

First Quarter Report 2008

REPORT TO MEMBERS

CENTRAL REPORTS STRONG RESULTS FOR THE FIRST QUARTER OF 2008

First quarter highlights compared to the same period last year:

- Central assets of \$5.3 billion, up 3.9% from \$5.1 billion
- Central's net income of \$4.98 million, compared to \$5.11 million
- Central return on equity of 7.05%, compared to 7.80%
- System⁽¹⁾ net operating income⁽²⁾ of \$71.95 million, versus \$64.32 million
- System assets of \$42.7 billion, up 8.7% from \$39.3 billion

Credit Union Central of British Columbia (Central), the central financial facility and trade association for B.C. credit unions, continues to perform well in challenging financial markets. Net income was \$4.98 million compared to \$5.11 million for the same period last year. Net financial and other income increased to \$21.74 million from \$20.22 million; however, operating expenses increased to \$15.45 million from \$13.67 million for the first quarter last year. Asset growth slowed to 3.9%, reaching \$5.3 billion compared to \$5.1 billion as at March 31, 2007.

Central and Credit Union Central of Ontario Ltd. (CUCO) have entered into an agreement to combine their operations. The proposed merger is on track to close on July 1, 2008.

British Columbia credit unions, collectively referred to as the system, also continue to perform well in an environment defined by an expanding provincial economy, low unemployment and firm residential housing markets. The system earned \$71.95 million before taxes, dividends and patronage refunds in the first quarter of 2008, up 11.9% from the \$64.32 million earned during same period in 2007. Combined assets for the system in the same