated fair value of \$133.6 million.

The Partnership is governed by a Board of Directors that was elected by member credit unions of CUCO and each limited partner will record its proportionate share of net income or loss in the Partnership as determined by Canadian generally accepted accounting principles and subject to an annual external audit.

As at December 30, 2008, after maturities of certain investments, the par value of the ABCP owned by the Partnership was \$176.9 million having an estimated fair value of \$89.6 million and the Net Loss for the Partnership for the six month period ended December 30, 2008 was \$27.8 million.

Although Central has no ownership interest in the Partnership, Central has committed to provide up to \$7.2 million under certain conditions to share in a portion of losses realized by the Partnership as explained in note 3 to the financial statements.

CHART 2 PROVINCIAL CREDIT UNION SYSTEMS - LOAN COMPOSITION

B.C. Credit Union System

(Millions of dollars)	2008	%	2007	%	2006	%
Residential Mortgages	\$ 25,366.30	66.5%	\$ 24,961.10	67.8%	\$ 22,667.00	68.1%
Commercial Mortgages	9,314.70	24.4%	8,403.70	22.8%	7,264.10	21.8%
Personal Loans	1,335.60	3.5%	1,438.80	3.9%	1,496.30	4.5%
Lines of Credit not secured						
by Mortgages	1,372.60	3.6%	1,298.70	3.5%	1,228.20	3.7%
Other Commercial Loans	742.20	1.9%	705.6	1.9%	635.9	1.9%
Total	\$ 38,131.40	100.0%	\$ 36,807.90	100.0%	\$ 33,291.50	100.0%

Ontario Credit Union System

(Millions of dollars)	Sept. 30, 2008 ¹	%	2007	%	2006	%
Residential Mortgages	\$ 9,086.80	54.5%	\$ 8,719.00	55.3%	\$ 8,222.30	55.7%
Commercial Mortgages ²	4,536.20	27.2%	4,027.00	25.5%	3,583.40	24.3%
Personal Loans	2,210.00	13.3%	2,220.50	14.1%	2,248.30	15.2%
Other Commercial Loans ³	827.90	5.0%	805.30	5.1%	718.70	4.9%
Total	\$ 16,660.90	100.0%	\$ 15,771.80	100.0%	\$ 14,772.70	100.0%

B.C. and Ontario Credit Union Systems Combined⁴

(Millions of dollars)	2008 Estimate	%	2007	%	2006	%
Residential Mortgages	\$ 34,453.10	62.9%	\$ 33,680.10	64.1%	\$ 30,889.30	64.3%
Commercial Mortgages	13,850.90	25.3%	\$ 12,430.70	23.6%	\$ 10,847.50	22.6%
Personal Loans	3,545.60	6.5%	\$ 3,659.30	7.0%	\$ 3,744.60	7.8%
Lines of Credit not secured						
by Mortgages	1,372.60	2.5%	\$ 1,298.70	2.5%	\$ 1,228.20	2.6%
Other Commercial Loans	1,570.10	2.9%	\$ 1,510.90	2.9%	\$ 1,354.60	2.8%
Total	\$ 54,792.30	100.0%	\$ 52,579.70	100.0%	\$ 48,064.20	100.0%

¹ Figures are as of September 30, 2008.

² Ontario credit unions are not required to report Commercial Loans separately from Commercial Mortgages.

³ Institutional Loans, Unincorporated Association Loans and Agricultural Loans.

⁴ 2008 Figures for the Ontario system are as of September 30, 2008 and December 31, 2008 for the B.C. system.

Note: Figures are based on gross loans before provision for doubtful loans and do not include accrued interest.

All figures are unconsolidated and unaudited.

Financial Overview

For Central, 2008 was a record year in terms of financial performance, with the effects of the merger with CUCO contributing to revenue growth in each of its business units.

Most of the growth in Central's balance sheet is also attributed to the merger. Central's total assets rose to more than \$8.5 billion, an increase of \$2.9 billion or 51.3 percent over 2007. With \$2.5 billion in assets acquired from the merger with CUCO accounting for 43.6 percent of the increase, the remaining 7.7 percent reflects growth in the credit union system.

The results of the operations acquired from CUCO have

been included in the Consolidated Financial Statements since the date of the combination on July 1, 2008. Accordingly, the impact on the income statement in 2008 is limited to only six months of the Ontario operations.

Net income increased 8.9 percent from 2007 to \$26.56 million on average assets of \$6.61 billion – 30.1 percent higher than that posted last year. Despite significant unrealized losses in the fair value of financial instruments, the return on average assets and average equity remained relatively stable at 0.40 percent and 7.69 percent, respectively, and reflect an improvement over 2007 after factoring out

MANAGEMENT'S DISCUSSION & ANALYSIS

that year's \$4.3 million gain on disposal of rental property. Earnings per share were 19.7 cents compared to 21.5 cents in 2007 (*Chart 4, page 41*).

Interest margin at \$47.10 million was the highest in Central's history, rising by more than 51.3 percent above the previous record of \$31.12 million reached last year. A combination of higher net interest spreads – 71 basis points in 2008 in comparison to 61 basis points in 2007 – and higher balances in 2008 than in 2007, primarily from the merger with CUCO, factored into this achievement. Gains on disposal of financial instruments, mainly from securitization activities, were offset by a net decrease in the fair value of financial instruments, resulting in a net change to income of \$2.54 million, compared to a credit of \$2.28 million in the previous year. Non-interest revenue increased by 40.3 percent to \$73.89 million in 2008 from \$52.67 million in 2007, driven primarily by growth in income from Central's technology and payment services, which increased with the merger with CUCO. Non-interest expense increased 42.3 percent to \$83.46 million, compared with \$58.57 million a year earlier.

Chart 3 provides a three-year comparison of financial income, non-interest income and non-interest expense, all

expressed as a percentage of total revenue.

Despite volatile financial markets and challenging economic conditions, the year saw relative stability in Central's productivity ratio (defined as the ratio of Non-Interest Expense to the sum of Net Financial Income and Non-Interest Income), primarily due to increased net financial income combined with growth in non-interest income and control over non-interest expenses. The productivity ratio, in Central's case, must be viewed in proper context. As a wholesale provider of services to its credit union shareholders, Central prices many of its services on a cost-recovery basis, rather than at levels that would enhance net income and improve returns on equity or assets. This keeps Central's productivity ratio higher than would be the case if significant profit margins were built into product prices. However, as a wholesale provider of services, Central does not bear all of the infrastructure costs of other financial institutions.

Long-term financial liabilities of \$1.7 billion increased slightly from year-end 2007, as long-term deposits by credit unions increased to \$1.4 billion and long-term borrowings remained flat at \$0.3 billion.

CHART 3 MAJOR COMPONENTS — REVENUE & EXPENSE

<i>(Millions of dollars — % total income)</i>	2008		2007		2006	
Net Financial Income*	\$ 44.56	37.6%	\$ 33.40	38.8%	\$ 27.23	35.3%
Non-Interest Income	73.89	62.4%	52.67	61.2%	49.92	64.7%
Total Income	\$ 118.45	100.0%	\$ 86.07	100.0%	\$ 77.15	100.0%
Non-Interest Expense — Productivity Ratio %	\$ 83.46	70.4%	\$ 58.57	68.1%	\$ 55.60	72.1%

* Excluding loss provisions, before gains on disposal of rental property and before combination transaction costs

CHART 4 SELECTED FINANCIAL INFORMATION

<i>(Millions of dollars)</i>	2008	2007	2006
Earnings			
Net Interest & Other Income-after provisions	\$ 117.35	\$ 86.13	\$ 76.35
Net Income	\$ 26.56	\$ 24.40	\$ 16.60
Weighted Average Shares Outstanding	\$ 136.87	\$ 113.35	\$ 113.35
Earnings Per Share (cents)			
Basic	19.7	21.5	14.6
Diluted	19.7	21.5	14.6
Return On			
Average Assets	0.40%	0.48%	0.37%
Average Equity	7.69%	9.16%	6.23%
Balance Sheet Data (Billions of dollars)			
Total Assets	\$ 8.56	\$ 5.67	\$ 5.18
Average Assets	\$ 6.61	\$ 5.08	\$ 4.48
Long-Term Financial Liabilities	\$ 1.71	\$ 1.47	\$ 1.52
Share Information			
Outstanding \$1 Par Value Shares <i>(Thousands of dollars)</i>			
Class A – Credit Unions	\$ 162,538	\$ 113,345	\$ 113,345
Class B – Cooperatives	6	3	3
Class C – Others	7	6	5
Class E – Credit Unions	29	-	-
Dividends Per Share (all classes, except Class E) <i>(cents)</i>	4.9	8.3	8.0

Financial Objectives

Central exceeded all four of its financial objectives for 2008 (*Chart 5*). As the system's liquidity manager, Central's first objective is to maintain liquid assets equal to at least 6 percent of system assets. Central's second objective is to

earn a return, before taxes, on average equity equal to or greater than its budgeted return. The other two financial objectives relate to exceeding capital ratios prescribed by provincial and federal regulations.

CHART 5 FINANCIAL OBJECTIVES

Objective	2008	2007	2006
Maintain 6% of System Assets in Liquid Form	8.3%	8.9%	8.9%
Exceed Pre-Tax Return on Average Equity Target			
Actual Return	9.1%	11.1%	8.0%
Target Return	4.5%	5.7%	5.3%
Maintain Regulatory Capital in Excess of 10% of "Risk Weighted Assets" at the Year-End	19.5%	20.8%	22.3%
Maintain "Borrowing Multiple" at a Ratio of less than 20:1 at the Year-End	18.1:1	16.2:1	15.2:1

MANAGEMENT'S DISCUSSION & ANALYSIS

SELECTED ANNUAL INFORMATION AND RESULTS OF OPERATIONS

This part of the report discusses Central's financial performance for the year ended December 31, 2008, and compares 2008 results with those of previous years. A Ten-Year Summary of Central's operations is provided at the end of the discussion (page 56).

The Income Statement

Financial Income

Central's net financial income in 2008, after trading gains and provision for credit losses, was \$43.46 million compared to \$33.46 million in 2007, a 29.9 percent increase.

Central's interest margin was a record \$47.10 million, 51.3 percent greater than the previous high of \$31.12 million, reached in 2007. Expressed as a percentage of average assets, Central's interest margin rose to 71 basis points compared to 61 basis points earned the previous year. Results for 2008 are attributed to balance sheet growth due to the merger with CUCO and, in the second half of the year, an unprecedented increase in the spread between government and corporate securities partially offset by the impact of lower interest rates. Average assets increased by 30.1 percent over those of 2007 as Central funded strong loan demand from its member credit unions while maintaining its commitment to hold at least 6 percent of system assets as liquid securities.

Gains on disposal of securities (*Note 20* to the financial statements) totalled \$25.25 million, compared to \$7.77 million in 2007. In 2008, net gains comprised \$11.25 million in gains on disposal of securities and \$5.20 million in gains on trading assets and derivatives as well as \$8.58 million in gains on securitization activities, as Central continued to expand its role in administering and facilitating securitization programs on behalf of member credit unions.

With the continued deterioration in credit markets, Central recorded a \$27.77 million reduction in the fair value of financial instruments (*Note 21* to the financial statements).

As described in *Note 8* to the financial statements, this reduction included a \$9 million write-down of Central's investment in debt securities of Lehman Brothers Holdings Inc., which had a par value of \$10 million, to \$1.0 million, following that firm's filing for bankruptcy protection during the year, and a \$6.59 million further reduction in the value of third-party asset backed commercial paper (ABCP). The balance includes an unfavourable change of \$27.40 million from the marking to market of financial instruments that are classified as trading, as a result of changes in the general level of interest rates and credit spreads during the year, offset by a favourable \$15.22 million change in the value of securitization derivatives acquired as a result of the loan securitization transactions described in *Note 13* to the financial statements.

The chart of comparative interest income and expense shows the yearly average balances of Central's earning assets and liabilities, their relative contribution or charge to net financial income and their yields and costs (*Chart 6*). In keeping with Central's mandate as liquidity manager for its member credit unions, short-term securities typically represent a great majority of its earnings assets, with loans to member credit unions comprising most of the remainder. During 2008, loans to credit unions increased as a result of the merger with CUCO but decreased as a percentage of total assets from last year's all-time high, and reflect Central's dual role as provider of short-term liquidity and longer-term oriented strategic funding to the system.

Credit union statutory liquidity deposits represent about 53.7 percent of Central's liabilities; non-statutory credit union deposits account for a further 24.7 percent; and external deposits, borrowings and other liabilities make up the remainder. Credit union loan demand has a direct impact on the composition of Central's balance sheet. With expansion of Central's capacity to lend to member credit unions, such loans have increased as a percentage of Central's assets. External borrowings by Central have become the primary source of their funding.

CHART 6 COMPARATIVE INTEREST INCOME & EXPENSE

December 31 (Millions of dollars)	2008			2007			2006		
	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate
Assets									
Cash & Securities	\$ 4,256	\$ 170.69	4.01%	\$ 2,868	\$ 133.67	4.66%	\$ 2,466	\$ 103.15	4.18%
Deposits with regulated FIs	180	7.59	4.23%	288	14.50	5.04%	221	11.62	5.26%
Loans	1,967	74.81	3.80%	1,808	84.96	4.70%	1,703	73.04	4.29%
Total Earning Assets	6,403	253.09	3.95%	4,964	233.13	4.70%	4,390	187.81	4.28%
Other Assets	208	-	-	120	-	-	92	-	-
Total Assets	\$ 6,611	\$ 253.09	3.83%	\$ 5,084	\$ 233.13	4.59%	\$ 4,482	\$ 187.81	4.19%
Liabilities and Equity									
Notes	\$ 793	\$ 30.70	3.87%	\$ 927	\$ 43.93	4.74%	\$ 799	\$ 34.19	4.28%
Deposits									
Credit Union Statutory	3,588	128.12	3.57%	2,694	114.33	4.24%	2,413	94.88	3.93%
Credit Union Other	1,088	29.55	2.72%	581	23.67	4.08%	527	19.13	3.63%
Non Credit Union	561	15.41	2.75%	496	17.74	3.57%	446	13.78	3.09%
Subordinated Debt	50	2.21	4.38%	50	2.34	4.67%	2	0.07	4.67%
Total	6,080	205.99	3.39%	4,748	202.01	4.25%	4,187	162.05	3.87%
Other Liabilities	185	-	-	70	-	-	37	-	-
Members' Equity	346	-	-	266	-	-	258	-	-
Total Liabilities & Equity	\$ 6,611	\$ 205.99	3.12%	\$ 5,084	\$ 202.01	3.97%	\$ 4,482	\$ 162.05	3.62%
Interest Margin		\$ 47.10	0.71%		\$ 31.12	0.61%		\$ 25.76	0.57%
Trading Gains & Change in Fair Value		\$ (2.54)	(0.04)%		\$ 2.28	0.05%		\$ 1.47	0.03%

Central anticipates that financial markets will continue to present challenges and opportunities for financial margin in 2009. On the one hand, Central foresees that short-term interest rates will remain relatively low. System growth is anticipated to slow and high funding costs in the capital markets are likely to continue. On the other hand, the yield curve is expected to steepen and credit spreads will remain at high levels.

Non-Interest Income and Non-Interest Operating Expenses

Central provides an extensive range of financial and trade association services to its member credit unions, the majority of which are offered on a fee-for-service basis. In addition, a

number of key services of general benefit to the entire system are funded by dues assessments, while other activities are supported in whole or in part by fees.

Revenue generated by Central's non-interest sources is significant and, in gross terms, exceeds that derived from financial margin. However, the bulk of Central's non-interest expense is also associated with earning this revenue. The principal operations contributing to non-interest income are related to technology and payment services, which typically produce between 60 and 65 percent of the annual total. The remaining revenue is approximately evenly divided among member assessments and fees for services (Chart 7, page 44).

MANAGEMENT'S DISCUSSION & ANALYSIS

CHART 7 NON-INTEREST INCOME & NON-INTEREST EXPENSE¹

December 31 (Millions of dollars)	2008		2007		2006	
	Amount	% of Income	Amount	% of Income	Amount	% of Income
Non-Interest Income						
Membership Dues	\$ 7.29	9.9	\$ 4.57	8.7	\$ 3.90	7.8
Province-wide Advertising Assessment	2.50	3.4	2.44	4.6	2.44	4.9
Trade Services						
Operations Manual	1.01	1.4	1.04	2.0	1.03	2.1
Risk Management	2.60	3.5	1.94	3.6	1.71	3.4
Registered Plans	1.86	2.5	1.86	3.6	1.93	3.9
Other	4.02	5.4	3.53	6.7	3.23	6.5
Total Trade Services	9.49	12.8	8.37	15.9	7.91	15.9
Financial Services						
Treasury Services	2.96	4.0	0.98	1.9	1.08	2.2
Funding Services	2.83	3.8	1.36	2.6	1.11	2.2
Building Rental	1.04	1.4	1.34	2.6	1.44	2.9
Other	1.37	1.9	0.84	1.5	0.99	2.0
Total Financial Services	8.20	11.1	4.52	8.6	4.62	9.3
Technology & Payment Services						
Processing	32.59	44.1	21.31	40.5	20.53	41.1
Technical Operations	2.15	2.9	1.97	3.7	1.77	3.5
Web Banking	11.67	15.8	9.49	18.0	8.75	17.5
Total Technology & Payment Services	46.41	62.8	32.77	62.2	31.05	62.1
Total Non-Interest Income	\$ 73.89	100.0	\$ 52.67	100.0	\$ 49.92	100.0
Non-Interest Expense						
Salaries & Benefits	\$ 39.51	53.5	\$ 29.78	56.5	\$ 26.72	53.5
Premises	6.59	8.9	4.02	7.6	5.01	10.0
Other	37.36	50.6	24.77	47.0	24.04	48.2
Total Non-Interest Expense	\$ 83.46	113.0	\$ 58.57	111.2	\$ 55.77	111.7

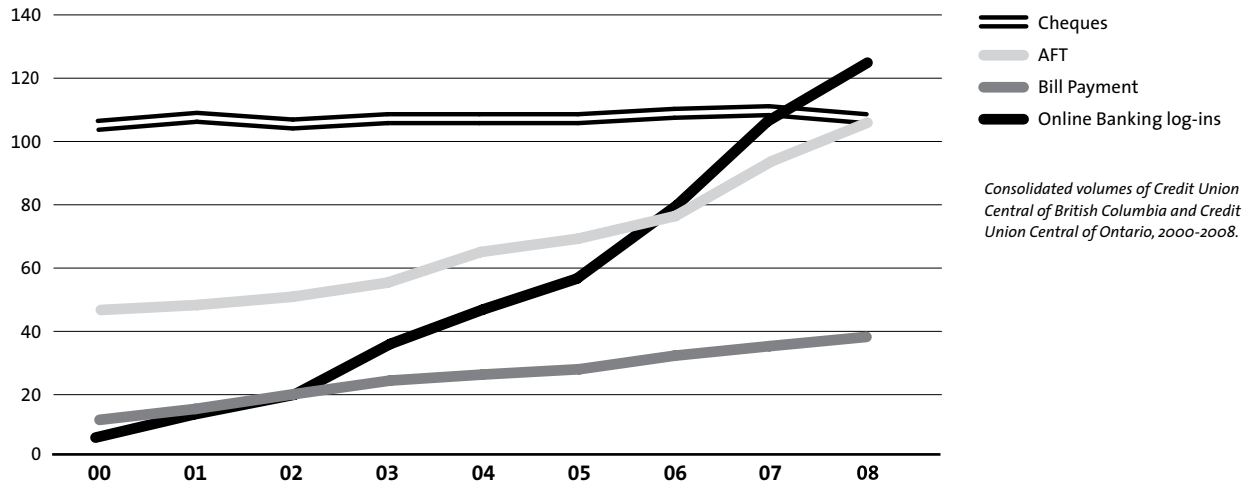
¹ Income from securities trading has been excluded. Certain items in 2007 and 2006 have been regrouped to be consistent with the 2008 categories of income and expense. Amounts and percentages may not total due to rounding.

Non-interest income was up 40.3 percent in 2008, reaching a record \$73.89 million compared to \$52.67 million last year. The primary source of this income was revenue from technology and payment services, which increased to \$46.41 million from \$32.77 million on the strength of increases in payment processing services and web banking revenues.

The volumes tracked in *Chart 8* illustrate the ascendancy of electronic payments, as well as the continuing

significance of Internet banking, which saw a 16.0 percent increase year-over-year in member log-ins. Electronic payments volumes, measured by bill payments and Automated Funds Transfer (AFT) transactions, increased by 11.4 percent in 2008, as a result of increased usage by member credit unions and the addition of new clients. Paper processing decreased 0.8 percent as the volumes generated by new business partners only partially offset the continued reduction in paper items processed.

CHART 8 LONG TERM TREND IN TECHNOLOGY AND PAYMENT PROCESSING VOLUMES (TRANSACTIONS, MILLIONS)



Central's technology and payment services group continued to expand and to diversify its clientele. Bill payment services, *MemberDirect*® Business Services and *MemberDirect*® Online Services are provided to a number of banks and trust companies. *MemberDirect*® Online Services – Central's proprietary Internet banking platform – has an approximately 80 percent share of the Canadian credit union market (calculated by number of members covered). Revenues from these operations grew 23.0 percent to \$11.67 million in 2008 from \$9.49 million a year earlier. Electronic transactions and Internet banking revenues are projected to continue to increase in 2009.

Net Income

Central posted record net income of \$26.56 million in 2008, an increase of 8.9 percent over 2007. Central remained relatively unscathed by the global crisis and, despite significant

reductions in the fair value of financial instruments, achieved unprecedented growth in overall revenues. (Chart 9)

Net interest and other income increased by \$31.22 million to a record level of \$117.35 million, primarily as a result of the merger with CUCO. Effective control over operating expenses supported the expanded revenue base with an increase of \$24.89 million, bringing the year's operating expenses to \$83.46 million, including \$2.47 million in integration costs related to the merger. As a result, income from operations was a record \$33.89 million, compared to \$27.56 million in 2007, before combination transaction costs of \$2.44 million (2007 – \$2.32 million) incurred prior to the July 1, 2008 close of the merger transaction.

Profitability ratios in 2007 were favourably impacted by a gain of \$4.33 million on the sale of rental property that was deemed to be non-essential to providing Central's core services.

CHART 9 NET INCOME

December 31 (Millions of dollars - %)	2008	2007	2006
Income before Taxes	\$ 31.45	\$ 29.57	\$ 20.59
Return on Average Assets	0.48%	0.58%	0.46%
Return on Average Share Capital	22.98%	26.09%	18.16%
Return on Average Equity	9.10%	11.10%	7.98%
Net Income	\$ 26.56	\$ 24.40	\$ 16.60
Return on Average Assets	0.40%	0.48%	0.37%
Return on Average Share Capital	19.41%	21.53%	14.64%
Return on Average Equity	7.69%	9.16%	6.43%

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The Balance Sheet

The accompanying chart shows the average balances of

Central and the two provincial credit union systems, individually and combined, for the last three years (*Chart 10*).

CHART 10 (A) CENTRAL 1 CREDIT UNION – AVERAGE BALANCES

December 31 (Millions of dollars - %)	2008		2007		2006				
Central 1 Credit Union									
Cash & Liquid Assets	\$	4,620.8	69.9%	\$	2,868.3	56.4%	\$	2,465.9	55.0%
Deposits with Regulated FIs		179.6	2.7%		287.6	5.7%		221.0	4.9%
Loans		1,966.8	29.7%		1,807.7	35.6%		1,703.1	38.0%
External Debt		793.1	12.0%		927.3	18.2%		799.2	17.8%
Deposits		5,236.9	79.2%		3,771.0	74.2%		3,385.7	75.5%
Members' Equity		345.5	5.2%		266.4	5.2%		258.1	5.8%
Average Total Assets	\$	6,611.3		\$	5,083.6		\$	4,481.9	

CHART 10 (B) PROVINCIAL CREDIT UNION SYSTEMS – AVERAGE BALANCES

(Millions of dollars - % Average Assets)	2008 ⁽²⁾		2007 ⁽¹⁾		2006				
British Columbia Credit Union System									
Cash & Liquid Assets	\$	4,874.5	11.2%	\$	4,548.9	11.2%	\$	4,409.1	11.9%
Other Assets		973.1	2.2%		915.8	2.2%		821.6	2.2%
Loans		37,516.3	86.5%		35,250.8	86.6%		31,734.2	85.8%
External Debt		2,870.1	6.6%		3,071.6	10.0%		2,349.8	6.4%
Deposits		37,034.4	85.4%		34,466.3	84.7%		31,742.1	85.9%
Members' Equity		2,488.3	5.7%		2,298.7	5.4%		2,119.3	5.7%
Average Total Assets	\$	43,363.9		\$	40,715.5		\$	36,964.9	

(Millions of dollars - % Average Assets)	30-Sep-08 ⁽²⁾		2007		2006				
Ontario Credit Union System									
Cash & Liquid Assets	\$	2,661.21	13.8%	\$	2,451.84	13.5%	\$	2,374.31	13.9%
Other Assets		496.97	2.6%		456.78	2.5%		412.51	2.4%
Loans		16,134.55	83.6%		15,196.69	83.9%		14,157.35	82.8%
External Debt		522.22	2.7%		492.83	2.7%		421.58	2.5%
Deposits		17,413.37	90.3%		16,322.00	90.2%		15,455.58	90.4%
Members' Equity		1,357.14	7.0%		1,290.49	7.1%		1,225.91	7.2%
Average Total Assets	\$	19,292.73		\$	18,105.31		\$	17,103.07	

(Millions of dollars - % Average Assets)	2008 Estimate ⁽²⁾		2007		2006				
B.C. & Ontario Systems Combined									
Cash & Liquid Assets	\$	7,535.71	12.2%	\$	7,000.74	12.1%	\$	6,783.41	12.7%
Other Assets		1,470.07	2.4%		1,372.58	2.4%		1,234.11	2.3%
Loans		53,650.85	87.0%		50,447.49	87.1%		45,891.55	86.1%
External Debt		3,392.32	5.5%		3,564.43	6.2%		2,771.38	5.2%
Deposits		54,447.77	88.3%		50,788.30	87.7%		47,197.68	88.5%
Members' Equity		3,845.44	6.2%		3,589.19	6.2%		3,345.21	6.3%
Average Total Assets	\$	61,685.53		\$	57,941.91		\$	53,314.27	

¹ Certain system numbers in 2007 have been restated using audited figures.

² Average for 2008 is based on September 30, 2008 for the Ontario system and December 31, 2008 for the B.C. system. 2008 system numbers are unaudited.

There is a strong relationship between the balance sheets of Central and the system, as illustrated by the following examples:

- Member deposits are the principal funding source for individual credit unions and as deposits grow, total assets increase. Since the statutory liquidity that must be maintained with Central is a function of their liabilities, credit union deposits with Central will also increase, thus increasing Central's asset base.
- When credit unions experience strong loan demand, credit union liquidity that is surplus to their loan demand will tend to decrease; this tends to decrease their excess liquidity deposits with Central and increase their demand for loans from Central.

Solid deposit growth continued to fuel growth of member credit union assets, which, system-wide, increased by over 6.5 percent to exceed \$65.3 billion at year-end 2008. In turn, Central's assets also rose by 51.3 percent, year-over-year, to reach over \$8.5 billion with 43.6 percent of the increase attributable to the merger with CUCO and the remaining 7.7 percent reflecting credit union growth. (For more detailed commentary on the system's 2008 results, see *B.C. Credit Union System Performance*, page 37 and *Ontario Credit Union System Performance*, page 38) Central's assets consist primarily of liquid securities and fully secured loans to credit unions. The proportions of these fluctuate with the levels of liquidity in the system and the demand for loans from Central by its members.

Central's liabilities consist primarily of deposits from credit unions. Central has a mandatory source of funding through the regulatory requirement that B.C. credit unions maintain liquidity deposits with Central and through Liquidity Agreements with Ontario member credit unions.

Central supplements these mandatory deposits with deposits of excess liquidity from credit unions and deposits from organizations external to the system. Central accommodated loan demand from the system in 2008

primarily by accessing funds in the capital markets through loan securitizations and, to a lesser degree, through the issuance of commercial paper. As a consequence of ongoing turmoil in the financial markets during the year, the cost of raising funds through medium-term notes and private placements were not considered attractive for Central.

Central's lending function focuses on the provision of clearing lines and short- and mid-term loans to its member credit unions. All lending activities are closely integrated and coordinated with Central's liquidity management role. Credit line facilities, available in two currencies, are used to cover daily swings arising from the settlement of transactions. Short- and mid-term loans are used for cash management purposes, for balance sheet funding or for asset acquisitions. Additionally, capital market facilities are available for derivative transactions or for hedging purposes and letter of credit facilities are available for domestic and international transactions.

Except for loans to staff members, Central does not directly engage in residential or personal lending. Central also does not directly engage in the origination of commercial loans. It does have a small portfolio of syndicated commercial loans, which includes loans to related organizations and syndicated commercial loans acquired from the merger with CUCO. Central periodically acquires packages of mortgage loans from member credit unions to provide them with liquidity, for resale to other credit unions or for securitization. Most packages acquired by Central are usually held for short periods, pending resale to other credit unions or pending securitization. Central also grants residential mortgage and personal loans to staff members.

In addition to the \$2,428.4 million in loans outstanding as at December 31, 2008, Central had issued standby letters of credit of \$172.1 million on behalf of its members. As at year-end, Central had authorized, but unused, credit lines totaling \$2,894.5 million. At year-end 2007, Central had \$1,483.0 million in loans outstanding, and had issued \$693.8 million in standby letters of credit on behalf of its members; total authorized but unused credit lines were \$1,824.5 million. (*Chart 11*).

Loans

CHART 11 LOANS

December 31 (Millions of dollars - % of total)	2008		2007		2006	
Total Credit Union Loans	\$ 2,241.9	92.3%	\$ 1,446.7	97.6%	\$ 1,384.5	97.9%
Non Credit Union Loans	186.5	7.7%	36.3	2.4%	29.7	2.1%
Total Loans Outstanding	\$ 2,428.4	100.0%	\$ 1,483.0	100.0%	\$ 1,414.2	100.0%
Average Total Loans	\$ 1,966.8		\$ 1,807.7		\$ 1,703.1	

MANAGEMENT'S DISCUSSION & ANALYSIS

With the slow-down in residential real estate markets, year-end loan balances for the system reflected an estimated 4.1 percent year-over-year increase to \$54.6 billion, down from 9.4 percent in 2007. Although Central's average loans rose by 8.8 percent to \$1,966.8 million, the increase is mainly a result of the merger; average loans actually decreased as a percent of total average assets to 29.8 percent from last year's level of 35.6 percent.

With the decline in real estate markets projected to continue in 2009, system demand for lending is expected to weaken and, hence, the system's appetite to borrow from Central is expected to be moderate.

Average Debt

During the year, Central's average total debt rose by \$1,230.4 million, compared to an increase of \$513.3 million in 2007 (Chart 12). This was primarily a result of increased member deposit balances, offset by a decrease in external borrowings. Central's regulatory borrowing multiple averaged 16.8:1 in 2008, up from 15.1:1 in 2007. Although both deposits and member equity increased significantly and in proportionate amounts during 2008, there was no change in the level of subordinated debt from the \$50 million note issued at the end of 2006. As the subordinated debt is included in regulatory capital as a Tier 2B qualifying capital instrument and the amount did not change during the year to support growth in deposits, the average borrowing multiple increased in 2008.

Central's target is to maintain a borrowing multiple between 16:1 and 18:1, which represents a balance between maintenance of a prudent capital reserve and the efficient use of capital.

Statement of Cash Flows

Central had a net cash inflow from operating activities of \$18.0 million compared to an inflow of \$39.5 million in 2007, reflecting Central's higher net income for 2008 net of other cash flow adjustments. Cash inflows from financing activities decreased to \$196.7 million from an inflow of \$427.3 million in the previous year. Most of the decrease is directly related to Central's role as a liquidity manager and reflects the year-over-year growth in deposits, an increase in securities sold under repurchase agreements and a decrease in notes issued under the short-term commercial paper and medium-term note facilities that form part of system liquidity management. These funds are either invested in securities or loaned to member credit unions. Accordingly, cash outflows from investing activity totalled \$14.9 million and \$467.9 million in 2008 and 2007, respectively.

Overall cash resources at the end of the year increased by \$199.8 million, and this should be taken in the context of Central's role as a liquidity provider whose assets are primarily cash equivalents or readily marketable securities.

Liquidity Management

Central is the prescribed liquidity manager for British Columbia's credit unions and the liquidity manager by contract for member credit unions in Ontario. Provincial regulations require that British Columbia credit unions maintain 8 percent (less up to 1 percent for cash balances) of their aggregate debt and other liabilities as deposits with Central. Excepted are credit unions for which 8 percent of aggregate deposits and other debt liabilities exceeds 1.5 percent of B.C. system assets; these credit unions are required to maintain deposits with Central

CHART 12 AVERAGE DEBT

December 31 (Millions of dollars - % of total)	2008		2007		2006	
Short-Term Unsecured Notes	\$ 412.6	7.0%	\$ 412.6	8.8%	\$ 352.8	8.4%
Mid/Long-term Unsecured Notes	279.1	4.7%	514.7	11.0%	446.4	10.7%
Non Credit Union Deposits	560.7	9.5%	496.6	10.6%	445.5	10.6%
Credit Union Deposits	4,676.2	78.8%	3,274.3	69.7%	2,940.2	70.3%
Total Average Debt	\$ 5,928.6	100.0%	\$ 4,698.2	100.0%	\$ 4,184.9	100.0%
Average Borrowing Multiple	16.8:1		15.1:1		16.2:1	
Credit Union Average Deposits As:						
% of Average System Liquid Assets	75.4%		72.0%		66.7%	
% of Average System Total Assets	8.8%		8.0%		8.0%	

equal to 1.5 percent of provincial system assets. There are currently two such credit unions, which, together, account for approximately 50 percent of total B.C. system assets. Notwithstanding regulatory requirements, these credit unions have agreed to maintain deposits with Central equal to at least 6 percent of their aggregate deposit and other debt liabilities.

Provincial regulations require that Ontario credit unions maintain 8 percent of their deposits and borrowings in cash and deposits with a prescribed financial institution. As a condition of membership, Ontario credit unions are required to enter into a Liquidity Agreement with Central. Under the terms of those agreements, member credit unions in Ontario must maintain deposits with Central equal to the greater of that required by Ontario provincial regulations, less cash on hand, and 6 percent of their assets.

Central's liquidity management framework is designed to ensure that reliable and cost-effective sources of cash are available to satisfy current and prospective commitments of the system, as well as Central's obligations under the NLFA. The primary components of this framework are

the maintenance of a large dedicated pool of marketable securities that can readily be converted to cash, ongoing access to diversified sources of wholesale funding, including those offered by the Bank of Canada to financial market participants, and participation in the NLFA (*Chart 13*). Under this agreement, participating central credit unions are required to keep liquid securities in the amount of 2 percent of their respective system's assets in segregated accounts under the management of CUCC. The securities may be used to provide liquidity to any one or more of the participating centrals.

Cash and Liquid Securities

Central's cash and pool of liquid securities are summarized by type in the accompanying chart (*Chart 14*). The credit quality and liquidity of the pool remains high, in keeping with Central's policies regarding liquidity management. As a percentage of system assets, Central's liquidity reserves, when measured by year-end balances, exceeded those of the previous year and remain well in excess of the NLFA requirement of 6 percent of system assets.

CHART 13 LIQUID ASSETS & BORROWING AUTHORIZATIONS

<i>December 31 (Millions of dollars - % Systems Assets)</i>	2008		2007		2006				
Cash & Liquid Assets	\$	5,431.3	8.3%	\$	3,810.3	8.9%	\$	3,465.9	8.9%
Short- & Long-Term Note Authorization		3,000.0	4.6%		3,000.0	7.0%		2,000.0	5.1%
Credit Lines		294.1	0.5%		290.0	0.7%		293.0	0.8%

CHART 14 CASH & LIQUID SECURITIES

<i>December 31 (Millions of dollars)</i>	2008		2007		2006				
Cash & Liquid Securities									
Government & Guarantees	\$	1,285.9	23.7%	\$	387.0	10.2%	\$	333.8	9.6%
Corporate & Major Financial Institutions									
R-1 (Mid) or Greater		3,680.2	67.8%		3,336.4	87.6%		3,014.5	87.0%
Corporate – R-1 (Low)		465.2	8.5%		86.9	2.2%		17.6	3.4%
Total	\$	5,431.3	100.0%	\$	3,810.3	100.0%	\$	3,465.9	100.0%
% of System Y/E Assets		8.3%		8.9%		8.9%			
% of Central Y/E Assets		63.4%		67.3%		67.0%			

MANAGEMENT'S DISCUSSION & ANALYSIS

Funding Strategy and Sources

Diversification, which provides flexibility and minimizes concentration risk, and which, generally, lowers the cost of funds, is a crucial component of Central's overall liquidity management strategy. Central's primary funding source is deposits from credit unions, the majority of which are required by regulation. In October 2008, unlimited insurance on deposits at B.C. credit unions was introduced by the Province of British Columbia, replacing the previous \$100,000 limit. This change has contributed to an increase in B.C. credit union system liquidity and, in turn, in the liquidity of Central.

Central competes for credit union excess liquidity and, historically, holds most of this liquidity on behalf of the system. Supplementary to this core deposit base are Central's commercial paper and medium-term note programs and lines of credit with other financial institutions. During 2008, Central consistently issued commercial paper at attractive interest rates and spreads to money market instruments offered by Canada's largest chartered banks. Central did not issue any new medium-term notes, as other sources of funding were more cost effective. As part of its mandate to provide liquidity to market participants, the Bank of Canada in 2008 expanded the scope, size and frequency of its term Purchase and Resale Agreements (PRA) facilities. By virtue of its participation in the CUCC group clearing arrangement, Central now has the ability to obtain funds from these facilities for terms of 30-to-90 days against the pledge of eligible securities.

On October 23, 2008 the Government of Canada announced the creation of the Canadian Lenders Assurance Facility (CLAF). The Facility is a component of Canada's implementation of the G7 Plan of Action to stabilize financial markets, restore the flow of credit and support global economic growth. It will be available, on a voluntary basis, to all federally-regulated deposit-taking financial institutions, including Central. The CLAF will make available government insurance of up to three years, on commercial terms, for borrowings by banks and other qualifying deposit-taking institutions. This initiative will help secure access to longer-term funds so that Canadian financial institutions can continue lending to consumers, homebuyers and businesses in Canada. Central has made application for the CLAF, should Central or its member credit unions require term funding later in 2009.

The system uses asset securitization programs as an alternative source of funding and for liquidity and asset/liability management purposes. In 2008, the federal Department of Finance announced that the Canada Mortgage Housing Corporation (CMHC) would begin

purchasing NHA residential mortgage-backed securities through a series of auctions as a means of providing liquidity to financial markets. Central is a participant in these auctions on behalf of its member credit unions. See the discussion under *Off-Balance Sheet Arrangements* (page 53) for more details on the system's securitization activities.

Central's ability to access unsecured funding from capital markets and the cost of such funds primarily depends on its ongoing maintenance of acceptable credit ratings. This, in turn, is largely determined by the quality of Central's and the system's earnings.

As part of its commitment to actions that support the strength of its credit ratings, Central measures and monitors both its own and the system's liquidity condition from structural, tactical and contingent viewpoints.

Structural Liquidity Risk Management

Each credit union is unique by virtue of its local ownership, its geographical market, and its operating philosophy. Consequently, the liquidity position of individual credit unions varies widely, as would that of individual bank branches if viewed in isolation. However, credit unions are distinct legal entities and are not permitted under provincial legislation to lend to one another. Central, however, may lend to its member credit unions. Hence, it is the mechanism by which liquidity is redeployed throughout the system.

Central constantly monitors and assesses the liquidity requirements of the system in light of current and forecast economic conditions. This allows Central to identify potential liquidity imbalances and to take corrective action through its liquidity management framework.

Tactical Liquidity Risk Management

Tactical liquidity risk management addresses the normal day-to-day funding requirements of Central and the system. Central has imposed limits on projected net fund outflows for specified short-term periods and on the minimum degree of liquidity inherent in its pool of marketable securities. Central also has minimum funding coverage ratios on the lines of credit granted to its members.

Contingent Liquidity Risk Management

Central recognizes the need to plan for an event of general market disruption or adverse economic conditions that could affect Central's ability to meet its commitments. In such an event, all of Central's pool of marketable securities would be available for this purpose. In addition, Central has access to additional liquid securities from other provincial central credit unions under the NLFA.

CONTRACTUAL OBLIGATIONS

The accompanying chart summarizes Central's contractual financial obligations for each of the next five years and thereafter (*Chart 15*). Almost all of the obligations are incurred in Central's role as a liquidity manager and consist of member deposits or short- and long-term notes. Most of these obligations are either required to be renewed with Central by regulation or are anticipated to be re-deposited with Central.

CAPITAL MANAGEMENT AND CAPITAL RESOURCES

Central's strong capital base contributes to its safety, cultivates strong investor confidence, supports its high credit ratings and allows it to keep pace with system growth.

Central's capital levels are regulated under federal guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI) and provincial regulations administered by FICOM. Pursuant to federal regulations, Central is required to maintain a borrowing multiple, the ratio of debt to regulatory capital, of 20:1 or less. Provincial regulations in British Columbia, which apply to B.C. credit unions as well as Central, use a risk-weighted approach to capital adequacy that is based on standards issued by the Bank for International Settlements. Ontario provincial regulations, which apply to credit unions in Ontario, also use a similar risk-weighted approach to capital adequacy along with the requirement that the ratio of regulatory capital to total assets be at least 5 percent. The provincial risk weightings, which generally parallel the methodology used by OSFI to regulate Canadian chartered banks, require Central's risk-weighted capital, calculated by dividing capital by risk-weighted assets, to be no less than 8 percent. Furthermore, Central must maintain a risk-weighted capital ratio of at least

10 percent to enable member B.C. credit unions to risk-weight their deposits with Central at zero percent.

In March 2005, the Capital Requirements Regulation, which applies to credit unions in British Columbia, including Central, was amended to reflect many of the revisions endorsed by the Basel Committee on Banking Supervision, commonly referred to as Basel II. Most significantly, the risk-weighting of residential mortgages was reduced to 35 percent from 50 percent and the standardized variable risk-weighting approach to debt instruments, which is based on credit ratings, was adopted. The capital ratios reported for Central as at December 31 for the years 2005 – 2008 reflect these regulatory changes. They are not incorporated in data for earlier years. (See *Ten-Year Summary, Central 1 Credit Union*, page 56.)

Central targets an operating borrowing multiple of between 16:1 and 18:1 to ensure that it has the capacity to absorb sudden increases in system deposits or to increase external borrowings to meet member demand for funds. A three-year comparison of Central's capital adequacy, measured under both provincial and federal regulations, shows continued strong levels of capital and strong management performance in operating within regulated levels (*Chart 16; Chart 17*, page 52.). At the end of 2008, Central's borrowing multiple, while within regulatory requirements, exceeded the upper range of Central's internal target. This was primarily due to two factors: an increase in deposits by member credit unions in the fourth quarter; and market volatility that resulted in an increase in required deductions from capital for regulatory purposes. While these factors are anticipated to reverse in the first quarter of 2009, Central fully intends to ensure that its borrowing multiple will remain within its internal target range.

CHART 15 CONTRACTUAL OBLIGATIONS

December 31 (Millions of dollars)	Less than 1 Year	1 to 3 Years	3 to 5 Years	Greater than 5 Years	Total
Debt – Outstanding	\$ 5,929.1	\$ 681.0	\$ 758.1	–	\$ 7,368.2
Operating Leases	0.9	1.0	–	–	1.9
Other Long-Term Obligations ⁽¹⁾	80.0	60.0	–	–	140.0
	\$ 6,010.0	\$ 742.0	\$ 758.1	–	\$ 7,510.0

(1) Obligations to accept deposits from members at future dates.

MANAGEMENT'S DISCUSSION & ANALYSIS

CHART 16 RISK-ADJUSTED ASSETS

December 31 (Millions of dollars)	Conversion Factor	Risk Weight	2008		2007		2006	
			Gross Assets	Risk Adjusted	Gross Assets	Risk Adjusted	Gross Assets	Risk Adjusted
On-balance Sheet								
Cash	-	0-20%	\$ 228.4	\$ 11.6	\$ 28.5	\$ 5.7	\$ 29.7	\$ 5.9
Securities	-	0-100%	5,313.6	1,201.7	3,753.7	1,002.1	3,237.4	849.4
Deposits with regulated FIs		0-100%	126.5	25.3	211.1	42.2	387.6	85.6
Loans		20-100%	2,425.9	617.8	1,483.0	315.0	1,416.0	295.7
Other		0-100%	463.4	399.4	185.9	99.0	106.4	57.8
			8,557.8	2,255.8	5,662.2	1,463.9	5,177.1	1,294.4
Off-balance Sheet								
Derivatives	0-0.5%	0-100%	220.9	44.2	60.0	12.0	60.6	12.1
Credit Commitments	-	1-50%	1,836.4	0.0	1,824.5	0.0	1,531.0	0.0
Guarantees & Letters of Credit	-	20-50%	249.2	49.9	695.4	139.1	633.9	126.8
			2,306.5	94.1	2,580.0	151.1	2,222.5	138.9
Total Risk-Weighted Assets			\$ 10,864.3	\$ 2,349.9	\$ 7,650.6	\$ 1,615.0	\$ 7,402.6	\$ 1,433.3
Capital Base				\$ 456.4		\$ 336.2		\$ 319.7
Capital as % of Risk-Weighted Assets				19.5%		20.8%		22.3%
Borrowing Multiple				18.1:1		16.2:1		15.2:1

CHART 17 RISK-ADJUSTED ASSETS

December 31 (% of Risk-Adjusted to Total Risk-Adjusted Assets)	3 Year Average	2008	2007	2006
Converted Value of On-Balance Sheet Assets	92.3%	96.0%	90.6%	90.3%
Converted Value of Off-Balance Sheet Assets	7.7%	4.0%	9.4%	9.7%
Total	100.0%	100.0%	100.0%	100.0%

Central's share capital, with the exception of nominal amounts, is entirely held by its Class A members, which, collectively, comprise the B.C. and Ontario credit union systems. Central's Rules permit it to unconditionally require its Class A members to increase their investment in its share capital. Central's policy requires an annual adjustment of Class A share capital subscriptions so that member credit unions contribute Class A share capital in proportion to their assets (Chart 18).

Through 1997-2005, strong earnings and prudent dividend policies allowed Central to maintain its capital ratios solely through internal capital generation in the form of retained earnings and, in 2004, a share call on member credit unions

of \$7.9 million. In 2006, Central diversified its sources of capital by issuing \$50.0 million in Tier 2B capital to a group of investors in the form of subordinated debt. In 2008, as a result of the merger with CUCO, Central issued \$49.3 million of Class A shares to its Ontario member credit unions and a total of \$29,000 of Class E shares to B.C. and Ontario member credit unions. (See Notes 3 and 18 to the financial statements.) As part of the transaction, Central recognized \$87.90 million of contributed surplus.

Central does not have any significant or material commitments for capital expenditures. Capital expenditures are minimal given the nature of Central's business and are financed internally from earnings.

CHART 18 SOURCES OF CAPITAL

December 31 (Millions of dollars - % of total)	2008	% Total	2007	% Total	2006	% Total
Share Capital	\$ 162.6	33.3%	\$ 113.4	34.3%	\$ 113.4	36.2%
Contributed Surplus	87.9	18.0	0	0	0	0
Retained Earnings	188.0	38.5	167.2	50.6%	149.4	47.8%
Subordinated Debt	50.0	10.2	50.0	15.1%	50.0	16.0%
Total Capital	\$ 488.7	100.0%	\$ 330.6	100.0%	\$ 312.8	100.0%
Percentage Increase in Retained Earnings	12.5%		11.9%		6.5%	

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, Central is involved with off-balance sheet arrangements, which fall into three main categories: securitization, derivative financial instruments and guarantees.

Loan Securitizations

Credit unions periodically securitize residential mortgage loans to diversify their funding sources and enhance their liquidity positions. As the rated entity in the credit union system, Central plays a pivotal role in loan securitization on behalf of member credit unions. Central and its member credit unions have securitized these loans either through ABCP conduits sponsored by major Canadian bank-owned dealers or through the Canada Mortgage Bond Program, which is sponsored by Canada Mortgage Housing Corporation, a federal crown corporation. Most recently, Central has participated in the Insured Mortgage Purchase Program (IMPP). Under the IMPP, CMHC purchases securities composed of pools of insured residential mortgages from Canadian financial institutions. These are high-quality assets that are backed not only by the overall strength of Canada's housing market, but also by the Government's own guarantee of the insured mortgages. (See Note 13 to the financial statements.)

The financial risks to Central in these activities form part of the fully-secured credit arrangements that Central has with member credit unions. Central may, but is not obligated to, provide additional credit enhancement, through the purchase of investment grade rated subordinated notes issued by a special purpose entity. As at December 31, 2008, Central

held \$50.6 million of such notes. Central is not aware of any circumstances that could require Central to fund or purchase any of the securitized assets other than as described above.

The accompanying chart provides details of assets securitized by the system through Central outstanding at year end (Chart 19).

The disintermediation of the financial services industry has increased demand for securitization by most financial institutions, including credit unions. The extent of securitization of system assets is also subject to economic cycles. Securitization of residential mortgages by credit unions increased during 2007 and 2008, as they continued to use off-balance sheet vehicles to finance strong loan demand. However, the abrupt slowdown in real estate markets in 2008 has dampened the demand for residential mortgage securitizations.

In mid-August 2007 the Canadian ABCP markets experienced severe disruptions that have effectively shut-off, *inter alia*, access to commercial paper securitization conduits. In 2008, private sector term asset backed markets were also non-existent. It is not known if and when markets will return to normalcy. However, the Canada Mortgage Bond Program and the aforementioned IMPP auctions remain open and provide a very cost-effective alternative for the securitization of credit union mortgages, which represent over 60 percent of credit union assets.

Derivative Financial Instruments

Derivatives are primarily used in the asset/liability management activities of Central and the system. Central structures and sells derivative products to member credit unions mainly to enable them to transfer, modify or reduce

CHART 19 ASSETS SECURITIZED THROUGH CENTRAL

(Billions of dollars - % of system assets)	2008	%	2007	%	2006	%
Total outstanding at year end	\$ 4.70	7.2	\$ 4.16	6.8	\$ 3.46	6.1

MANAGEMENT'S DISCUSSION & ANALYSIS

interest rate risk. Central, by virtue of its size and credit ratings, provides credit unions with cost-effective access to the wholesale derivative markets on a "mirrored" basis by serving as an intermediary. Central also acts as a swap counterparty on behalf of its member credit unions. Central uses derivatives extensively in the management of its own balance sheet and also maintains a relatively small trading portfolio of derivative instruments.

Derivative contracts give rise to counterparty credit risk, which is managed within the context of Central's overall credit risk policies. The credit exposure of derivative contracts as measured by risk-adjusted credit equivalents is presented in *Chart 16*, page 52. The fair value of derivative positions is presented in *Note 30* to the financial statements.

Guarantees

Central, as the primary rated entity within the system, issues guaranteed products to member credit unions or on behalf of their members to help them meet their financing needs. Significant types of such products are financial standby letters of credit, performance guarantees and certain liquidity facilities. In addition to guarantees, Central makes commitments to its members to extend credit, which represent unused portions of authorizations to extend credit in the form of loans, letters of credit and capital market facilities. *Chart 16*, page 52, provides a summary of Central's off-balance sheet commitments.

PROPOSED TRANSACTIONS AND TRANSACTIONS WITH RELATED PARTIES

There were no material transactions in 2008 with related parties, nor are there any contemplated at this time. There are no proposed transactions that would have a material effect on financial conditions, results of operations or cash flows of Central or its subsidiaries, other than the merger with CUCO, which was completed on July 1, 2008.

SUMMARY OF QUARTERLY RESULTS AND FOURTH QUARTER

Quarterly Results

Central's financial results for each of the eight most recently completed quarters are summarized in the accompanying chart. Trading gains and losses and holding gains and losses have a significant impact on quarterly net income – and their timing and magnitude are not predictable. Therefore, these are shown in the chart separately from "Other Income". In general, however, Central's net interest income is quite stable from quarter to quarter, with no discernable seasonal trend; this reflects the condition of prevailing financial markets. Non-interest expenses for the fourth quarter tend to be higher than those of other quarters, in part due to non-recurring items, but also due to the timing and recognition of certain expenses.

CHART 20 CENTRAL 1 CREDIT UNION – QUARTERLY EARNINGS

<i>(Millions of \$, except as indicated)</i>	2008				2007			
	Period Ended				Period Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
Total Interest Income	\$ 58,278	\$ 51,374	\$ 71,191	\$ 72,239	\$ 53,458	\$ 55,084	\$ 60,306	\$ 64,278
Total Interest Expense	49,526	42,017	57,444	57,000	46,233	47,716	52,655	55,401
Net Interest Income	8,752	9,357	13,747	15,239	7,225	7,368	7,651	8,877
Gains on disposal of financial instruments	6,297	4,188	3,352	11,416	(113)	1,270	2,243	4,367
Changes in fair value of financial instruments	(7,321)	(1,376)	(15,896)	(3,176)	591	259	(1,481)	(4,861)
Recovery (provision) for credit losses		34	(316)	(823)		29		28
Non-Interest Income	14,008	15,367	20,986	23,524	12,514	13,319	12,900	13,941
Non-Interest Expenses	(15,448)	(16,174)	(23,483)	(28,353)	(13,871)	(14,789)	(14,382)	(15,731)
Unusual Items	(290)	(2,150)	0	0	(332)	(592)	3,711	(772)
Income Taxes	(1,023)	(1,465)	340	(2,751)	(1,107)	(1,205)	(1,689)	(1,168)
Net Income	\$ 4,975	\$ 7,781	\$ (1,270)	\$ 15,076	\$ 5,107	\$ 5,659	\$ 8,953	\$ 4,681
Weighted Average Shares Outstanding	113.40	113.40	157.66	162.58	113.35	113.35	113.35	113.35
Earnings per Share* (cents)	4.39	6.86	(0.81)	9.28	4.50	4.99	7.90	4.13
Earnings per Share fully diluted (cents)	4.39	6.86	(0.81)	9.28	4.50	4.99	7.90	4.13

Fourth Quarter 2008

Net interest income for the fourth quarter of \$15.24 million was the highest of any quarter in 2008 and well above that for the same period last year. Decreases in short-term interest rates and higher credit spreads continue to have a positive impact on Central's financial margin due to the asset/liability profile of Central's balance sheet. Net income of \$15.08 million for the quarter was significantly higher than the \$4.68 million achieved in 2007. However, non-interest expense for the fourth quarter in both 2008 and 2007 was adversely affected by non-recurring items: merger integration costs and specific provisions for loan losses, respectively.

CRITICAL ACCOUNTING ESTIMATES

Central's operating results and its financial condition are reported using accounting policies and methods in accordance with Canadian generally accepted accounting principles (GAAP). In certain cases, GAAP provides for alternative methods and policies, which, while reasonable, may produce different amounts.

Management exercises judgment in applying accounting policies to ensure they are GAAP compliant and reflect the most appropriate way to report Central's financial condition and results of operations. Significant accounting policies are described in *Note 3* to the financial statements.

Central has established procedures to ensure that accounting policies are applied on a consistent basis. Changes in accounting processes or methodologies are controlled and implemented in a systematic manner. Central's critical accounting policies are reviewed by the Audit Committee on a periodic basis.

In preparing Central's financial statements, management is required to make estimates and assumptions based on information as of the date of the financial statements. Certain amounts recorded in the financial statements, including financial instruments measured at fair value, recoverability of loans, accounting for securitization transactions, income taxes and post-retirement benefits, require management to make subjective or complex judgments.

Future Accounting and Reporting Changes

Central expects to adopt the following accounting standards in preparing its financial statements in the future. *Note 5* to the consolidated financial statements contains more information regarding future accounting and reporting changes.

Effective January 1, 2009, Central will adopt EIC-173 – *Credit Risk and the Fair Value of Financial Assets and Liabilities* — which clarifies that an entity's own risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial instruments, including derivative instruments. This EIC will be applied retrospectively without

restatement of prior periods. The nature and timing of changes required to Central's financial statements as a result of implementing EIC-173 cannot be determined at this time.

The Canadian Institute of Chartered Accountants (CICA) has announced its intention to harmonize Canadian GAAP with International Financial Reporting Standards (IFRS), effective for Central's 2011 fiscal year. The nature and timing of changes required to Central's financial statements as a result of implementing IFRS cannot be determined at this time.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this Management's Discussion and Analysis, management evaluated Central's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in Central's interim filings, as such term is defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Internal Controls and Procedures

For operations in B.C., Central evaluated the design of its internal controls and procedures over financial reporting as defined under National Instrument 52-109 for the year ended December 31, 2008. Based on that evaluation, management has concluded that the design of its internal controls and procedures over financial reporting was effective.

There has been no change in Central's design of internal controls and procedures over financial reporting that has materially affected, or is reasonably likely to materially affect, Central's internal control over financial reporting during the period covered by this Management's Discussion and Analysis.

Central has not yet completed its evaluation of the design of its internal controls and procedures over financial reporting as defined under National Instrument 52-109 for the six-month period ended December 31, 2008, for operations in Ontario. However, Central does not anticipate any significant deficiencies in the design of these controls.

TEN-YEAR SUMMARY¹

Central 1 Credit Union

(Millions of dollars unless otherwise indicated)	5-Year Average	10-Year Average	2008	2007
AT THE YEAR ENDS				
Assets				
Cash			228.38	28.53
Securities			5,313.64	3,753.66
Amounts on deposits with regulated financial institutions ²			126.47	211.06
Loans			2,425.95	1,482.98
Other			463.34	185.95
Total Assets			8,557.78	5,662.18
Liabilities				
Notes			526.22	968.77
Non Credit Union Deposits			3,041.71	326.90
Credit Union Deposits			3,896.48	3,896.48
Other			608.09	150.44
			8,072.50	5,342.59
Subordinated Debt			50.68	49.67
Members' Equity				
Share capital			162.58	113.35
Contributed Surplus			87.90	-
Retained Earnings			188.06	167.15
Accumulated Other Comprehensive Income			(3.94)	(10.58)
			434.60	269.92
Total Liabilities and Members' Equity			8,557.78	5,662.18
For The Year Ended				
Interest Income				
Securities			170.69	133.67
Amounts on Deposit with regulated financial institutions			7.59	14.50
Loans			74.81	84.96
			253.09	233.13
Interest expense				
Notes			30.70	43.92
Deposits			173.08	155.74
Subordinated Debt			2.21	2.35
			205.99	202.01
Interest Margin				
Gains on disposal of financial instruments			47.10	31.12
Change in fair value of financial instruments			25.23	7.77
Net financial income			(27.77)	(5.49)
(Recovery) provision for credit losses			44.56	33.40
			1.10	(0.06)
			43.46	33.46
Other Income				
Net interest and other income			73.89	52.67
Operating Expenses			117.35	86.13
Income from operations before unusual items			83.46	58.57
Unusual items			33.89	27.56
Income before Income Taxes			(2.44)	2.01
Income Taxes			31.45	29.57
Net Income			4.89	5.17
			26.56	24.40
Statistical				
Average Assets	4,855.34	4,082.52	6,611.28	5,083.59
Average Cash, Securities and Amounts on Deposit with regulated financial institutions	3,239.04	2,976.44	4,435.83	3,155.91
Average Loans	1,522.91	1,048.67	1,966.80	1,807.72
Average Debt	4,477.67	3,780.46	6,029.92	4,698.24
Average Subordinated Debt	20.42	10.21	50.50	50.10
Gross Income	239.29	214.09	326.98	285.80
Interest Income	186.85	167.47	253.09	233.13
Interest Expense	157.64	141.81	205.99	202.01
Interest Margin	29.21	25.67	47.10	31.12
Net Income	18.35	16.78	26.56	24.40
As A Percent Of Average Assets				
Average Cash & Securities and Amounts on Deposit	67.06%	74.59%	67.09%	62.08%
Average Loans	31.20%	24.21%	29.75%	35.56%
Average Debt	92.31%	92.65%	91.21%	92.42%
Average Subordinated Debt	0.36%	0.18%	0.76%	0.99%
Gross Income	4.88%	5.32%	4.95%	5.62%
Interest Income	3.80%	4.17%	3.83%	4.59%
Interest Expense	3.22%	3.54%	3.12%	3.97%
Interest Margin	0.59%	0.63%	0.71%	0.61%
Interest Margin and gains on disposal of financial instruments	0.64%	0.73%	0.66%	0.66%
Net Income before Taxes	0.45%	0.52%	0.48%	0.58%
Net Income	0.37%	0.41%	0.40%	0.48%
Yields / Costs				
Cash, Securities and Amounts on deposit with regulated financial institutions	3.97%	4.29%	4.02%	4.70%
Loans	3.62%	4.02%	3.80%	4.70%
Deposits & Notes	3.47%	3.81%	3.38%	4.25%
Returns on Average:				
Assets	0.37%	0.41%	0.40%	0.48%
Capital	15.46%	14.93%	19.41%	21.53%
Equity	6.61%	7.16%	7.69%	9.16%
Returns on Average:				
Assets (before taxes & dividends)	0.45%	0.52%	0.48%	0.58%
Capital (before taxes & dividends)	18.88%	18.50%	22.98%	26.09%
Equity (before taxes & dividends)	8.07%	8.91%	9.10%	11.10%
Dividends as % Year-End Capital				
Debt/Equity Ratio	6.03%	6.84%	4.10%	8.35%
Dividends Per Share (cents)	16.68	16.66	16.63	16.72
Average Deposits	6.03	6.84	4.10	8.35
Average Notes	3,824.24	3,371.81	5,236.87	3,770.98
Average Capital	626.59	395.24	793.05	793.05
Average Equity	117.27	111.38	136.87	113.35
Dividends (millions)	273.19	234.67	345.53	266.36
	7.24	7.65	6.67	9.46

1 Information presented above for fiscal years 2006 and 2005 has been reclassified to conform to Central's 2007 financial statements presentation. Information presented for the years 1998 through 2004 has not been reclassified.

2 In 2006, Central reclassified amounts on deposit with regulated financial institutions from securities. Comparative amounts for 2005 and 2004 have been reclassified to reflect this change, but amounts prior to 2004 have not been reclassified.

	2006	2005	2004	2003	2002	2001	2000	1999
	29.61	65.66	50.53	13.36	40.78	9.61	40.98	14.79
	3,236.83	3,331.21	3,271.97	3,469.87	3,175.50	3,228.79	3,070.94	2,585.67
	387.60	396.27	299.25	-	-	-	-	-
	1,416.04	787.43	745.29	436.81	360.95	458.30	256.68	338.14
	107.01	103.43	57.60	35.20	48.28	60.11	72.18	50.71
	5,177.09	4,684.00	4,424.64	3,955.24	3,625.51	3,756.81	3,440.78	2,989.31
	755.83	350.61	371.70	371.43	188.14	209.90	205.96	127.90
	389.90	323.08	321.90	208.24	137.02	247.40	207.53	125.40
	3,484.81	3,666.35	3,421.21	3,082.81	3,020.45	3,064.06	2,796.61	2,538.79
	233.94	90.28	64.43	62.31	74.29	35.56	41.75	14.80
	4,864.48	4,430.32	4,179.24	3,724.79	3,419.90	3,556.92	3,251.85	2,806.89
	49.81	-	-	-	-	-	-	-
	113.36	113.35	113.35	105.49	105.49	105.49	105.49	105.49
	-	-	-	-	-	-	-	-
	149.44	140.33	132.05	124.96	100.12	94.40	83.44	76.93
	-	-	-	-	-	-	-	-
	262.80	253.68	245.40	230.45	205.61	199.89	188.93	182.42
	5,177.09	4,684.00	4,424.64	3,955.24	3,625.51	3,756.81	3,440.78	2,989.31
	103.15	100.82	97.03	117.45	103.25	140.25	144.57	114.44
	11.62	4.92	0.52	-	-	-	-	-
	73.04	32.97	23.95	21.99	22.34	23.87	28.08	24.27
	187.81	138.71	121.50	139.44	125.59	164.12	172.65	138.71
	34.19	12.62	7.54	7.64	5.39	7.24	8.57	3.76
	127.79	103.56	94.42	106.73	101.61	133.03	140.87	115.05
	0.07	-	-	-	-	-	-	-
	162.05	116.18	101.96	114.37	107.00	140.27	149.43	118.81
	25.76	22.53	19.54	25.07	18.59	23.85	23.22	19.89
	0.68	4.65	5.09	5.84	8.77	5.64	1.13	1.31
	0.79	(0.27)	0.36	0.07	0.00	-	-	-
	27.23	26.91	24.99	30.98	27.36	29.49	24.35	21.20
	0.79	0.00	0.32	0.00	0.00	(2.61)	(0.80)	(0.80)
	26.44	26.91	24.67	30.98	27.36	32.10	25.15	22.01
	49.92	43.68	42.03	42.26	38.62	36.36	36.03	33.86
	76.36	70.59	66.70	73.24	65.98	68.46	61.18	55.87
	55.60	54.19	52.82	51.17	49.19	46.70	41.08	40.97
	20.76	16.40	13.88	22.07	16.79	21.76	20.10	14.91
	(0.17)	-	-	-	-	-	-	-
	20.59	16.40	13.88	22.07	16.79	21.76	20.10	14.91
	3.99	3.20	2.87	4.34	3.02	4.28	4.70	3.36
	16.60	13.20	11.01	17.73	13.77	17.48	15.40	11.54
	4,481.92	4,210.80	3,889.10	3,725.29	3,544.98	3,351.28	3,121.76	2,805.24
	2,686.89	3,032.48	2,884.10	3,038.70	2,750.29	2,807.49	2,633.48	2,339.28
	1,703.14	1,151.70	985.21	665.50	776.25	519.32	466.18	444.90
	4,184.91	3,889.71	3,585.59	3,461.80	3,318.54	3,144.45	2,890.34	2,601.14
	1.50	-	-	-	-	-	-	-
	237.73	182.39	163.53	181.70	172.98	206.12	209.81	173.90
	187.81	138.71	121.50	139.44	125.58	164.12	172.65	138.71
	162.05	116.18	101.96	114.37	107.00	140.27	149.43	118.81
	25.76	22.53	19.54	25.07	18.59	23.85	23.22	19.89
	16.60	13.20	11.01	17.73	13.77	17.48	15.40	11.54
	59.95%	72.02%	74.16%	81.53%	77.58%	83.77%	84.36%	83.39%
	38.00%	27.35%	25.33%	17.90%	21.90%	15.50%	14.93%	15.86%
	93.37%	92.37%	92.20%	92.13%	93.61%	93.83%	92.59%	92.72%
	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	5.30%	4.33%	4.20%	4.88%	4.88%	6.15%	6.72%	6.20%
	4.19%	3.29%	3.12%	3.74%	3.54%	4.90%	5.53%	4.94%
	3.62%	2.76%	2.62%	3.07%	3.02%	4.19%	4.79%	4.24%
	0.57%	0.54%	0.50%	0.67%	0.52%	0.71%	0.74%	0.71%
	0.59%	0.64%	0.63%	0.83%	0.77%	0.96%	0.81%	0.78%
	0.46%	0.39%	0.36%	0.59%	0.47%	0.65%	0.64%	0.53%
	0.37%	0.31%	0.28%	0.48%	0.39%	0.52%	0.49%	0.41%
	4.27%	3.49%	3.38%	3.87%	3.75%	5.00%	5.49%	4.89%
	4.29%	2.86%	2.43%	3.13%	2.88%	4.60%	6.02%	5.46%
	3.87%	2.99%	2.84%	3.30%	3.22%	4.46%	5.17%	4.57%
	0.37%	0.31%	0.28%	0.48%	0.39%	0.52%	0.49%	0.41%
	14.64%	11.65%	10.06%	16.80%	13.06%	16.57%	14.60%	10.94%
	6.43%	5.18%	4.56%	8.08%	6.79%	8.99%	8.29%	6.46%
	0.46%	0.39%	0.36%	0.59%	0.47%	0.65%	0.64%	0.53%
	18.16%	14.47%	12.68%	20.92%	15.92%	20.62%	19.05%	14.13%
	7.98%	6.44%	5.75%	10.06%	8.28%	11.19%	10.83%	8.35%
	8.02%	5.39%	4.29%	5.75%	9.11%	7.69%	11.00%	4.69%
	15.56	17.46	17.03	16.16	16.63	17.79	17.21	15.39
	8.02	5.39	4.29	5.75	9.11	7.69	11.00	4.69
	3,385.72	3,451.87	3,275.78	3,216.90	3,122.69	2,983.86	2,742.22	2,531.17
	799.19	437.84	309.81	244.90	195.85	160.58	148.11	69.97
	113.35	113.34	109.46	105.50	105.46	105.51	105.49	105.49
	258.02	254.65	241.39	219.37	202.70	194.46	185.67	178.57
	9.09	6.11	4.86	6.07	9.61	8.11	11.60	4.95

FIVE-YEAR SUMMARY

British Columbia System

As at December 31 ¹ (millions of dollars)	2008	2007	2006	2005	2004
Cash & Central 1 Operating Account	453.39	371.28	351.44	337.69	366.70
Investments					
Liquid	5,857.40	4,607.21	4,473.19	5,229.60	5,156.71
Other	116.62	122.57	122.21	119.26	118.19
Loans ²	38,016.60	36,721.44	33,215.62	29,647.29	26,002.75
Other	1,007.04	767.74	750.52	685.95	650.99
Total Assets	45,451.05	42,590.24	38,912.98	36,019.79	32,295.34
Borrowed Funds	2,931.39	3,029.26	2,166.16	1,245.36	1,268.79
Members' Deposits	38,940.08	36,298.70	33,644.65	32,012.40	28,520.04
Non-Equity Shares	63.50	87.15	105.93	111.03	108.51
Retained Earnings & Equity Shares	2,454.80	2,260.68	2,113.30	1,931.34	1,720.84
Payables & Other	1,061.28	914.45	882.94	719.66	677.16
Total Liabilities	45,451.05	42,590.24	38,912.98	36,019.79	32,295.34
For the Year Ended					
Average Assets	43,363.91	40,715.52	36,964.79	32,910.37	29,996.76
Average Liquidity	4,874.53	4,548.94	4,409.09	4,365.55	4,136.14
Average Loans	37,516.33	35,250.77	31,734.22	27,759.26	25,097.68
Average Deposits	37,034.39	34,466.34	31,742.14	28,777.54	26,402.87
Financial Margin	1,038.10	975.33	940.30	885.34	818.86
Non-Financial Income	321.45	291.64	294.91	281.62	303.63
Non-Financial Expense	1,016.64	978.61	941.18	874.90	834.13
Net Loan Loss Expense	51.32	31.47	34.11	27.27	33.22
Net Operating Income	291.60	256.89	259.91	264.79	255.15
Income Taxes	56.83	40.67	35.11	38.52	41.15
Net Income	234.76	216.22	224.80	226.27	214.00
Return on Equity	9.43%	9.41%	10.61%	11.73%	12.44%
Statistical					
<i>As a Percentage of Average Assets</i>					
Average Liquidity	11.24%	11.17%	11.93%	13.26%	13.79%
Average Loans	86.52%	86.58%	85.85%	84.35%	83.67%
Average Deposits	85.40%	84.65%	85.87%	87.44%	88.02%
Gross Income	6.08%	6.20%	6.10%	5.80%	6.02%
Financial Income	5.32%	5.48%	5.30%	4.94%	5.01%
Financial Expense	2.93%	3.09%	2.75%	2.25%	2.28%
Financial Margin	2.39%	2.40%	2.54%	2.69%	2.73%
Non-Financial Income	0.74%	0.72%	0.80%	0.86%	1.01%
Non-Financial Expense	2.34%	2.40%	2.55%	2.66%	2.78%
Net Loan Loss Expense	0.12%	0.08%	0.09%	0.08%	0.11%
Net Operating Income	0.67%	0.63%	0.70%	0.80%	0.85%
Income Taxes	0.13%	0.10%	0.09%	0.12%	0.14%
Net Income	0.54%	0.53%	0.61%	0.69%	0.71%
Yields/Costs					
Investments ⁴	3.29%	3.82%	3.40%	3.19%	3.33%
Loans	5.59%	5.92%	5.73%	5.25%	5.34%
Deposits	3.09%	3.19%	2.85%	2.37%	2.43%
Number of Credit Unions	48	49	51	52	56
Number of Branches ⁵	373	368	360	352	347
Number of ATMs	532	529	502	497	485
Number of Members	1,681,500	1,629,435	1,576,754	1,537,047	1,489,878

¹ Income statement for three credit unions with September 30 year-end is adjusted to twelve months ending December 31st.

² Figures are net of allowance for doubtful loans, but include accrued interest.

³ After taxes, before dividends, patronage refunds and capital gains/extraordinary items.

⁴ Excludes net interest income on Interest Rate/Foreign Exchange Contracts and Trading Gains (Losses).

⁵ Excludes credit union insurance subsidiaries.

Note: 2008 figures are unaudited.

FIVE-YEAR SUMMARY

Ontario System

As at December 31 except for 2008¹ (millions of dollars)

	Sept. 30, 2008 (9 Months)	2007	2006	2005	2004
Investments					
Liquid (includes Cash)	2,425.12	2,259.39	2,049.52	1,773.18	1,751.15
Other	368.54	269.37	325.41	600.52	317.95
Loans ²	16,576.41	15,692.69	14,700.70	13,614.00	11,797.30
Other	496.20	497.74	415.82	409.20	338.10
Total Assets	19,866.27	18,719.19	17,491.45	16,396.90	14,204.50
Borrowed Funds					
Members' Deposits	17,507.03	16,481.37	15,409.94	14,642.70	12,730.50
Non-Equity Shares	500.40	488.02	464.07	441.60	330.20
Retained Earnings & Equity Shares	887.64	838.23	790.65	755.50	682.60
Payables & Other	422.56	415.77	336.92	203.80	218.40
Total Liabilities	19,866.27	18,719.19	17,491.45	16,396.9	14,204.50
For the Year Ended					
Average Assets	19,292.73	18,105.31	17,103.07	15,522.70	13,839.55
Average Liquidity	2,661.21	2,451.84	2,374.31	2,221.40	2,101.45
Average Loans	16,134.55	15,196.69	14,157.35	12,705.65	11,300.50
Average Deposits	16,994.20	15,945.65	15,026.32	13,686.60	12,356.00
Financial Margin	374.92	542.91	500.11	461.06	390.40
Non-Financial Margin	484.51	671.99	625.04	585.78	505.20
Non-Financial Expense	416.74	571.38	543.91	515.90	440.00
Net Loan Loss Expense	15.86	22.78	18.51	22.92	14.70
Net Operating Income	67.77	100.61	81.13	69.88	65.10
Income taxes	12.98	18.98	14.94	14.38	12.60
Net Income³	53.35	74.03	64.99	53.44	53.40
Return on Equity	3.84%	5.58%	5.18%	4.46%	5.27%
Statistical					
<i>As a Percentage of Average Assets</i>					
Average Liquidity	13.79%	13.54%	13.88%	14.31%	15.18%
Average Loans	83.63%	83.93%	82.78%	81.85%	81.65%
Average Deposits	88.09%	88.07%	87.86%	88.17%	89.28%
Gross Income	4.76%	6.91%	6.45%	6.34%	6.18%
Financial Income	4.11%	6.07%	5.61%	5.39%	5.24%
Financial Expense	2.17%	3.07%	2.68%	2.42%	2.42%
Financial Margin	1.94%	3.00%	2.92%	2.97%	2.82%
Non-Financial Income	0.65%	0.84%	0.84%	0.95%	0.94%
Non-Financial Expense	2.16%	3.16%	3.18%	3.32%	3.18%
Net Loan Loss Expense	0.08%	0.13%	0.11%	0.15%	0.11%
Net Operating Income	0.35%	0.56%	0.47%	0.45%	0.47%
Income taxes	0.07%	0.10%	0.09%	0.09%	0.09%
Net Income	0.28%	0.41%	0.38%	0.34%	0.39%
Yield/Costs⁴					
Investments	2.32%	3.75%	3.35%	3.24%	3.32%
Loans	4.51%	6.61%	6.21%	5.98%	5.81%
Deposits	2.27%	3.12%	2.72%	2.50%	2.48%
Number of Credit Unions	148	164	170	178	193
Number of Branches	462	474	517	514	532
Number of ATMs	570	544	520	539	369
Number of Members	1,230,477	1,226,444	1,386,577	1,216,622	1,084,159

¹ Figures are as of September 30, 2008. December 31, 2008 data available after March 15, 2009

² Figures are net of allowance for doubtful loans

³ After taxes, dividends, patronage refunds and extraordinary items

⁴ Interest yields and cost calculated as a percentage of average assets or liabilities

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Consolidated Financial Statements

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FINANCIAL REPORTING RESPONSIBILITIES

The accompanying statements of Central 1 have been prepared by management, which is responsible for their integrity, objectivity, and reliability as well as for selecting appropriate accounting policies that are consistent with generally accepted accounting principles in Canada. The financial statements necessarily include some amounts that are based on estimates and judgments of management with appropriate consideration to materiality.

The financial information presented elsewhere in this Annual Report is consistent with the information in the financial statements.

The credit union's accounting and internal control systems and supporting procedures are designed and maintained to provide reasonable assurance that financial records are complete, reliable, and accurate and that assets are safeguarded against loss from unauthorized use or disposition. The procedures include training and selection of qualified staff, the establishment of an organizational structure that provides a well-defined division of responsibilities, and accountability for performance. In addition, the systems include policies and standards of business conducted that are communicated throughout the organization to prevent conflicts of interest and unauthorized disclosure of information.


The credit union's Board of Directors, acting through its Audit Committee composed of directors, oversees management's responsibilities for the financial reporting and internal control systems. Our external auditors review our systems and periodically are asked to undertake in-depth system reviews of specific functional operations.

The Federal and Provincial Superintendents of Financial Institutions annually conduct a joint examination and make such inquiries into the affairs of the credit union as they may deem necessary to satisfy themselves that the provisions of the appropriate legislation are being duly observed and that the credit union is in sound financial condition.

KPMG LLP, the independent auditors appointed by the members, have examined our financial statements and issued their report, which follows. The auditors have full and complete access to, and meet periodically with, the Audit Committee to discuss their audit and matters arising therefrom.



D. Rolfe
President & Chief Executive Officer



J. MacDonald
Senior Vice President Ontario and Chief Financial Officer

AUDITORS' REPORT

To the Members of Central 1 Credit Union (formerly Credit Union Central of British Columbia)

We have audited the revised consolidated balance sheets of Central 1 Credit Union (Central) as at December 31, 2008 and 2007 and the revised consolidated statements of income, comprehensive income, changes in members' equity and cash flows for the years then ended. These financial statements are the responsibility of Central's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these revised consolidated financial statements present fairly, in all material respects, the financial position of Central as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Our previous report dated February 17, 2009 has been withdrawn and the financial statements have been revised as explained in note 2.



KPMG LLP

Chartered Accountants

Vancouver, Canada

February 17, 2009

as to note 2 which is

as of May 8, 2009

CONSOLIDATED BALANCE SHEETS

December 31

(Thousands of dollars)	Notes	2008 <i>(Restated)</i> <i>(Note 2)</i>	2007	2006
Assets				
Cash	(7)	\$ 228,378	\$ 28,529	\$ 29,611
Securities	(8)	5,313,636	3,753,662	3,236,828
Amounts on deposit with regulated financial institutions	(9)	126,471	211,058	387,596
Loans	(10)	2,425,947	1,482,978	1,416,043
Capital assets	(11)	15,128	13,834	13,971
Other	(12)	448,224	172,121	93,036
		\$ 8,557,784	\$ 5,662,182	\$ 5,177,085
Liabilities				
Notes	(14)	\$ 526,225	\$ 968,774	\$ 755,831
Deposits	(15)	6,938,186	4,223,377	3,874,710
Other	(16)	608,096	150,447	233,940
		8,072,507	5,342,598	4,864,481
Subordinated Debt	(17)	50,678	49,671	49,807
Members' Equity				
Share capital	(18)	162,580	113,354	113,353
Shares to be issued as result of merger	(3)	2	-	-
Contributed surplus	(3)	87,901	-	-
Retained earnings		188,060	167,148	149,444
Accumulated other comprehensive income	(19)	(3,944)	(10,589)	-
		434,599	269,913	262,797
		\$ 8,557,784	\$ 5,662,182	\$ 5,177,085
Guarantees and contingencies	(26)			
Commitments	(27)			

See accompanying notes to the consolidated financial statements

On Behalf of the Board:



JACK SMIT
Chairperson



FRED WAGNER
Chairperson – Audit Committee

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31

<i>(Thousands of dollars)</i>	Notes	2008 <i>(Restated)</i> <i>(Note 2)</i>	2007	2006
Interest income				
Securities		\$ 170,688	\$ 133,667	\$ 103,154
Amounts on deposit with regulated financial institutions		7,588	14,499	11,618
Loans		74,806	84,960	73,035
		253,082	233,126	187,807
Interest expense				
Notes		30,703	43,924	34,188
Deposits		173,074	155,735	127,787
Subordinated debt		2,210	2,346	70
		205,987	202,005	162,045
Interest margin		47,095	31,121	25,762
Gains on disposal of financial instruments	(20)	25,253	7,767	684
Changes in fair value of financial instruments	(21)	(27,769)	(5,492)	782
Net financial income		44,579	33,396	27,228
Provision (recovery) of credit losses	(10)	1,105	(57)	795
		43,474	33,453	26,433
Other income	(22)	73,885	52,674	49,920
Net interest and other income		117,359	86,127	76,353
Operating expenses				
Salaries and employee benefits	(23)	39,506	29,782	26,723
Premises and equipment		6,588	4,023	3,708
Other administrative expenses	(24)	37,364	24,768	25,166
		83,458	58,573	55,597
Income from operations before the following		33,901	27,554	20,756
Gain on disposal of rental property		-	4,330	-
Combination transaction costs		(2,440)	(2,315)	(168)
Income before income taxes		31,461	29,569	20,588
Income taxes	(25)	4,899	5,169	3,985
Net income		\$ 26,562	\$ 24,400	\$ 16,603

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31

<i>(Thousands of dollars)</i>	Notes	2008 <i>(Restated) (Note 2)</i>	2007	2006
Net income		\$ 26,562	\$ 24,400	\$ 16,603
Other Comprehensive Income (net of tax)				
Net unrealized gains (losses) on available-for-sale assets ¹		10,430	(10,385)	-
Reclassification of (gains) losses on available-for-sale assets to net income ²		(3,946)	2,140	-
		6,484	(8,245)	-
Net gains on derivative instruments designated as cash flow hedges ³		202	14	-
Reclassification of (gains) losses on derivative instruments designated as cash flow hedges recorded in prior periods ⁴		41	\$206	-
		161	220	-
Other comprehensive income		6,645	(8,025)	-
Comprehensive income		\$ 33,207	\$ 16,375	\$ 16,603
Income taxes (recoveries) deducted from above items				
Net unrealized gains (losses) on available-for-sale assets ¹	(25)	\$ 1,923	\$ (1,995)	\$ -
Reclassification of (gains) losses on available-for-sale assets to net income ²	(25)	\$ (713)	\$ 457	\$ -
Net gains on derivative instruments designated as cash flow hedges ³	(25)	\$ 36	\$ 3	\$ -
Reclassification of (gains) losses on derivative instruments designated as cash flow hedges recorded in prior periods ⁴	(25)	\$ (8)	\$ 44	\$ -

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years Ended December 31

<i>(Thousands of dollars)</i>	Notes	2008 <i>(Restated) (Note 2)</i>	2007	2006
SHARE CAPITAL				
	(18)			
Balance at beginning of year		\$ 113,354	\$ 113,353	\$ 113,352
Shares issued during the year		50,880	1,754	1,287
Shares redeemed during the year		(1,654)	(1,753)	(1,286)
Balance at end of year		\$ 162,580	\$ 113,354	\$ 113,353
Shares to be issued as result of merger	(3)	\$ 2	\$ -	\$ -
CONTRIBUTED SURPLUS				
Balance at beginning of year		\$ -	\$ -	\$ -
Amount credited as result of merger	(3)	87,901	-	-
Balance at end of year		\$ 87,901	\$ -	\$ -
RETAINED EARNINGS				
Balance at beginning of year		\$ 167,148	\$ 149,444	\$ 140,330
Transition adjustments on adoption of new accounting policies	(5)	-	1,093	-
Net income		26,562	24,400	16,603
Dividends		(6,665)	(9,455)	(9,089)
Related tax savings	(25)	1,015	1,666	1,600
Balance at end of year		\$ 188,060	\$ 167,148	\$ 149,444
ACCUMULATED OTHER COMPREHENSIVE INCOME				
	(19)			
Balance at beginning of year		\$ (10,589)	\$ -	\$ -
Transition adjustments on adoption of new accounting policies	(5)		(2,564)	-
Other comprehensive income		6,645	(8,025)	-
Balance at end of year		\$ (3,944)	\$ (10,589)	\$ -
Members' equity at end of year		\$ 434,599	\$ 269,913	\$ 262,797

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31

<i>(Thousands of dollars)</i>	2008	2007	2006
	<i>(Restated)</i> <i>(Note 2)</i>		
Cash flows from operating activities			
Net income	\$ 26,562	\$ 24,400	\$ 16,603
Adjustments for:			
Depreciation (Note 11)	2,100	1,889	2,241
Realized gains and holding gains	(1,284)	(6,605)	(1,466)
Net change in accrued interest	3,876	(626)	7,349
Provision for credit losses	1,105	(57)	795
Other items, net	(14,333)	20,504	(3,257)
	18,026	39,505	22,265
Cash flows from financing activities			
Merger with Credit Union Central of Ontario Limited, net of cash acquired	9,754	-	-
Proceeds from issue of shares	22	1	1
Dividends – net of income taxes	(5,650)	(7,423)	(4,509)
Net change - settlements-in-transit	13,884	(94,963)	101,932
Net change – notes	(440,274)	211,148	403,682
Net change – deposits	426,206	343,666	(119,487)
Net change – securities under repurchase agreements	192,767	(25,139)	25,139
Proceeds from issue of subordinated debt	-	-	(49,739)
	196,709	427,290	456,497
Cash flows from investing activities			
Net change – securities	261,734	(531,257)	91,317
Net change – amounts on deposit with regulated financial institutions	84,281	178,538	10,051
Net change – loans	(366,642)	(65,977)	(627,431)
Net change – loans available for sale	6,978	(51,759)	13,810
Proceeds on disposition of capital assets	-	5,161	-
Capital asset acquisitions	(1,237)	(2,583)	(2,561)
	(14,886)	(467,877)	(514,814)
Increase (decrease) in cash	199,849	(1,082)	(36,052)
Cash – beginning of year	28,529	29,611	65,663
Cash – end of year (Note 6)	\$ 228,378	\$ 28,529	\$ 29,611

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Restated - Note 2)

OVERVIEW

1. Incorporation and governing legislation

Central 1 Credit Union (Central) (formerly Credit Union Central of British Columbia) is governed by the Credit Union Incorporation Act (British Columbia) and is also subject to the provisions of the Financial Institutions Act (British Columbia) and the Cooperative Credit Associations Act (Canada).

Central is the primary financial facility and trade association for credit unions in British Columbia and its member credit unions in Ontario. The performance of the British Columbia credit union system and that of Central's member credit unions in Ontario (collectively referred to herein as the Ontario credit union system) plays an integral part in determining the results of Central's operations and its financial position.

2. Accounting Adjustments

Subsequent to year-end, an error was identified in one of Central's derivative valuation models. The impact of this error is that Net Income for the year ended December 31, 2008 previously reported in Central's Consolidated Financial Statements was overstated by \$3.2 million.

The amounts which have been restated in the Consolidated Financial Statements are as follows; Changes in fair value of financial instruments decreased by \$3.8 million, Income taxes decreased by 0.6 million, Other assets decreased by \$3.8 million and Other liabilities decreased by \$0.6 million.

3. Merger with Credit Union Central of Ontario Limited (CUCO)

On July 1, 2008, Central acquired substantially all of the assets of CUCO for a total estimated cost of \$153.064 million as indicated below. The results of CUCO's operations have been included in the Consolidated Financial Statements since that date.

The following table summarizes the fair value of the assets acquired and liabilities assumed by Central.

		(millions of dollars)
Assets		
Cash and securities	\$	1,795.076
Loans		578.794
Other		95.254
		<u>2,469.124</u>
Liabilities		
Deposits & borrowings		2,248.337
Other		67.723
		<u>2,316.060</u>
Net assets acquired	\$	<u>153.064</u>

On closing, Central issued class A shares with a par value of \$44.275 million and class E shares with a par value of \$0.006 million to CUCO based on the estimated fair value of net assets acquired at that time. Subsequently, Central issued additional class A shares with a par value of \$4.919 million and class E shares with a par value of \$0.001 million and paid \$0.699 million in cash to CUCO.

Under the terms of the combination agreement between Central and CUCO, Central also issued a promissory note to CUCO on closing to provide additional compensation after the occurrence of certain events. As at December 31, 2008, the estimated amounts payable on that promissory note are class E shares with a par value of \$0.002 million and cash of \$10.761 million.

Central has also committed to provide up to \$7.2 million to the Ontario ABCP limited partnership (ABCP LP). ABCP LP acquired a significant portion of CUCO's ABCP holdings immediately prior to closing. Under the terms of this commitment, Central has agreed to share in a portion of losses realized by ABCP LP according to a specified formula. The estimated fair value of this obligation at closing was \$4.500 million.

Central has recognized the excess of the estimated fair value of net assets acquired of \$153.064 million over the amounts paid or payable in cash to CUCO and the par value of shares issued and to be issued of \$60.663 million and the estimated fair value of the obligation to ABCP LP of \$4.500 million as Contributed Surplus.

Contributed surplus recognized as at December 31, 2008, is \$87.901 million, of which \$63.456 million relates to class A and class E shares already issued and the remainder relates to class E shares to be issued.

4. Significant accounting policies

These financial statements have been prepared in accordance with Section 292 of the Cooperative Credit Associations Act (Canada) which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions (Canada)(OSFI), the financial statements are to be prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies used in the preparation of these financial statements, including the accounting requirements of the Superintendent, are summarized below. These accounting policies conform, in all material respects, to Canadian GAAP.

(a) Basis of consolidation

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of Central and its subsidiaries: 0789376 B.C. Ltd., Central Financial Corporation (1989) Ltd., C.U. Financial Services Ltd., Central Data Systems Ltd., Central Risk and Insurance Management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Restated - Note 2)

Services Ltd., Inovera Solutions Inc., and Landmark Credit Limited, all of which are wholly owned. All intercorporate transactions and balances have been eliminated in preparing the Consolidated Financial Statements.

(b) Use of estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions based on information as of the date of the financial statements. Certain amounts recorded in the financial statements, including financial instruments measured at fair value, recoverability of loans, accounting for securitization transactions, income taxes and pension and post-retirement benefits, require management to make subjective or complex judgments. Actual results could differ materially from those estimates.

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at prevailing exchange rates at the dates of the financial statements. Revenue and expenses are translated using the prevailing exchange rate at the time of the transaction. Realized and unrealized gains and losses arising from the translations are included either in Net income or Other comprehensive income depending on the classification of the underlying financial instrument.

(d) Securities and amounts on deposit with regulated financial institutions

Securities and amounts on deposit with regulated financial institutions are classified as trading, available-for-sale, or held-to-maturity, depending on management's intentions.

Trading securities and amounts on deposit with regulated financial institutions include assets acquired with the intention of generating profits in the near term and securities designated as trading under the fair value option. Securities and amounts on deposit with regulated financial institutions classified as trading are measured at fair value in the Consolidated Balance Sheets, with changes in fair value recognized in Net income under Changes in fair value of financial instruments. Dividend and interest income is recognized using the effective interest rate and included in Interest income.

Securities and amounts on deposit with regulated financial institutions classified as available-for-sale are carried at fair value with changes in fair value, including changes in foreign exchange rates, recognized in Other comprehensive income, net of tax. Equity securities designated as available for sale which do not have a readily available market value are carried at cost. Purchase premiums and discounts are amortized over the life of

the instrument using the effective interest rate and are recognized in Interest income.

Securities and amounts on deposit with regulated financial institutions which have a fixed maturity date, for which Central intends, and has the ability, to hold until maturity, are classified as held-to-maturity. Financial assets classified as held-to-maturity are carried at amortized cost using the effective interest rate method.

(e) Securities purchased under reverse repurchase agreements and sold under repurchase agreements.

Securities purchased under reverse repurchase agreements consist of the purchase of the security with a commitment by Central to resell to the original seller on a specified date at a specified price. Financial assets acquired under reverse repurchase agreements are classified as loans and recognized at amortized cost in the Consolidated Balance Sheet. The difference between the cost of the purchase and predetermined proceeds to be received on a resale agreement is recorded in Interest income.

A repurchase agreement consists of the sale of a security with a commitment by Central to repurchase the security on a specified date at a specified price. Obligations related to securities sold under repurchase agreements are recorded at amortized cost and are included in Other liabilities on the Consolidated Balance Sheet. The difference between the proceeds received on the sale of the security and the amount that Central agrees to repay under the repurchase agreement is recorded in Interest expense.

(f) Derivatives and hedge accounting

Derivative instruments are financial contracts whose value is derived from underlying changes in interest rates, foreign exchange rates, credit spreads, commodity prices or other financial measures.

In the ordinary course of business, Central enters into various derivative contracts, including interest rate and foreign exchange forwards, futures, swaps and options, for both itself and in its role as a financial intermediary for its members. Central enters into such contracts to manage its exposure to currency and interest rate fluctuations as part of its asset/liability management process.

Derivatives are measured at fair value in the Consolidated Balance Sheet, where derivatives with a positive fair value are recorded as assets and derivatives with negative fair value are recorded as liabilities.

Derivatives classified as trading

Derivatives classified as trading are recorded at fair value with changes in fair value recognized in Net income under Changes in fair value of financial instruments.

Derivatives which qualify for hedge accounting

Central may elect to apply hedge accounting for a derivative to which it is a party. In order to be eligible to apply hedge accounting, Central must designate and document the hedging relationship at its inception by outlining the risk management strategy being implemented along with the details of both the hedged item and the hedging item. Central must demonstrate that the hedging relationship will be effective in offsetting either the changes in cash flow or fair value attributable to the risk being hedged at both the inception of the hedging relationship and over the term of the hedging relationship.

Central classifies hedging derivatives as either: (i) hedges of the change in fair value of recognized assets or firm commitments (fair value hedges); or (ii) hedges of the variability in highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedges).

Changes in fair value of derivatives which are designated and qualify as fair value hedging instruments are recognized in Net income under Changes in fair value of financial instruments along with changes in fair value of the hedged item that are attributable to the hedged risk.

Derivatives designated and qualifying as cash flow hedges are recorded at fair value with the effective portion of the change in fair value recognized in Other comprehensive income, net of tax and the ineffective portion of the change in fair value is included in Net income.

(g) Loans

Loans are recorded at amortized cost using the effective interest method.

Loans are classified as impaired when, in management's opinion, there has been deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. In such cases, the loan is written down to its estimated net realizable value. The net realizable value is determined by discounting the expected future cash flows at the effective interest rate inherent in the loan at the date of impairment, or by reference to the fair value of any security underlying the loan. If payments on a loan are contractually 180 days in arrears, the loan will be classified as impaired, if not already classified as such, unless the loan is fully secured or guaranteed by the Government of Canada or a provincial government or an agency thereof.

Interest income is not recorded on impaired loans, or where, in management's opinion, the interest may not be collected. Interest previously accrued is reversed upon identification of impairment.

(h) Guarantees

Guarantees include contracts, such as standby letters of credit, where Central may be required to make payments if a third party fails to perform according to the terms of a contract. Collateral requirements for guarantees and standby letters of credit are consistent with collateral requirements for loans. Guarantees, which meet the definition of derivatives, are recognized in the Consolidated Balance Sheet at their fair value with adjustments to fair value recognized in Net income.

(i) Allowance for credit losses

Central records an allowance for credit losses which, in management's opinion, is adequate to absorb all credit related losses in its portfolio of both on and off-balance sheet items, including loans, derivative instruments and other credit commitments. Specific provisions are determined on an individual item basis and in the amount necessary to reduce the carrying value of the asset to its estimated realizable amount.

General allowances may be established to absorb losses estimated to be inherent in Central's loan portfolio which are not identified on an item-by-item basis and thus are not included in the specific provision. The general allowance is reviewed regularly and is based on statistical analysis of past performance, the level of allowance already in place, and management's judgement.

The amount recognized in the Provision for credit losses in the Statement of Income is the actual net credit loss experience for the year. It is the amount that is required to establish a balance in the allowance for credit losses account that Central's management considers adequate to absorb all credit-related losses in its portfolio of on and off-balance sheet items after charging amounts written off during the year, net of recoveries, to the allowance for credit losses account.

Allowances against on-balance sheet items are included as a reduction of the related asset category. Allowances relating to off-balance sheet items are included in Other liabilities.

(j) Capital assets

Land is carried at cost. Buildings, computer hardware and software, furniture, fixtures and equipment are carried at cost less accumulated depreciation. Buildings and equipment are depreciated over their estimated useful lives on the straight-line basis. Management estimates the useful lives of Central's capital assets as follows:

<i>Buildings</i>	<i>50 years</i>
<i>Computer hardware and software</i>	<i>3 to 5 years</i>
<i>Furniture, fixtures and equipment</i>	<i>3 to 10 years</i>
<i>Leaseholds</i>	<i>Lesser of the useful life of the leasehold or the term of the lease plus one renewal period.</i>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Restated - Note 2)

(k) Loan securitization

Credit unions periodically securitize residential and commercial mortgage loans primarily to diversify their funding sources and enhance their liquidity positions. As the rated entity in the credit union system, Central plays a pivotal role in system securitization.

Central securitizes pools of mortgages acquired from its member credit unions by creating mortgage-backed securities (MBS) under the Canada Mortgage Bond Program and the Government of Canada NHA MBS Auction program. Under the terms of these transactions, member credit unions retain their interest in the excess spread on the sold MBS and continue to service the mortgages underlying these MBS. Central records a gain or loss in Net income under Gains on disposal of financial instruments when the transfer of the securities to the SPE results in a sale of loan receivables.

Credit unions also securitize residential and commercial mortgages by forming collateral pools, which meet certain diversification, leverage and debt coverage criteria, and selling these directly to an SPE. The SPE finances the purchase of these pools by issuing certificates that carry varying degrees of subordination. As part of the SPE pooling and servicing agreement, the credit unions continue to be the primary servicer of the loans under contract with a master servicer for the SPE. Under this arrangement Central acts as a swap counterparty and also provides limited guarantees with respect to the timeliness of certain cash flows.

(l) Income taxes

Central follows the asset and liability method of accounting for income taxes, whereby future tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Future tax assets and liabilities are included in Other assets or Other liabilities, as applicable.

Dividends are deductible as interest in determining income that is subject to tax and the related tax saving is credited to Retained earnings.

(m) Employee future benefits

The cost associated with post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance on the notional value of contributions associated with

Central's non-registered pension plan, salary escalation, retirement ages of employees, expected health care costs and mortality rates.

Pension expense consists of the aggregate of: the actuarially computed cost of pension benefits provided in respect of the current year's service, the imputed interest on the funding excess or deficiency of the plan, the amortization over the expected average remaining service life of employees of experience gains or losses determined to be in excess of 10% of the projected benefit obligation, the amount of experience gains or losses during the year which are less than 10% of the projected benefit obligation. When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for, prior to the settlement.

The difference between the accumulated benefit obligation at the end of the year and the plan assets is included in Other liabilities.

Central also participates in multi-employer plans for which insufficient information is available to apply defined benefit accounting. These plans are therefore accounted for on a defined contribution basis.

(n) Subordinated debt

Subordinated debt is recorded at amortized cost using the effective interest method. Central is required to obtain regulatory approval before it may redeem, cancel or modify Subordinated debt.

(o) Revenue recognition

Membership dues and provincial advertising assessments are received from Central's member credit unions and are recognized in income as earned. Fees earned by Technology and Payment Services, Financial Services and Trade Services operations are recorded in income when Central has rendered the related service and is entitled to receive income.

(p) Prior year financial information

During the year, the presentation of certain financial statement items was revised to better present the nature of these items. Accordingly, certain prior year financial information has been reclassified to conform to the current year's presentation.

5. Change in accounting policies

2008 Changes

Effective January 1, 2008, Central adopted three new presentation and disclosure standards which are contained in Canadian Institute of Chartered Accounts Handbook Section 1535 – *Capital Disclosures*, Section 3862 – *Financial*

Instruments – Disclosures, and Section 3863 – Financial Instruments – Presentation.

Section 1535 requires the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the entity's objectives as well as its policies and procedures for managing capital. Upon adoption of this standard, no changes were made to previously reported balances.

Sections 3862 and 3863, which replaced Section 3861 – *Financial Instruments, Disclosure and Presentation*, require organizations to provide new disclosures related to the risks associated with financial instruments and how the entity manages those risks. Upon adoption of these standards, no changes were made to previously reported balances.

2007 Changes

Effective January 1, 2007, Central adopted CICA Handbook sections 1530, *Comprehensive Income*; 3855, *Financial Instruments – Recognition and Measurement*; 3861, *Financial Instruments – Presentation and Disclosure*; and 3865, *Hedges*.

On adoption of these standards Central recorded a credit to Retained earnings of \$1.093 million and a charge to Accumulated other comprehensive income of \$2.564 million.

Future changes

Effective January 1, 2009, Central will adopt ECI-173 – *Credit Risk and the Fair Value of Financial Assets and Liabilities*, which clarifies that an entity's own risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial instruments, including derivative instruments. This EIC will be applied retrospectively without restatement of prior periods.

The CICA has announced its intention to harmonize Canadian GAAP with International Financial Reporting Standards (IFRS), effective for Central's 2011 fiscal year. The nature and timing of changes required to Central's financial statements as a result of implementing IFRS cannot be determined at this time.

6. Fair value of financial instruments

Certain financial instruments are recognized in the Consolidated Balance Sheets at fair value. These include derivative instruments, deposits designated as trading and securities and amounts on deposit, other than equity shares with no quoted market value.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The best evidence of fair

value is a quoted bid price for financial assets held or an offer price for financial liabilities from an active market. Where independent quoted market prices do not exist, Central uses the quoted market prices for similar securities, other third party evidence or valuation techniques.

Financial instruments are recorded at fair value upon initial recognition, which is normally equal to the fair value of the consideration given or received to obtain the instrument. Where financial instruments are measured at fair value subsequent to initial recognition, fair value is determined as described above. The use of valuation techniques to determine the fair value of a financial instrument requires management to make assumptions such as the amount and timing of future cash flows and discount rates.

Financial instruments whose book values approximate fair value

Fair value is assumed to be equal to carrying value for cash, demand loans classified as loans and receivable and demand deposits classified as other liabilities because of their short-term nature. Equity securities classified as available-for-sale, for which fair value is not determinable through observable market information, are held at cost.

Financial instruments for which fair value is determined using valuation techniques

The fair value of fixed rate performing loans is determined by discounting contractual cash flows at market interest rates. For both loans to and deposits with members, Central discounts the expected cash flows using interest rates currently being offered on instruments with similar terms. The fair values of notes and subordinated debt is determined by discounting remaining cash flows by reference to current market yields on similar instruments.

At the year-end, securities having a book value of \$316.1 million (2007 - \$315.8 million; 2006 - \$213.6 million) were lodged or pledged with the Bank of Canada and the Canadian Depository for Securities as collateral for the transfer and receipt of payments.

Included in securities designated as trading are debt instruments issued by Lehman Brothers Holdings Inc. (Lehman Brothers) with a par value of \$10 million. Lehman Brothers filed for bankruptcy protection on September 15, 2008, and these instruments are carried net of a provision of \$9.0 million. Uncertainty remains with respect to the timing and amount of future cash flows on these securities that could give rise to a material change in the value of these instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Restated - Note 2)

7. Cash

(Thousands of dollars)	2008	2007	2006
With Credit Union Central of Canada	\$ 170,504	\$ —	\$ —
With other regulated financial institutions	57,874	28,529	29,611
	\$ 228,378	\$ 28,529	\$ 29,611
Supplemental cash flow information			
Interest received	\$ 243,404	\$ 228,890	\$ 188,188
Interest paid	\$ 191,694	\$ 198,082	\$ 155,349

8. Securites

Securities designated as trading are as follows.

(Thousands of dollars)	2008	2007	2006
Amortized cost	\$ 1,092,549	\$ 267,641	\$ —
Fair value	\$ 1,109,702	\$ 267,321	\$ —

Securities classified as available-for-sale or as investment account securities are as follows.

(Thousands of dollars)	2008	2007	2006
	Available-for-sale	Available-for-sale	Investment Account
Amortized cost	\$ 4,222,658	\$ 3,500,954	\$ 3,236,828
Fair value	\$ 4,203,934	\$ 3,486,341	\$ 3,234,582

The total amount of securities recorded in the Consolidated Balance Sheet is as follows.

(Thousands of dollars)	2008	2007	2006
	\$ 5,313,636	\$ 3,753,662	\$ 3,236,828

The composition of Central's securities portfolio is as follows:

(Millions of dollars)	2008	2007	2006
	December 31	December 31	December 31
Government & guarantees	\$ 1,285.9	\$ 465.3	\$ 404.8
Corporate & major financial Institutions R-1 (Mid) or greater	3,680.2	2,950.5	2,642.1
Other	347.5	337.9	189.9
	\$ 5,313.6	\$ 3,753.7	\$ 3,236.8

Securities classified as Available for Sale include third party asset-backed commercial paper (ABCP) with a par value of \$33.0 million (December 31, 2007 - \$23.0 million; December 31, 2006 - \$0.0 million). This includes ABCP securities with a par value of \$10.0 million which were acquired on the closing of the merger with CUCO as described in Note 3. These securities, which were rated R-1

(High) by Dominion Bond Rating Service, did not settle at their scheduled maturity dates and there has been no active trading of the ABCP since mid-August, 2007.

The Pan-Canadian Investors Committee, which represents holders of ABCP securities subject to the Montreal Accord, developed a restructuring plan for the ABCP. Under this plan, the underlying assets of the ABCP

were segregated between those that are eligible for the restructuring process and those that were not eligible.

Subsequent to December 31, 2008, separate classes of notes were issued to investors representing their respective holdings of eligible assets in each of the ABCP conduits based on the relative fair value of those assets. Class A-1 and A-2 notes are interest bearing, and the repayment of principal on these notes is required before interest and principal payments can be made to Class B and C note holders.

Investors also received Ineligible Asset Tracking Notes (IATN) in respect of their ineligible assets. The payment of interest and principal on all classes is subject to certain conditions.

At the year-end, Central estimated the fair value of its ABCP holdings by discounting the expected future cash flows on the Classes A-1, A-2, B and C notes that Central expected to receive upon completion of the restructuring process. In forecasting the expected future cash flows Central has made

assumptions as to the timing and amount of cash flows expected to be received as well as market yield expectations on those instruments. Additionally, Central has made assumptions as to the fair value of IATN that it expects to receive as part of the restructuring process.

During the year ended December 31, 2008, Central recorded a charge to Net Income of \$6.6 million (year ended December 31, 2007 - \$2.9 million; year ended December 31, 2006 - \$0.0 million) to reflect its best estimate of the expected future cash flows on its ABCP holdings. This adjustment is included in Changes in fair value of financial instruments.

As at December 31, 2008, the total provision related to Central's ABCP holdings was \$10.6 million (December 31, 2007 - \$2.9 million; December 31, 2006 - \$0.0 million). Uncertainty remains with respect to the timing and amount of future cash flows on the ABCP that could give rise to a material change in the value of Central's ABCP holdings.

g. Amounts on deposit with regulated financial institutions

Amounts on deposit with regulated financial institutions designated as trading are as follows.

<i>(Thousands of dollars)</i>	2008		2007		2006	
Amortized cost	\$	-	\$	25,064	\$	-
Fair value	\$	-	\$	25,194	\$	-

Amounts on deposit with regulated financial institutions classified as available-for-sale or as investment account are as follows.

<i>(Thousands of dollars)</i>	2008		2007		2006	
	Available-for-sale		Available-for-sale	Investment Account		
Amortized cost	\$	123,248	\$	183,885	\$	387,596
Fair value	\$	126,471	\$	185,864	\$	386,818

The total of amounts on deposit with regulated financial institutions recorded in the Consolidated Balance Sheets is as follows.

<i>(Thousands of dollars)</i>	2008		2007		2006	
	\$	126,471	\$	211,058	\$	387,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Restated - Note 2)

10. Loans

(Thousands of dollars)		2008	2007	2006
Due on demand	- Credit unions	\$ 41,268	\$ 29,318	\$ 33,644
	- Commercial and others	4,266	4,116	1,302
		45,534	33,434	34,946
Term	- Credit unions	2,200,642	1,414,506	1,350,892
	- Commercial and others	157,520	16,339	13,197
	- Officers and employees	24,749	15,869	15,136
	2,382,911	1,446,714	1,379,225	
	2,428,445	1,480,148	1,414,171	
Accrued interest		2,534	3,896	2,995
	2,430,979	1,484,044	1,417,166	
Allowance for credit losses		5,032	1,066	1,123
	\$ 2,425,947	\$ 1,482,978	\$ 1,416,043	

Officer and employee loans, which are part of their compensation packages, bear interest at rates varying from 2.15% to 5.55%.

Impaired loans are as follows:

				2008	2007	2006
	Gross Impaired	Specific Provision	General Provision		Net Impaired	
Credit unions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial and others	7,304	(3,999)	(1,033)	2,272	-	-
Total	\$ 7,304	\$ (3,999)	\$ (1,033)	\$ 2,272	\$ -	\$ -

The activity in the allowance for credit losses during the year and the resulting year-end balances are as follows:

				2008	2007	2006
	Specific Provision	General Provision				
Balance at beginning of year	\$ 1,066	\$ -	\$ -	\$ 1,066	\$ 1,123	\$ 328
Acquired on merger with CUCO (Note 3)	1,838	1,023		2,861	-	-
Collection of loans previously written off	(74)	-		(74)	(57)	-
Loans written off as uncollectible	-	-		-	-	-
Provision for credit losses	1,169	10		1,179	-	795
Balance at end of year	\$ 3,999	\$ 1,033	\$ 5,032	\$ 1,066	\$ 1,123	

11. Capital assets

(Thousands of dollars)		2008	2007	2006
Land		\$ 349	\$ 349	\$ 1,180
Buildings		14,579	14,579	14,968
Accumulated depreciation		8,837	8,544	8,641
		5,742	6,035	6,327
Computer hardware and software		7,899	6,192	4,175
Accumulated depreciation		3,759	2,686	1,852
		4,140	3,506	2,323
Furniture, fixtures, equipment and leaseholds		20,043	18,347	17,842
Accumulated depreciation		15,146	14,403	13,701
		4,897	3,944	4,141
		\$ 15,128	\$ 13,834	\$ 13,971

The depreciation expense for capital assets for 2008 was \$2.10 million (2007 - \$1.89 million; 2006 - \$2.24 million).

12. Other assets

<i>(Thousands of dollars)</i>	2008	2007	2006
Market revaluation of trading derivatives	\$ 316,668	\$ 57,836	\$ 34,103
Assets available for sale designated as Trading	17,287	20,715	-
Assets available for sale at amortized cost	80,842	84,805	53,761
Accounts receivable	4,362	2,114	2,225
Prepaid expenses	4,882	2,360	1,399
Future income taxes (Note 25)	9,464	4,291	1,548
Trade amounts and other	14,719	-	-
	\$ 448,224	\$ 172,121	\$ 93,036

At year-end, the amortized cost of the assets available for sale designated as trading was \$16,664 thousand (2007 - \$20,527 thousand; 2006 - \$0 thousand)

13. Loan Securitizations

During the year, Central securitized mortgages with Canada Mortgage Housing Corporation (CMHC) and with Canada Mortgage Housing Trust (the Trust) with a book value of \$1,621.9 million (2007 - \$980.2 million; 2006 - \$3.9 million) which had been acquired from member credit unions.

The fair value of derivative contracts acquired as a result of these transactions, together with proceeds received from the CMHC and the Trust totalled \$1,630.7 million (2007 -

\$987.4 million; 2006 - \$3.9 million) which resulted in a gain on these transactions of \$8.8 million (2007 - \$7.2 million; 2006 - \$0.0 million) which was recorded in Gain on disposal of financial instruments.

The total principal amount of loans securitized by Central outstanding at December 31, 2008 was \$2,225.9 million (2007 - \$947.0 million; 2006 - \$3.9 million)

14. Notes

<i>(Thousands of dollars)</i>	2008	2007	2006
Operating lines			
- with Credit Union Central of Canada	\$ -	\$ 44,839	\$ 4,860
Notes			
- due within three months	249,249	494,736	298,732
- due after three months and within one year	-	124,953	124,956
- due after one year and less than five years	274,988	299,983	324,815
	524,237	919,672	748,503
	524,237	964,511	753,46
Accrued interest	1,988	4,263	2,468
	\$ 526,225	\$ 968,774	\$ 755,831

Central has established \$294.1 million of unsecured credit facilities with various financial institutions. The unsecured facilities rank equally with the outstanding notes and deposits.

At December 31, 2008, no amounts were drawn against these facilities (2007 - \$44.8 million; 2006 - \$4.9 million).

Central is authorized to issue up to \$1.5 billion in short-

term commercial paper and up to \$1.5 billion in other borrowings which includes Central's medium-term note facility. At December 31, 2008, \$249.2 million was borrowed under the short-term commercial paper facility (2007 - \$394.7 million; 2006 - \$298.7 million) and \$275.0 million was borrowed under the medium-term note facility (2007 - \$525.0 million; 2006 - \$450.0 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Restated - Note 2)

15. Deposits

Deposits designated as trading are as follows.

<i>(Thousands of dollars)</i>	2008	2007	2006
Amortized cost	\$ 1,273,742	\$ 2,424,967	\$ -
Fair value	\$ 1,302,983	\$ 2,426,480	\$ -

Deposits classified as other liabilities are as follows.

<i>(Thousands of dollars)</i>	2008	2007	2006
Due on demand	\$ 356,652	\$ 143,489	\$ 160,865
Due within three months	2,948,378	575,378	1,552,387
Due after three months and within one year	1,124,171	344,978	909,135
Due after one year and less than five years	1,147,730	704,575	1,194,927
Due after five years and less than six years	145	284	375
	5,577,076	1,768,704	3,817,689
Accrued interest	58,127	28,193	57,021
	\$ 5,635,203	\$ 1,796,897	\$ 3,874,710

The total amount of deposits recorded in the Consolidated Balance Sheet is as follows.

<i>(Thousands of dollars)</i>	2008	2007	2006
	\$ 6,938,186	\$ 4,223,377	\$ 3,874,710

16. Other liabilities

<i>(Thousands of dollars)</i>	2008	2007	2006
Market revaluation of trading derivatives	\$ 278,709	\$ 62,494	\$ 29,978
Settlements in-transit	70,597	56,713	151,676
Securities sold under repurchase agreements	193,333	-	25,139
Dividends payable	3,376	9,455	9,089
Future income taxes (Note 25)	3,179	975	643
Accrued vacation and sick benefits	4,851	1,281	1,523
Employee future benefits	17,170	11,984	9,924
Due to CUCO on merger (Note 3)	10,763	-	-
Trade amounts and other	26,118	7,545	5,968
	\$ 608,096	\$ 150,447	\$ 233,940

17. Subordinated debt

On December 21, 2006, Central issued a \$50 million note due December 21, 2016. The note bears interest at a fixed rate of 4.523% until December 21, 2011, and thereafter at a floating rate based on the 90-day Banker's Acceptance Rate. Central

has the option to redeem the note on December 21, 2011, subject to regulatory approval.

The note is recognized in the Consolidated Balance Sheet at amortized cost.

18. Share capital

Central may issue an unlimited number of class “A”, “B”, “C” and “E” shares and may, at its option and on the approval of the directors, redeem its shares. There are no restrictions on the number of shares that may be held by a member shareholder. The class “A”, “B” and “C” shares have a par value of \$1 per share, and the class “E” shares have a par value of \$0.01 per share and a redemption value of \$100.

In the event of liquidation, dissolution or winding-up, any surplus, profits or assets of Central shall be distributed

proportionately among all shareholders.

The allocation of Class A shares is based on the assets of each credit union in proportion to the combined assets of the B.C. credit union system and the assets of Central’s member credit unions in Ontario. This allocation is adjusted periodically to reflect changes in credit union assets. On matters concerning Central’s role as a trade association, Class A members are entitled to one vote for every 100 members of their members. Each Class B and C shareholder has one vote on certain issues.

The numbers of shares issued are as follows:

<i>(Thousands of shares)</i>	2008	2007	2006
Class A – credit unions			
Balance at beginning of year	113,345	113,345	113,345
Issued on merger with CUCO (Note 3)	49,194	–	–
Balance at end of year	162,539	113,345	113,345
Class B – co-operatives			
Balance at beginning of year	3	3	3
Issued for cash during the year	2	–	–
Balance at end of year	5	3	3
Class C – other			
Balance at beginning of year	6	5	4
Issued for cash during the year	1	1	1
Balance at end of year	7	6	5
Class E – credit unions			
Balance at beginning of year	–	–	–
Issued to credit unions in B.C.	2,156	–	–
Issued on merger with CUCO (Note 3)	710	–	–
Balance at end of year	2,866	–	–

The amounts outstanding are as follows:

<i>(Thousands of dollars)</i>	2008	2007	2006
Outstanding \$1 par value shares			
Class A – credit unions	\$ 162,539	\$ 113,345	\$ 113,345
Class B – co-operatives	5	3	3
Class C – other	7	6	5
Outstanding \$.01 par value shares			
Class E – credit unions	29	–	–
	\$ 162,580	\$ 113,354	\$ 113,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Restated - Note 2)

19. Accumulated other comprehensive income

The components of accumulated other comprehensive income, net of taxes, are as follows:

<i>(Thousands of dollars)</i>	2008	2007	2006
Unrealized losses on available-for-sale assets	\$ (4,116)	\$ (10,600)	\$ -
Gains on derivatives designated as cash flow hedges	172	11	-
	<u>\$ (3,944)</u>	<u>\$ (10,589)</u>	<u>\$ -</u>

20. Gains on disposal of financial instruments

The components of gains on disposal of financial instruments are as follows:

<i>(Thousands of dollars)</i>	2008	2007	2006
Net gains on disposal of securities	\$ 11,250	\$ 109	\$ 875
Net gains on securitization transactions as described in Note 13	8,802	7,222	-
Other	5,201	436	(191)
	<u>\$ 25,253</u>	<u>\$ 7,767</u>	<u>\$ 684</u>

21. Change in fair value of financial instruments

<i>(Thousands of dollars)</i>	2008	2007	2006
Trading Assets	\$ 13,791	\$ (69)	-
Provision against Lehman Brothers (Note 8)	(9,000)	-	-
Trading Deposits	(26,027)	(3,426)	-
Adjustment of ABCP holdings to fair value as described in Note 7	(6,590)	(2,854)	-
Ineffective portion of cash flow hedges	16	104	-
Ineffective portion of fair value hedges	(13)	13	-
Securitization derivatives (Note 13)	19,021	463	-
Trading derivatives	(15,167)	277	782
	<u>\$ (23,969)</u>	<u>\$ (5,492)</u>	<u>\$ 782</u>

22. Other income

<i>(Thousands of dollars)</i>	2008	2007	2006
Membership Dues	\$ 7,297	\$ 4,575	\$ 3,895
Provincial Advertising assessment	2,497	2,435	2,435
Technology and Payment Services			
Processing	32,593	21,307	20,534
Technical Operations	2,148	1,969	1,765
Internet banking	11,669	9,488	8,750
Financial Services			
Treasury Services	2,956	987	1,078
Funding Services	2,825	1,362	1,114
Property rents	1,038	1,340	1,444
Other	1,374	841	994
Trade Services			
Risk Management	2,598	1,944	1,707
Manuals	1,013	1,038	1,037
Registered plans	1,862	1,860	1,934
Other	4,015	3,528	3,233
	\$ 73,885	\$ 52,674	\$ 49,920

23. Post-employment benefits

Central offers its employees the opportunity to participate in defined benefit, money purchase, retiree non-pension benefit and supplemental pension programs as described below.

Defined Benefit Options

Subject to eligibility requirements, employees of Central may be eligible to participate in one of the following defined benefit options.

- the defined benefit option under the B.C. Credit Union Employees' Pension Plan, which is a multi-employer plan administered by Central; and
- the single-employer defined benefit option administered by Central.

The defined benefit pension options are contributory and provide pension benefits based on the employee's years of service and average earnings for a limited period prior to retirement. An actuarial valuation is performed periodically to determine the present value of accrued pension benefits and recommended plan contributions, based on projections of the employees' average compensation levels at retirement. Pension fund assets are valued at market value.

As at December 31, 2006, the multi-employer plan actuary reported that the plan had an excess of plan assets over actuarial liabilities for accrued pension benefits of \$9.0 million. The plan actuary further reported that, as at December 31, 2006, the solvency valuation indicated that there was an excess of accrued assets over accrued liabilities of \$26.0 million. The plan actuary indicated that, by making use of the actuarial surplus, no change would be required to be made to the current level of employer contributions prior to January 1, 2010. An actuarial review, which would be effective as at December 31, 2009, is expected to be completed during 2010.

As at December 31, 2005, the single-employer plan actuary reported that the plan had a shortfall of plan assets over actuarial liabilities for accrued pension benefits of \$0.01 million. The plan actuary further reported that, as at December 31, 2005, the solvency valuation indicated that there was a shortfall of accrued assets over accrued liabilities of \$1.06 million. An actuarial review, which would be effective as at December 31, 2008, is expected to be completed during 2009.

Details of the single-employer defined benefit plan, as determined by the plan actuary as at year-end for the past year, are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Restated - Note 2)

(Thousands of dollars)	2008
Accumulated benefit obligation	
Accumulated obligation at beginning of year	\$ -
Balance acquired on merger with CUCO (Note 3)	8,049
Current service cost	70
Interest cost on projected benefit obligation	242
Employees' contributions	19
Benefits paid	(156)
Actuarial gains	(1,209)
Accumulated obligation at end of year	\$ 7,015
Plan assets	6,989
(Deficit) of plan assets over accumulated benefit obligation	\$ (26)
Defined benefit expense	
Current service cost	\$ 70
Interest cost	242
Return on plan assets	1,138
Experience loss	(1,422)
Amortization	59
Defined benefit expense	\$ 87
Amounts recognized in the Consolidated Balance Sheet	
Unrecognized actuarial loss	\$ 2,263
Unrecognized transitional obligation	22
Unrecognized impact of plan amendments	299
Funding deficit	(26)
Prepaid benefit costs recognized in Other assets	\$ 2,558
Continuity of actuarial gains (losses)	
Unrecognized actuarial loss, beginning of year	\$ -
Balance acquired on merger with CUCO (Note 3)	2,096
Gain arising from changes in assumption	(1,209)
Shortfall of actual return on plan assets	1,422
Amortization of unrecognized actuarial loss	(46)
Unrecognized actuarial loss, end of period	\$ 2,263
Actuarial assumptions used to determine Defined benefit expense:	
Weighted average discount rate on benefit obligation	6.00%
Weighted average salary escalation	3.50%
Actuarial assumptions used to determine Accumulated benefit obligation:	
Weighted average discount rate on benefit obligation	7.50%
Weighted average salary escalation	3.50%

Key economic assumptions used in measuring the accumulated benefit obligations and related expenses for the defined benefit option are outlined in the table below. The sensitivity analysis provided is hypothetical as changes in

assumptions may not be linear and the sensitivities in each key variable have been calculated independently of the other key variables.

<i>(Thousands of dollars)</i>	Accumulated Benefit Obligation	2008 Expense
Assumed discount rate		
Impact of 1% increase	\$ (948)	\$ (16)
Impact of 1% decrease	\$ 1,226	\$ 19
Weighted average salary escalation		
Impact of 1% increase	\$ 485	\$ 35
Impact of 1% decrease	\$ (419)	\$ (29)

Money Purchase Options

Subject to eligibility requirements, employees of Central may be eligible to participate in one of the following money purchase options.

- the money purchase option under the B.C. Credit Union Employees' Pension Plan, which is a multi-employer plan administered by Central;
- the money purchase option administered by Central; and
- the group registered retirement savings plan under the B.C. Central Retirement Savings Plan (group RRSP), which is administered by Central.

Money purchase plan contributions and group RRSP

expense included in the Statement of Income was \$1,528 thousand (2007 - \$1,186 thousand; 2006 - \$1,075 thousand).

Retiree Non-Pension Benefits (B.C. Employees)

In addition to the base retirement plans Central provides post-retirement benefits consisting of extended health, Medical Services Plan, dental and life insurance premiums to employees that qualify. This plan was closed to new entrants effective May 1, 2006.

Details of the unfunded non-pension retirement benefit program, as determined by the program actuary as at year-end for each year of the past three years, are as follows:

<i>(Thousands of dollars)</i>	2008	2007	2006
Reconciliation of accumulated benefit obligation to projected benefit obligation			
Accumulated benefit obligation at end of year	\$ 7,409	\$ 13,029	\$ 13,035
Unamortized net actuarial gain (loss)	3,036	(4,106)	(6,090)
Projected benefit obligation	\$ 10,445	\$ 8,923	\$ 6,945
Projected benefit obligation			
Benefit obligation at beginning of year	\$ 8,923	\$ 6,945	\$ 5,258
Current service cost	672	831	632
Interest cost on projected benefit obligation	744	725	600
Actuarial losses	106	422	455
Benefit obligation at end of year	\$ 10,445	\$ 8,923	\$ 6,945
Plan assets	-	-	-
(Deficit) of plan assets over projected benefit obligation	\$ (10,445)	\$ (8,923)	\$ (6,945)
Annual expense			
Current service cost	\$ 672	\$ 831	\$ 632
Interest cost on projected benefit obligation	744	725	600
Actuarial losses	106	422	455
Retiree Non-Pension Benefits expense	\$ 1,522	\$ 1,978	\$ 1,687

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Restated - Note 2)

(Thousands of dollars)	2008	2007	2006
Actuarial assumptions used to determine			
Retiree Non-Pension Benefits expense:			
Weighted average discount rate on benefit obligation	7.25%	5.25%	5.00%
Actuarial assumptions used to determine			
Accumulated benefit obligation:			
Weighted average discount rate on benefit obligation	7.25%	5.25%	5.00%
Health care cost trend assumptions:			
Health care cost trend rate assumed for next year	10.0%	12.0%	12.0%
Rate to which the cost trend rate is assumed to decline	5.0%	5.50%	5.50%
Year that the rate reaches the ultimate trend rate	2019	2018	2017

Retiree Non-Pension Benefits (Ontario Employees)

In addition to the base retirement plans Central provides certain post-retirement benefits including extended health, dental and life insurance premiums to employees that qualify. This plan was closed to new entrants effective January 1, 2009.

Details of the unfunded retiree non-pension benefit program, as determined by the program actuary as at year-end for the past year, are as follows:

(Thousands of dollars)	2008
Accumulated benefit obligation	
Accumulated obligation at beginning of year	\$ -
Balance acquired on merger with CUCO (Note 3)	6,055
Current service cost	170
Interest cost on projected benefit obligation	186
Benefits paid	(82)
Actuarial gains	(1,361)
Accumulated obligation at end of year	\$ 4,968
Plan assets	-
(Deficit) of plan assets over accumulated benefit obligation	\$ 4,968
Defined benefit expense	
Current service cost	\$ 170
Interest cost	186
Amortization	68
Defined benefit expense	\$ 424
Amounts recognized in the Consolidated Balance Sheets	
Unrecognized actuarial loss	\$ (412)
Unrecognized transitional obligation	1,339
Funding deficit	(4,968)
Prepaid benefit costs recognized in Other liabilities	\$ (4,041)

(Thousands of dollars) **2008**

Continuity of actuarial gains (losses)

Unrecognized actuarial loss, beginning of year	\$	-
Balance acquired on merger with CUCO (Note 3)		960
Gain arising from changes in assumption		(1,361)
Amortization of unrecognized actuarial loss		(11)
Unrecognized actuarial loss, end of period	\$	(412)

Actuarial assumptions used to determine Retiree Non-Pension Benefits expense:

Weighted average discount rate on benefit obligation	6.00%
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Actuarial assumptions used to determine Accumulated benefit obligation:

Weighted average discount rate on benefit obligation	7.50%
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Health care cost trend assumptions:

Health care cost trend rate assumed for next year	8.0%
Rate to which the cost trend rate is assumed to decline	4.5%
Year that the rate reaches the ultimate trend rate	2019

Sensitivity of assumptions

Key economic assumptions used in measuring the accumulated benefit obligations and related expenses for non-pension retiree benefits are outlined in the table below. The sensitivity analysis provided is hypothetical as changes in

assumptions may not be linear and the sensitivities in each key variable have been calculated independently of the other key variables.

(Thousands of dollars)

	Accumulated Benefit Obligation	2008 Expense
Assumed overall health care cost trend rate		
Impact of 1% increase	\$ 890	\$ 91
Impact of 1% decrease	\$ (695)	\$ (67)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Restated - Note 2)

Supplemental Pension Plan

Central also offers supplemental pension retirement benefits to employees who qualify. as determined by the plan actuary as at year-end for each year of the past three years, are as follows:

Details of the unfunded Supplemental Pension Plan,

(Thousands of dollars)	2008	2007	2006
Accumulated benefit obligation at end of year	\$ 3,224	\$ 3,060	\$ 2,979
Projected benefit obligation			
Benefit obligation at beginning of year	\$ 3,060	\$ 2,979	\$ 2,834
Current service cost	119	64	95
Interest cost on projected benefit obligation	172	144	133
Actuarial (gains)	(127)	(127)	(83)
Benefit obligation at end of year	\$ 3,224	\$ 3,060	\$ 2,979
Plan assets	-	-	-
(Deficit) of plan assets over projected benefit obligation	\$ (3,224)	\$ (3,060)	\$ (2,979)
Annual expense			
Current service cost	\$ 119	\$ 64	\$ 95
Interest cost on projected benefit obligation	172	144	133
Actuarial (gains)	(127)	(127)	(83)
Supplemental Pension Plan expense	\$ 164	\$ 81	\$ 145
Actuarial assumptions used to determine Supplemental Pension Plan Expense:			
Weighted average salary escalation	4.00%	3.50%	3.50%
Weighted average discount rate on benefit obligation	7.25%	5.25%	5.00%
Actuarial assumptions used to determine Accumulated benefit obligation:			
Weighted average salary escalation	3.50%	4.00%	3.50%
Weighted average discount rate on benefit obligation	7.25%	5.50%	5.00%

24. Other administrative expenses

(Thousands of dollars)	2008	2007	2006
Costs of sales and services	\$ 20,603	\$ 13,724	\$ 14,082
Automobile and travel	1,155	585	654
Projects and business development	3,535	3,483	3,585
Professional services	5,990	3,229	3,288
Directors and officers	1,308	903	838
Membership fees	3,566	2,069	1,916
Other	1,207	775	803
	\$ 37,364	\$ 24,768	\$ 25,166

The Directors in their capacity as directors received aggregate remuneration of \$579 thousand (2007 – \$499 thousand; 2006 – \$409 thousand).

25. Provision for income taxes

Income taxes reported in Net Income and tax recovery related to dividends are as follows:

<i>(Thousands of dollars)</i>	2008	2007	2006
Provision for income taxes in statement of income	\$ 4,899	\$ 5,169	\$ 3,985
Income tax benefit related to dividends paid	1,015	1,666	1,600
Total	\$ 3,884	\$ 3,503	\$ 2,385

Components of total income taxes are as follows:

<i>(Thousands of dollars)</i>	2008	2007	2006
Current income taxes	\$ 8,469	\$ 4,706	\$ 2,486
Future income taxes	(4,585)	(1,203)	(101)
Total	\$ 3,884	\$ 3,503	\$ 2,385

Income taxes reported in Other Comprehensive Income are as follows:

<i>(Thousands of dollars)</i>	2008	2007	2006
Current income taxes	\$ 1,067	\$ (218)	\$ -
Future income taxes	171	(1,273)	-
Total	\$ 1,238	\$ (1,491)	\$ -

Components of future income tax balances are as follows:

<i>(Thousands of dollars)</i>	2008	2007	2006
Future income tax assets:			
Financial instruments	\$ 6,230	\$ 2,064	\$ -
Employee future benefits	2,674	1,857	1,548
Combination transaction costs	524	-	-
Other	36	370	-
	\$ 9,464	\$ 4,291	\$ 1,548
Future income tax liabilities:			
Financial instruments	2,234	374	-
Premises and equipment	386	521	444
Computer hardware and software	559	80	199
	3,179	975	643
Total	\$ 6,285	\$ 3,316	\$ 905

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Restated - Note 2)

Central's effective tax rate differs from the amount that would be computed by applying the federal and provincial statutory rates of 31.0% (2007 - 34.1%; 2006 - 34.1%) to income before taxes. The reasons for this are as follows:

(Percentage of pre-tax income)	2008	2007	2006
Combined federal and provincial statutory income tax rates	31.0	34.1	34.1
Reduction available to credit unions	(16.0)	(16.0)	(16.0)
Impact of change in statutory rates	-	-	1.0
Other	0.6	(0.6)	0.3
Total	15.6%	17.5%	19.4%

No valuation allowance has been recorded against the future income tax assets as Central has determined that it is more likely than not that the future income tax assets will

be realized through a combination of future reversals of temporary differences and taxable income.

26. Guarantees and contingencies

Central is exposed to risk as a party to off-balance sheet financial instruments that, in the normal course of business, are used to meet its own and its credit union members'

financial needs. These instruments include guarantees such as standby letters of credit as well as commitments to accept deposits at agreed rates and terms.

(Contractual amounts in thousands of dollars)	2008	2007	2006
Standby letters of credit	\$ 172,170	\$ 693,769	\$ 633,868
Commitments to extend credit	\$ 2,894,462	\$ 1,824,529	\$ 1,528,829

The fair value of Central's derivative guarantees is included in Note 30.

Central is involved in a legal action in the ordinary course of business, in which the likelihood of a loss and amount of loss, if any is not readily determinable.

27. Commitments under leasing agreements

Central has obligations under operating lease agreements for equipment. Future minimum operating lease commitments for equipment are as follows:

(Thousands of dollars)	
Less than 1 year	\$ 919
More than 1 year and less than 2 years	633
More than 2 years and less than 3 years	334
	\$ 1,886

Total lease payments charged to net income for the year were \$1.12 million (2007 - \$1.31 million; 2006 - \$1.48 million)

28. Financial instruments - Interest rate risk

The following table summarizes carrying amounts by the earlier of the contractual repricing or maturity dates for the following financial instruments. Also shown are average

effective yields, by the earlier of the contractual repricing or maturity dates.

(Millions of dollars)	Floating ⁽¹⁾	Within 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Not Rate Sensitive	Total
Assets							
Cash	\$ 228.4 1.50%	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ 228.4 1.50%
Securities	- -	2,377.0 2.41%	635.9 3.26%	2,031.0 3.91%	71.4 4.81%	198.3 -	5,313.6 3.03%
Amounts on deposit with regulated financial institutions	- -	85.0 2.72%	7.3 4.52%	29.6 5.18%	- -	4.6 -	126.5 3.30%
Loans	47.9 4.00%	2,303.0 2.64%	9.0 6.09%	63.1 5.14%	6.2 5.73%	(3.2) -	2,426.0 2.76%
Other assets	- -	2.6 3.00%	11.6 4.28%	77.9 2.99%	- -	371.2 -	463.3 0.62%
Total	\$ 276.3 1.93%	\$ 4,767.6 2.53%	\$ 663.8 3.33%	\$ 2,201.6 3.93%	\$ 77.6 4.88%	\$ 570.9 -	\$ 8,557.8 2.78%
Liabilities							
Notes	\$ - -	\$ 523.3 1.80%	\$ - -	\$ - -	\$ - -	\$ 2.9 -	\$ 526.2 1.79%
Deposits	356.6 1.00%	3,823.0 2.33%	1,226.2 3.14%	1,439.1 3.81%	- -	93.3 -	6,938.2 2.68%
Subordinated Debt	- -	- -	- -	49.8 4.53%	- -	0.8 -	50.6 4.46%
Other liabilities	- -	188.0 2.50%	- -	- -	- -	420.2 -	608.2 0.80%
Members' Equity	- -	- -	- -	- -	- -	434.6 -	434.6 -
Total	\$ 356.6 1.00%	\$ 4,534.3 2.28%	\$ 1,226.2 3.14%	\$ 1,488.9 3.83%	\$ - -	\$ 951.8 -	\$ 8,557.8 2.36%
On Balance Sheet Gap	(80.3)	233.3	(562.4)	712.7	77.6	(380.9)	
Off Balance Sheet Gap	-	(1,365.9)	503.7	886.2	(24.0)	-	
Total Gap - 2008	\$ (80.3)	\$ (1,132.6)	\$ (58.7)	\$ 1,598.9	\$ 53.6	\$ (380.9)	
Total Gap - 2007	\$ (126.3)	\$ 132.4	\$ 312.3	\$ 17.6	\$ 42.7	\$ (378.7)	
Total Gap - 2006	\$ (100.6)	\$ 192.7	\$ 103.5	\$ 113.0	\$ 41.4	\$ (350.0)	

(1) Represents those instruments whose interest rates change immediately with a change in an underlying interest rate basis. An example would be prime rate loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Restated - Note 2)

29. Financial instruments – Foreign currency exposure

Central has various financial instruments denominated in foreign currencies. The details of Central's financial

instruments which are denominated in US dollars are as follows:

<i>(Thousands of US dollars)</i>	2008	2007	2006
Assets			
Cash	\$ 28,445	\$ 16,710	\$ 22,375
Securities	423,771	340,726	141,654
Amounts on deposit with regulated financial Institutions	79,744	185,186	214,463
Loans	5,496	1,510	1,397
Other	10,170	588	-
	547,626	544,720	379,889
Liabilities			
Deposits	508,634	594,646	473,992
On balance sheet exposure	38,992	(49,926)	(94,103)
Off balance sheet exposure	(35,811)	49,350	94,000
	\$ 3,181	\$ (576)	\$ (103)

Central does not have significant exposure to other foreign currencies.

30. Financial instruments - Fair value

The following table sets out the fair values of on-balance sheet and derivative instruments of Central using the valuation methods and assumptions described in note 6.

Fair values have not been attributed to assets and liabilities that are not considered financial instruments, such as capital assets.

<i>(Millions of dollars)</i>	Fair Value		Book Value		Unrealized Gain (Loss)	
	2008	2007	2008	2007	2008	2007
Assets						
Cash	\$ 228.38	\$ 28.53	\$ 228.38	\$ 28.53	\$ -	\$ -
Securities	5,313.64	3,753.66	5,313.64	3,753.66	-	-
Amounts on deposit with regulated financial institutions	126.47	211.06	126.47	211.06	-	-
Loans	2,425.30	1,483.05	2,425.95	1,482.98	(0.65)	0.07
Other assets	463.98	186.07	463.36	185.95	0.62	0.12
Liabilities						
Notes & Deposits	7,530.67	5,191.66	7,464.42	5,192.14	(66.25)	0.48
Subordinated note	46.49	48.39	50.68	49.67	4.19	1.28
Off-Balance Sheet Financial Instruments						
Derivatives	40.76	(3.62)	40.76	(3.62)	0.00	0.42
Total					\$ (62.09)	\$ 2.37

Central's net unrealized gain on its financial instruments at December 31, 2006 was \$1.27 million.

31. Nature and extent of risks arising from financial instruments

The nature of Central's holdings of financial instruments exposes Central to credit, liquidity and market risk.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. Credit risk arises in Central's lending operations, its investment activities and its payment and settlement operations. Credit risk associated with Central's loans to its member credit unions is minimal because these loans are fully secured and Central has no previous history of losses on these loans. Credit risk on Investments is carefully managed by imposing strict requirements on the credit quality of each issuer of securities and on derivative counterparties. Credit risk in settlement operations is mitigated by the taking of security or by ensuring that the counterparty is of high credit quality.

In managing credit risk exposure, Central adheres to a number of key procedures including:

- application of sound, stringent lending and/or funding criteria to all assets prior to their acquisition;
- credit reviews by internal management and, if required by policy, either a Board-appointed committee or the Board, itself, before funding is extended;
- once funding is approved, ongoing credit risk evaluation and assessment;
- diversification of assets to reduce credit exposure to issuer and industry concentration, with all loan and securities credits being subject to individual and related group limits;
- continuous review of the criteria used to establish credit approval, and the immediate reduction in credit limit approval if market or other conditions indicate that a deterioration in credit quality has occurred or is likely to occur; and
- appropriate pricing of approved credits to ensure that adequate compensation is received for the risk incurred.

Summary information regarding Central's securities and loans is included in Notes 8 and 10 of the Consolidated Financial Statements.

Liquidity Risk

Liquidity risk is the risk of being unable to obtain funds at a reasonable price or within a reasonable time period to meet obligations as they come due. As manager of its own liquidity and liquidity for its member credit unions, Central is responsible for ensuring that managed assets are

available to meet its own needs, together with those of its member credit unions.

Central is also the manager of national liquidity under the terms of the National Liquidity Fund Agreement (NLFA), an agreement by which participating central credit unions have agreed to provide liquidity to one another under certain conditions. Under this agreement, participating central credit unions are required to keep liquid securities in the amount of 2 percent of their respective system's assets in segregated accounts under the management of Credit Union Central of Canada.

Provincial regulations require that British Columbia credit unions maintain 8 percent of their aggregate debt as deposits with Central, with exception for credit unions whose aggregate deposit and other liabilities exceeds 1.5 percent of the assets of the B.C. credit union system, which are required maintain deposits with Central equal to 1.5 percent of B.C. credit union system assets.

Provincial regulations require that Ontario member credit unions maintain 8 percent of their deposits and borrowings in cash and deposits with a prescribed financial institution. As a condition of membership, Ontario credit unions are required to enter into a Liquidity Agreement with Central. Under the terms of those agreements, Central's member credit unions in Ontario must maintain deposits with Central equal to the greater of that required by Ontario provincial regulations less cash on hand, and 6 percent of assets.

Central's liquidity management framework is designed to ensure that reliable and cost-effective sources are available to satisfy current and prospective commitments of Central's member credit unions, as well as Central's obligations under the NLFA. The primary components of this framework are the maintenance of a large dedicated pool of marketable securities that can readily be converted to cash, ongoing access to diversified sources of wholesale funding and participation in the NLFA.

Diversification, which provides flexibility, minimizes concentration risk and generally lowers the cost of funds, is a crucial component of Central's overall liquidity management strategy. Central's primary funding source is deposits from credit unions, the majority of which are required by regulation.

Central competes for credit union excess liquidity and, historically, holds most of this liquidity on behalf of its member credit unions. Supplementary to this core deposit base are Central's commercial paper and medium-term note programs and lines of credit with other financial institutions, details of which are provided in Note 14. Central's members also use asset securitization programs as an alternative source of funding and for liquidity and asset/liability management purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Restated - Note 2)

Central's ability to access unsecured funding from capital markets and the cost of such funds primarily depends on its ongoing maintenance of acceptable credit ratings. This, in turn, is largely determined by the quality of Central's and its member credits unions' earnings.

Central constantly monitors and assesses the liquidity requirements of its members in light of current and forecast economic conditions. This allows Central to identify potential liquidity imbalances and to take corrective action through its liquidity management framework.

Central has imposed limits on projected net fund outflows for specified short-term periods and on the minimum degree of liquidity inherent in its pool of marketable securities. Central also has minimum funding coverage ratios on the lines of credit granted to its members.

The contractual maturity of Central's non-trading notes and deposits is included in Notes 14 and 15 of the Consolidated Financial Statements.

Market Risk

Market risk refers to the risk of loss resulting from changes in interest rates and foreign exchange rates. The level of market risk to which Central is exposed varies depending on market conditions, future price and market movements and the composition of Central's investment, lending and derivative portfolios.

Interest rate risk is the potential adverse impact on Central's earnings and economic value due to changes in interest rates. As most of its balance sheet is made up of interest-bearing assets and liabilities with different maturity dates, Central potentially has significant exposure to interest rate changes. Information regarding the weighted average yields and costs of Central's assets and liabilities is provided in Note 27.

Central continuously monitors its exposure to interest rate changes and their potential effects on financial margin by modelling its assets, liabilities and equity, including off-balance sheet exposures, against the impacts of various possible rate increases or decreases.

Central's interest rate risk policy defines standards and sets acceptable risks limits on Central's interest margin and the fair value of Central's net assets over a 12-month

horizon. Those limits are based on an immediate and sustained +/- 200 basis point shift in the yield curve. The limit for fluctuations in interest income from the base forecast is 25% and the limit for changes in fair value of net assets from the base forecast is 20%.

The following table summarizes the pre-tax impact of a sustained 200 basis increase or decrease in interest rates on interest income and fair value of Members' Equity. Central also analyzes the impact of interest rate volatility on net interest income using Monte Carlo simulations, and sets statistical limits on the variance of net interest income in such simulations.

Foreign exchange rate risk is the potential adverse impact on Central's earnings and economic value due to currency rate movements and volatility. Central has assets and liabilities denominated in several major currencies, and buys these currencies from and sells them to its member credit unions. The risk associated with changing foreign currency values is managed by applying stringent limits on the amounts (short or long positions) that can be maintained in the various currencies, and by utilizing derivative exchange contracts to lessen the impact of on-balance sheet positions. As at December 31, 2008, Central does not have significant exposure to changes in foreign currency exchange rates as indicated in Note 28.

32. Capital management

Central's capital levels are regulated under federal guidelines issued by the Office of the Superintendent of Financial Institutions and provincial regulations administered by the Financial Institutions Commission of British Columbia. Pursuant to federal regulations, Central is required to maintain a borrowing multiple, the ratio of debt to regulatory capital, of 20:1 or less.

Central targets an operating borrowing multiple of 16:1 to 18:1 to ensure that it has capacity to absorb sudden increases in system deposits or to increase external borrowings to meet member demand for funds.

Provincial regulations, which apply to Central, use a risk-weighted approach to capital adequacy that is based on standards issued by the Bank for International Settlements. The provincial risk weightings, which generally parallel the

(Thousands of dollars)

Before Tax Impact of:	Interest Margin		Fair value of net assets	
	Amount	Percentage of Base Forecast	Amount	Percentage of Base Forecast
200 bp increase in rates	8,084	16.4%	(31,878)	(8.2%)
200 bp decrease in rates	(8,084)	(16.4%)	6,997	1.8%

methodology used by OSFI to regulate Canadian chartered banks, require Central's risk-weighted capital, calculated by dividing capital by risk-weighted assets, to be no less than 8 percent. Furthermore, Central must maintain a risk-weighted capital ratio of at least 10 percent to enable member credit unions in British Columbia to risk-weight their deposits with Central at zero percent.

Central's capital base includes Tier 1 capital in the form

of share capital, contributed surplus and retained earnings. Subject to certain conditions, Central may include its subordinated debt in Tier 2B capital. In calculating Central's capital base for both federal and provincial purposes, certain deductions are required for certain asset classes and investments.

At year-end, Central was in compliance with these regulatory requirements as indicated below:

<i>(Thousands of dollars)</i>	Regulatory Requirement	2008	2007
Federal Borrowing Multiple	20:1	18.1:1	16.2:1
Provincial Risk-Weighted Ratio	8.0%	19.5%	20.8%

THE CREDIT UNION SYSTEM

SYSTEM STRUCTURE

Credit unions are co-operative financial organizations. They are much like banks in their physical appearance, the services they offer and the nature of their operations. There are, however, major differences. Credit unions are owned by their members (customers). These members participate in the development of operating policies by serving as credit union directors or as members of credit union committees.

Each credit union is an autonomous unit, operated by management appointed by its board of directors. The directors are elected by credit union members.

A key principle in the operation of a credit union is that each member, regardless of financial involvement, is entitled to an equal vote in electing directors and in directing the affairs of the organization. This co-operative principle ensures that credit unions remain accountable to their members.

THE SYSTEM IN CANADA

In Canada, there are 1,008 credit unions and caisses populaires, many of them with multiple branch offices. They had, at December 31, 2008, estimated combined Canadian dollar assets of \$226 billion and a membership of 10.9 million. The credit union system consists of a number of elements. In order of importance, they are:

1. the credit union members who own the credit union. In other financial institutions, these would be referred to as "customers."
2. the individual credit unions. Through their offices, they provide financial and other services to their members.
3. provincial credit union centrals, which are owned collectively by the individual credit unions of the province. They provide services to their member credit unions.
4. the national credit union central facility, which is owned collectively by provincial centrals. This entity provides services to provincial centrals.
5. other affiliated organizations that complement the system.

Throughout its history, the Canadian credit union system has maintained a record of sound, prudent financial management, solid growth, and uncompromising service to credit union members.

THE SYSTEMS IN BRITISH COLUMBIA AND ONTARIO

In British Columbia, there are 48 local credit unions with 373 branch locations, serving over 1.6 million members. In Ontario there are 149 credit unions, which operate 460 branches and serve 1.2 million members.

Credit union membership in British Columbia mirrors that of Canada generally; one in three British Columbians belongs to a credit union. Ontario's membership is one in ten.

Central 1 Credit Union

Central's members include credit unions, co-operatives, and other corporations.

Central provides financial, trade associational and support services to its member credit unions. Central's key financial role is management of the provincial liquidity reserves and provision of central and investment banking services to credit unions.

Credit unions are required to maintain liquidity reserves equal to at least eight percent of their aggregate deposit and other debt liabilities. The vast majority of deposits that credit unions do not use to make loans to members are invested in or on deposit with Central.

As a central banker to its members, Central acts as the primary liquidity vehicle. As a member of the Canadian Payments Association, it provides centralized cheque processing and other related payments services. Central also plays a key role in delivery of electronic transaction services, ranging from Internet banking to bill payment.

As a commercial banker, Central provides a variety of lending services, primarily to credit unions. These include short- and long-term loans at both fixed and variable rates to meet a large variety of funding requirements.

Non-financial services provided to Central's members include:

- government relations and legislative representation;
- property, bonding, directors' and officers', key person, corporate errors and omissions, and insurance agency liability insurance;
- policy and procedures manuals;
- advice on interest rates and economic trends;
- issuance of Canada Savings Bonds;
- administration of a pension plan and benefits program;
- education and training programs;
- service and product development;
- market research and planning;
- province-wide advertising;
- public relations, publications and communications services;
- personnel recruiting, salary administration and employee relations;
- trusteeship and administration of Registered Savings Plans (where permitted by law);
- consulting, operational reviews and strategic planning assistance; and
- business library and reference services.

Legislation

There are a number of statutes under which Central and credit unions in British Columbia and Ontario are regulated.

Central was incorporated under the former *Credit Union Act of British Columbia*. It also holds a certificate under the *Cooperative Credit Associations Act* (Canada).

The *Cooperative Credit Associations Act* regulates such matters as Central's organization, objects, powers, investments, lending and reserves and is administered by the federal Superintendent of Financial Institutions.

The federal act provides Central with access to funds from the Canada Deposit Insurance Corporation (CDIC). Under the federal act, CDIC is authorized to extend financial accommodation to central

credit unions to enable them to meet short-term requirements for liquid funds needed to discharge maturing debt obligations. This provision facilitates Central's role as a liquidity vehicle for its Class A member credit unions.

Credit unions in British Columbia and Ontario are incorporated under provincial credit union legislation. B.C. credit unions are authorized to carry on deposit business or both deposit and trust business under the Financial Institutions Act of British Columbia. Credit Unions in Ontario derive their authorization under the *Credit Unions and Caisses Populaires Act 1994*.

Provisions relating to credit union membership and shares in British Columbia are provided under the *Credit Union Incorporation Act* and, in Ontario, under the *Credit Unions and Caisses Populaires Act 1994*.

Regulation

In B.C., the *Financial Institutions Act* requires that each credit union have an audit committee and be audited by independent auditors. Credit unions are also subject to annual inspection by the Superintendent of Financial Institutions, an official of the Financial Institutions Commission, or his appointee. The Financial Institutions Commission (FICOM) is established under the *Financial Institutions Act* and is empowered to regulate the province's financial institutions, including credit unions. FICOM is responsible to the provincial Minister of Finance.

In Ontario, credit unions are regulated through a comprehensive framework that involves the provincial Ministry of Finance, the Financial Services Commission of Ontario (FSCO), which is an arm's-length agency of the Ministry of Finance, and the Deposit Insurance Corporation of Ontario (DICO), an agency of the province.

FSCO regulates registration of credit unions and caisses populaires under the *Credit Unions and Caisses Populaires Act 1994*. FSCO is responsible for ensuring that credit unions operate in accordance with the requirements of that Act.

DICO is responsible for overseeing compliance with solvency rules and for providing deposit insurance protection for deposits held in Ontario credit unions, up to prescribed limits. As part of this responsibility, DICO has the authority to issue by-laws to ensure that insured institutions operate in accordance with sound business and financial practices.

Deposit Insurance

The Credit Union Deposit Insurance Corporation of British Columbia (CUDIC), a government corporation, protects against the loss of deposits held by British Columbia credit unions. CUDIC's responsibility is to administer and operate a deposit insurance fund. FICOM is responsible for administering CUDIC.

The fund administered by CUDIC is maintained through assessments paid by credit unions. In the fall of 2008, the Province of British Columbia introduced unlimited deposit insurance of deposits accepted by B.C. credit unions.

To minimize the likelihood of claims arising against the fund and to ensure the safety of members' deposits in credit unions,

FICOM has wide-ranging regulatory and supervisory powers over the operations and practices of credit unions. FICOM can require undertakings of credit unions and their directors and officers, issue cease and desist orders, remove directors and officers from office, and place a credit union under its supervision.

In Ontario, DICO protects members of Ontario credit unions against the loss of deposits held in credit unions. Deposit insurance covers eligible deposits up to the prescribed statutory limit of \$100,000 in each of the following categories — deposits held in one name; jointly in more than one name; in a trust account; and in registered savings plans.

The deposit insurance fund is financed by insurance premiums paid by each credit union. DICO has wide-ranging regulatory powers to ensure credit unions are acting in a manner that protects deposits.

Insured institutions that exhibit a higher than normal risk profile are monitored more closely by DICO. This involves more frequent reporting and examinations to ensure that any deteriorating trends are actively monitored and appropriately managed and addressed by the institution.

Institutions which meet certain risk-based criteria may be placed under supervision. When an insured institution goes out of business, a liquidator is appointed to manage the orderly wind up of operations. In most cases, DICO is appointed as liquidator, in order to pay depositors and wind up the affairs in an orderly manner to minimize the impact on the credit union's members, while maximizing the recovery of assets.

In circumstances when a credit union is in serious financial or operational distress, the *Credit Unions and Caisses Populaires Act 1994* provides DICO the authority to place it under its administration.

Stabilization Authority

Stabilization Central Credit Union of British Columbia was incorporated in 1989 to facilitate self-regulation within the credit union system. Its Core Values provide that its primary purpose is to monitor credit unions to facilitate early action to correct any identified problems. The *Financial Institutions Act* provides that a central credit union may be designated a stabilization authority. Accordingly, Stabilization Central supervises credit unions assigned to it by the Financial Institutions Commission. As a condition of holding a business authorization, every local credit union in British Columbia must become and remain a member of Stabilization Central. Stabilization Central is funded by assessment of its members. It is directed by a board elected or appointed by and from its member credit unions. It, too, is regulated under the *Financial Institutions Act*, the *Credit Union Incorporation Act* and regulations thereunder.

CORPORATE GOVERNANCE

The Board of Directors of Central 1 Credit Union comprises 16 elected or appointed representatives of its member credit unions. Twelve directors are elected to represent “peer groups”, which are composed of credit unions grouped on an asset-size or regional basis; four are appointed (two from each credit union) by Central’s two largest member credit unions.

At fiscal year-end 2008, six of Central’s 16 directors were credit union presidents, chief executive officers or general managers. All have a professional or business background that contributes significant expertise at the board table. Two of Central’s directors are female.

Central’s directors come from every part of British Columbia — from Vancouver to Williams Lake, from Castlegar to Courtenay; those from Ontario represent credit unions from Thunder Bay to Ottawa. Members of Central’s executive management team do not sit on the Board; it is composed entirely of “external” directors. In furthering the independence of its directors, Central’s corporate policies also provide that every director has the right to communicate directly, at Central’s expense, with Central’s auditors, legal counsel and executive compensation counsellors.

Directors are elected or appointed to three-year terms on a rotating basis. While there is no limit on the number of terms that one may serve on the Board, by policy no director may serve more than three consecutive years as Chairperson, an individual elected by and from the Board.

All of Central’s directors participate in the national system’s

Credit Union Director Achievement (CUDA) program. Pursuant to a regulation adopted under the *Credit Union Incorporation Act*, Central requires that every credit union director elected for the first time since 1991 complete the New Director Orientation Program. Completion of the CUDA program involves an additional six courses, including, among other topics: board development and performance evaluation and management recruitment, performance planning and evaluation.

The Board of Directors met 15 times in 2008. During the year, it reviewed and revised Central’s corporate goals and initiatives and monitored the performance of the President and Chief Executive Officer. Both the Board and its Committees meet, in camera, as necessary to fulfill their statutory obligations.

Annually, each director and executive manager, as well as other designated officers of Central, must complete and file a Conflict of Interest Disclosure Statement and a Related Party Declaration. Directors are also required to certify that they have read and considered Central’s Code of Ethics for Directors and agree to abide by it and conduct themselves accordingly.

One of the Board’s most important functions remains communication and liaison with Central’s principal shareholders — British Columbia’s and Ontario’s credit unions. In 2008, the Board met with the credit unions that comprise the Kootenay Region. Opportunities were provided for shareholders to discuss issues and reach consensus around topical matters at its annual general meeting and at peer group meetings throughout both provinces. At each peer group meeting, the Director elected to represent the group apprised constituents of matters under consideration by the Board of Directors.

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Board of Directors met 15 times in 2008.

DIRECTOR RESIDENT LOCATION	BOARD REPRESENTATION	OTHER REPRESENTATION	ATTENDANCE AT BOARD MEETINGS	REMUNERATION (HONORARIUM AND PER DIEM)	EXECUTIVE MANAGEMENT
Richard Allen Courtenay, B.C.	Vancouver Island Region	Director, Coastal Community Credit Union	13/15	\$36,117.60	Donald Rolfe <i>President and Chief Executive Officer</i>
Daniel A. Burns Vancouver, B.C.	Board Chairperson; Coast Capital Savings Credit Union Appointee	Director, Coast Capital Savings Credit Union	14/15	\$81,245.83	Rowland Kelly <i>Chief Operating Officer</i>
Lloyd Craig Vancouver, B.C.	Coast Capital Savings Credit Union Appointee	President & Chief Executive Officer, Coast Capital Savings Credit Union	12/15	\$26,028.40	Jim MacDonald <i>Senior Vice-President, Ontario & Chief Financial Officer</i>
Elain Duvall Vancouver, B.C.	Vancouver City Savings Credit Union Appointee	Director, Vancouver City Savings Credit Union	14/15	\$31,953.40	Richard J. Thomas <i>Senior Vice-President, Government Relations & Corporate Secretary</i>
Terry Enns Surrey, B.C.	Peer Group Five (larger credit unions, Lower Mainland)	Director, Envision Credit Union	14/15	\$34,453.40	
Fred Gorbet Thornhill, Ont.	Peer Group Seven Ontario Region	Director, Alterna Savings and Credit Union Limited	3/7	\$12,514.20	Linda Archer <i>Senior Vice-President, Marketing & Human Resources</i>
Sean Jackson Vineland, Ont.	Peer Group Seven Ontario Region	President & Chief Executive Officer, Meridian Credit Union Limited	4/7	\$26,021.30	Oscar van der Meer <i>Chief Technology & Payments Officer</i>
Scott Kennedy Kakabeka Falls, Ont.	Peer Group Seven Ontario Region		6/7	\$16,264.20	
Catherine McCreary Vancouver, B.C.	Vancouver City Savings Credit Union Appointee	Director, Vancouver City Savings Credit Union	11/15	\$40,123.54	Helen Blackburn <i>Senior Vice-President, Strategy Planning & Integration</i>
Ross Montgomery Surrey, B.C.	Peer Group Five (larger credit unions, Lower Mainland)	Director, Westminster Savings Credit Union	13/15	\$43,590.86	
J. Philip Moore Burnaby, B.C.	Peer Group Six (smaller credit unions, Lower Mainland)	General Manager, Greater Vancouver Community Credit Union	15/15	\$32,203.40	
Lorne K. Myhra Castlegar, B.C.	Peer Group Three Kootenay Region	General Manager, Heritage Credit Union	15/15	\$76,629.60	
David Sitaram Oshawa, Ont.	Peer Group Seven Ontario Region	Director, Auto Workers Community Credit Union Limited	7/7	\$20,114.20	
Jack Smit London, Ont.	Board Vice-Chairperson, Peer Group Seven Ontario Region	President & Chief Executive Officer, Libro Credit Union Limited	7/7	\$21,521.30	
Fred Wagner Williams Lake, B.C.	Peer Group One Northline Region	Chief Executive Officer, Williams Lake & District Credit Union	9/11	\$27,911.74	
Jack Whittaker Osoyoos, B.C.	Peer Group Two Okanagan Region	Director, Osoyoos Credit Union	14/15	\$43,035.50	

SHAREHOLDER INFORMATION 2008 – CORPORATE GOVERNANCE

COMMITTEE	# MEETINGS	MEMBERS • CREDIT UNIONS	ATTENDANCE **					
Central's Committees are set out as follows:	Asset Liability Management	2	Dan Blue – Central 2/2 Rowland Kelly – Central 2/2 Jim MacDonald – Central 1/1 Charles Milne – Central 1/2 Philip Moore – Greater Vancouver Community 2/2 Helmut Pastrick – Central 2/2 *Donald Rolfe – Central 1/2					
		Audit	9	Fred Gorbet – Alterna Savings 1/3 Catherine McCreary – Vancouver City Savings 9/9 Ross Montgomery – Westminster Savings 7/9 Philip Moore – Greater Vancouver Community 9/9 *Fred Wagner – Williams Lake & District 6/6				
			Conduct Review	3	*Terry Enns – Envision 3/3 Fred Gorbet – Alterna Savings 3/3 David Sitaram – Auto Workers Community 3/3			
				Corporate Governance	8	Daniel Burns – Coast Capital Savings 6/7 *Elain Duvall – Vancouver City Savings 8/8 Sean Jackson – Meridian 2/3 Ross Montgomery – Westminster Savings 6/7 David Sitaram – Auto Workers Community 3/3		
					C2C Node Participants' Governance	5	Fred Cook – North Shore 5/5 Rick Hoevenaars – Libro 4/5 Sandi McArthur – Kootenay Savings 3/5 Nancy McNeill – Coast Capital Savings 5/5 Susan McNulty – Central 4/5 Steve Mills – League Data 2/5	
			7				*Ross Montgomery – Westminster Savings 4/5 Philip Moore – Greater Vancouver Community 5/5 Jeremy Trigg – Vancouver City Savings 5/5 Derek Vanthuynne – Affinity 4/5	
		Human Resources					4/4	Richard Allen – Coastal Community 4/4 *Daniel Burns – Coast Capital Savings 7/7 Scott Kennedy 3/4 Lorne Myhra – Heritage 4/4 Jack Whittaker – Osoyoos 6/7
							Investment and Loan	7
				Legislative				5
						Strategic Relationships		18
System Operations	8		Mark Carter – Westminster Savings 6/7 Drew Collier – Vancouver City Savings 7/7 David Craigen – First 7/7 Dale Eichar – Sunshine Coast 5/7 Janet Grantham – Sydenham Community 4/5 Bruce Howell – Prospera 4/5 Jim Lynn – United Communities 4/5 Joel Rosenberg – Coast Capital Savings 5/7 Brent Tremblay – Kootenay Savings 6/7 *Fred Wagner – Williams Lake and District 7/7 Michael Wagner – Salmon Arm Savings 4/7 Robert Wellstood – Kawartha 5/5					

*Denotes chairperson

**Attendance records for past directors and past committee members whose service on a committee was discontinued during the year are not documented.

FUNCTIONS

<p>All members are ex-officio (Chairperson, Investment and Loan Committee; President & CEO; Chief Operating Officer; Senior Vice-President, Ontario & Chief Financial Officer; Vice-President, Treasury & Funding Services; Associate Vice-President & Contoller; and Chief Economist). Responsible for reviewing measures of interest rate sensitivity and financial margin, including</p>	<p>investment, liquidity management, credit exposure and hedging activities; approving quarterly asset/liability strategies; reviewing financial policies and making recommendations; and reviewing interest rate risk measurement procedures and practices and adopting current methods of interest rate risk measurement.</p>	<p>Thanks are also extended to credit union directors and officers who serve on the Data Processing Task Force, the eCommerce Committee, the Switching Task Force, the Operations Manual Advisory Committee, the RRSP Advisory Committee, the RRSP Trustees Committee, the Legislative Committee's Sub-Committee on the Ontario Act Review, and the Province-Wide Communications Committee.</p>	<p>Co-Operative EFT Development Association Denis Casavant, Delegate</p>
<p>Elected annually by and from the Board of Directors. Reviews, with the external auditor, Central's audited financial statements for the fiscal year then ended prior to presenting them to the Board of Directors for approval. Reviews the contents of management's</p>	<p>representation letter to the external auditors. Provides financial oversight together with the Investment and Loan Committee on behalf of the Board. Oversees internal audit function. Reviews and assesses Central's Enterprise Risk Management program.</p>	<p>The directors of Central Financial (1989) Corporation, Central Data Systems Ltd., CU Financial Services Ltd., Inovera Solutions Inc., Central Risk and Insurance Management Services Ltd. and 0789376 B.C. Ltd. are appointed from the management of Central. Policy issues relative to subsidiary corporations are referred to Central's Board of Directors.</p>	<p>The Co-operators Richard Allen - Delegate Daniel Burns, Director Janet Grantham, Director Sean Jackson, Delegate Rowland Kelly, Director Scott Kennedy, Delegate Sheena Lucas, Director Lorne Myhra, Delegate David Sitaram, Director</p> <p>Credential Financial Inc. Stephen Bolton, Director Charles Milne, Director</p>
<p>Elected annually by and from the Board, this Committee is required by both federal and provincial statutes but has slightly differing responsibilities under each. Where required, it approves related-party transac-</p>	<p>tions, establishes and ensures adherence to measures preventing conflicts of interest (resolving them if they occur), and provides disclosure to customers regarding parties with whom they are dealing.</p>	<p>Provincial, National And International Involvement Credit union representatives also contributed to the governing of affiliated organizations in British Columbia and Ontario, across Canada and worldwide.</p>	<p>Credit Union Foundation of British Columbia Lorne Myhra, Representative</p> <p>CUISA Vacant, Director</p> <p>CUISA MGA Vacant, Director</p> <p>The CUMIS Group Chris Catliff, Delegate and Director Scott Kennedy, Director</p>
<p>Elected by and from the Board of Directors. Monitors best practices and new trends in board governance; oversees quality and effectiveness of corporate governance policies and procedures; leads annual board and director evaluation process, assesses and makes recommendation thereon; biennially reviews director remuneration and perquisites and expense policies; reviews director education and orientation</p>	<p>policies, practices and funding; reviews terms of reference of board of directors, all board committees and President & CEO; reviews adequacy of directors and officers liability and corporate errors and omissions insurance coverage; reviews Central's Rules; monitors the adoption and implementation of and adherence to enterprise risk management guidelines relative to corporate governance.</p>	<p>Credit Union Central of Canada Daniel Burns, Director and Delegate Sean Jackson, Director Scott Kennedy, Director Lorne Myhra, Director Donald Rolfe, Director Jack Smit, Alternate Delegate</p>	<p>CUPP Services Ltd. Jody Burk, Director Terry Enns, Director Philip Moore, Director Rick Parent, Director Richard Thomas, Director</p>
<p>Appointed by the Board of Directors to make recommendations on policy framework within which (1) strategies in the area of card-accessed delivery channels will be developed; and (2) the C2C Node will be operated. Committee members appointed by the</p>	<p>Board: five representatives from B.C., one representative from the Prairies, two representatives from Central Canada and one representative from the Atlantic Provinces. The Committee is chaired by a director of Central.</p>	<p>British Columbia Co-operative Association Richard Allen, Delegate Jill Kelly, Director and Delegate Catherine McCreary, Delegate Lorne Myhra, Delegate Jack Whittaker, Delegate and Chairperson</p>	<p>Northwest & Ethical Investments Inc. Robert Leshchyshen, Director Ross Montgomery, Director</p>
<p>Elected by and from the Board of Directors. Oversees recruitment of President & CEO. Reviews human resources matters including the compensation of the President & CEO; manages process of evaluating performance of President & CEO; and serves as administrators</p>	<p>of non-registered supplemental pension plan. Oversees Ontario Region employees' pension plan. Reviews methodology by which President assesses performance of other executive management. Reviews succession planning for executive management.</p>	<p>Canadian Co-operative Association Richard Allen, Delegate Jill Kelly, Director and Delegate Catherine McCreary, Delegate Lorne Myhra, Delegate David Sitaram, Director Jack Whittaker, Delegate</p>	<p>Federated Co-Operatives Ltd. Jack Whittaker, Delegate</p>
<p>Elected annually by and from the Board of Directors. Reviews Central's investment and lending policies and recommends amendments to the Board.</p>	<p>or officers of a credit union with less than 10,000 members). Analyzes legislative developments at both the national and provincial levels and recommends policies and strategies to the Board in connection therewith.</p>	<p>Concentra Financial Services Association Daniel Burns, Delegate Scott Kennedy, Director Jack Smit, Alternate Delegate</p>	<p>Stabilization Central Credit Union of British Columbia Daniel Burns, Delegate Jack Smit, Alternate Delegate Jack Whittaker, Director</p> <p>U.S. Central Credit Union Rowland Kelly, Delegate Charles Milne, Alternate Delegate</p> <p>CEDA Sandi MacArthur Nancy McNeill Susan McNulty Jeremy Trigg Oscar van der Meer</p>
<p>Appointed by the Board of Directors. Composition is Board Chairperson, three other Directors and the President & CEO. Responsible for negotiating the consolidation of the wholesale financial (business) assets of the second and third tiers of the Canadian</p>	<p>credit union system and considering strategic issues of national concern, with other parties including, but not limited to, system owned suppliers.</p>		
<p>Appointed annually by the Board of Directors. Recommends initiatives to facilitate the implementation of the system's strategic plan and reviews and recommends Central's dues budget for the forthcoming year. Recom-</p>	<p>mends the implementation of system-wide programs, products and services for credit unions and/or their members. Recommends to management funding of operationally-related projects.</p>		

CREDIT UNIONS IN BRITISH COLUMBIA AND ONTARIO

As of December 31, 2008

CENTRAL CREDIT UNIONS

Central 1 Credit Union
Credit Union Central of Ontario Limited
Stabilization Central Credit Union of British Columbia

BY PEER GROUP

GROUP ONE (Northline)

Bulkley Valley Credit Union	Northern Savings Credit Union
Integrus Credit Union	Spruce Credit Union
Lake View Credit Union	Williams Lake and District Credit Union
North Peace Savings and Credit Union	

GROUP TWO (Okanagan)

Enderby & District Credit Union	Salmon Arm Savings and Credit Union
Interior Savings Credit Union	Summerland & District Credit Union
Osoyoos Credit Union	Valley First Credit Union
Revelstoke Credit Union	VantageOne Credit Union

GROUP THREE (Kootenay)

Columbia Valley Credit Union	Heritage Credit Union
Creston & District Credit Union	Kootenay Savings Credit Union
East Kootenay Community Credit Union	Nelson & District Credit Union
Grand Forks District Savings Credit Union	

GROUP FOUR (Vancouver Island)

Coastal Community Credit Union	Ladysmith & District Credit Union
Cumberland & District Credit Union	Quadra Credit Union
First Credit Union	Union Bay Credit Union
Island Savings Credit Union	

GROUP FIVE

Coast Capital Savings Credit Union	Prospera Credit Union
Envision Credit Union	Vancouver City Savings Credit Union
North Shore Credit Union	Westminster Savings Credit Union

GROUP SIX

Aldergrove Credit Union	Mount Lehman Credit Union
CCEC Credit Union	Operating Engineers Credit Union
Community Savings Credit Union	Sharons Credit Union
Compensation Employees Credit Union	Sunshine Coast Credit Union
Greater Vancouver Community Credit Union	Vancouver Firefighters Credit Union
Gulf and Fraser Fishermen's Credit Union	V.P. Credit Union
Khalsa Credit Union	

GROUP SEVEN (Ontario)

3M Employees (London) Credit Union Limited	Canada Sand Papers Employees' (Plattsville) Credit Union Limited
Adjala Credit Union Limited	Canadian General-Tower Employees (Galt) Credit Union Limited
Air-Toronto Credit Union Limited	Canal City Savings and Credit Union Limited
Alterna Savings and Credit Union Limited	Cataract Savings & Credit Union Limited
Anishinabek Nation Credit Union Inc.	CCB Employees Credit Union Limited
APPLE Community Credit Union Limited	City Savings & Credit Union Limited
Auto Workers (Ajax) Credit Union Limited	CN London Credit Union
Auto Workers Community Credit Union Limited	Community First Credit Union Limited
Bay Credit Union Limited	Community Savings and Credit Union Limited
Bayshore Credit Union Limited	Copperfin Credit Union Limited
Brewers Warehousing Employees' (Hamilton) Credit Union Limited	Croatian (Toronto) Credit Union Limited
Brewers Warehousing Employees (Kitchener) Credit Union Ltd.	Crown Cork & Seal Employees Credit Union Limited
Budd Automotive Employees (Kitchener) Credit Union Limited	Domtar Newsprint Employees (Trenton) Credit Union Limited
Buduchnist Credit Union Limited	Dunnville & District Credit Union Limited
C.N.R. Employees' (Lakehead Terminal) Credit Union Ltd.	Durham Educational Employees Credit Union Limited
Campbell's Employees (Toronto) Credit Union Limited	Education Credit Union Limited
	Equity Credit Union Inc.

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Espanola & District Credit Union Limited
 Estonian (Toronto) Credit Union Ltd.
 ETCU Financial Credit Union Ltd.
 Etobicoke Aluminum Employees Credit Union Limited
 Federal Employees (Kingston) Credit Union Limited
 Fiberglas Employees (Guelph) Credit Union Limited
 Finnish Credit Union Limited
 FirstOntario Credit Union Limited
 Food Family Credit Union Limited
 Fort Erie Community Credit Union Limited
 Fort York Community Credit Union Limited
 Frontline Financial Credit Union Limited
 G.S.W. (Fergus) Credit Union Limited
 Ganaraska Credit Union Ltd.
 Goodyear Employees (Bowmanville) Credit Union Limited
 Grey Bruce Health Services Credit Union Limited
 Hald-Nor Community Credit Union Ltd.
 Hamilton Community Credit Union Limited
 Hamilton Municipal Employees' Credit Union Ltd.
 Hamilton Teachers Credit Union Limited
 Health Care Credit Union Limited
 Heritage Savings & Credit Union Inc.
 Hir-Walk Employees' (Windsor) Credit Union Limited
 Hobart Employees' (Owen Sound) Credit Union Limited
 Holy Angels & St. Anne's Parish (St. Thomas) Credit Union Limited
 Italian Canadian Savings & Credit Union Limited
 Kawartha Credit Union Limited
 Kellogg Employees Credit Union Ltd.
 Kingston Community Credit Union Limited
 King-York Newsmen Toronto Credit Union Limited
 Korean Catholic Church Credit Union Limited
 Korean (Toronto) Credit Union Limited
 Kraft Canada Employees' (Cobourg) Credit Union Limited
 Krek Slovenian Credit Union Ltd.
 L.I.U.N.A. Local 183 Credit Union Limited
 Lasco Employees' (Whitby) Credit Union Limited
 Libro Credit Union Limited
 London Civic Employees' Credit Union Limited
 London Diesel Employees' Credit Union Limited
 London Fire Fighters' Credit Union Limited
 McMaster Savings and Credit Union Limited
 Margosa Credit Union Limited
 Media Group Financial Credit Union Ltd.
 Member Savings Credit Union Limited
 MemberOne Credit Union Ltd.
 Mennonite Savings and Credit Union (Ontario) Limited
 Meridian Credit Union Limited
 Miracle Credit Union Ltd.
 Motor City Community Credit Union Limited
 Municipal Employees (Chatham) Credit Union Ltd.
 Nasco Employees Credit Union Limited
 Northern Credit Union Limited
 Northern Lights Credit Union Limited
 Northridge Savings & Credit Union Limited
 Ontario Educational Credit Union Limited
 Ontario Provincial Police Association Credit Union Limited
 Oshawa Community Credit Union Ltd.
 Ottawa Police Credit Union Limited
 Ottawa Women's Credit Union Limited
 PACE Savings & Credit Union Limited
 Parama Lithuanian Credit Union Limited
 Pedeco (Brockville) Credit Union Limited
 Peek Frean Employees' (Toronto) Credit Union Limited
 Penfinancial Credit Union Limited
 Peoples Credit Union Limited
 Peterborough Community Credit Union Limited
 Polish Alliance (Brant) Credit Union Limited
 Prime Savings Credit Union Limited
 Prosperity One Credit Union Limited
 Provincial Alliance Credit Union Limited
 QuintEssential Credit Union Limited
 R.B.W. Employees' (Owen Sound) Credit Union Limited
 Railway Employees' (Sarnia) Credit Union Limited
 Resurrection Credit Union Limited
 Rochdale Credit Union Limited
 St. Mary's (Toronto) Credit Union Limited
 Saugeen Community Credit Union Limited
 Scarborough Hospitals Employees' Credit Union Limited
 Sheridan Park Credit Union Limited
 Slovenia Parishes (Toronto) Credit Union Limited
 Smith Falls Community Credit Union Limited
 So-Use Credit Union Limited
 Southlake Regional Health Centre Employees' Credit Union Limited
 Southwest Regional Credit Union Ltd.
 Standard Tube Employees (Woodstock) Credit Union Limited
 Starnews Credit Union Limited
 State Farm (Toronto) Credit Union Limited
 Sudbury Credit Union Limited
 Sunnybrook Credit Union Limited
 Superior Credit Union Limited
 Sydenham Community Credit Union Limited
 Taiwanese Canadian Toronto Credit Union Limited
 Talka Lithuanian Credit Union Limited
 Thamesville Community Credit Union Limited
 The Fire Department Employees Credit Union
 The Police Credit Union Limited
 The Toronto Electrical Utilities Credit Union Limited
 The Toronto Municipal Employees' Credit Union Limited
 Thorold Community Credit Union
 Thunder Bay Elevators Employees' Credit Union Limited
 Toronto Catholic School Board Employees Credit Union Limited
 Twin Oak Credit Union Ltd.
 Ukrainian Credit Union Limited
 Unigasco Community Credit Union Limited
 United Communities Credit Union Limited
 United Employees Credit Union Limited
 United Ukrainian Credit Union Limited
 Unity Savings and Credit Union Limited
 Utilities Employees Credit Union (Windsor) Limited
 Victory Community Credit Union Limited
 Wallace Barnes Employees' Credit Union Limited
 William S. Gibson Employees' Credit Union (Mt. Dennis) Limited
 Windsor-Essex County Catholic Parishes Credit Union Ltd.
 Windsor Family Credit Union Limited
 Your Credit Union Limited
 Your Neighbourhood Credit Union Ltd.

CORPORATE INFORMATION

Corporate Headquarters

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1441 Creekside Drive
Vancouver, B.C.
Canada V6J 4S7

Ontario Region Office
2810 Matheson Blvd. East
Mississauga, Ontario
Canada L4W 4X7

T 1 800 661 6813
www.central1.com

Debtholder Contact

Main Agent
Computershare Trust Company of Canada

Street and mailing address
510 Burrard Street, 3rd Floor
Vancouver, B.C.
Canada V6C 3B9

T 604 661 9400
F 604 685 4979

www.computershare.com

For financial information inquiries, contact:

Senior Vice-President Ontario & Chief Financial Officer

Central 1 Credit Union
2810 Matheson Blvd. East
Mississauga, Ontario
Canada L4W 4X7

T 1 800 661 6813
F 905 238-3853

For additional copies of this Annual Report, please contact:

The Executive Assistant to the Senior Vice-President Ontario & Chief Financial Officer

Central 1 Credit Union

Central 1 Credit Union 2009 Annual General Meeting

The Annual General Meeting will be held on Saturday, April 25, 2009 at The Fairmont Waterfront Hotel, 900 Canada Place Way, Vancouver, British Columbia, Canada, V6C 3L5.

Credit Ratings

(As of March 31, 2009)	Short-term debt	Senior long-term debt
Standard & Poor's	A-1	A+
Dominion Bond Rating Service	R-1 (Mid)	A (High)

MemberDirect® is a registered trademark of
Credit Union Central of Canada.



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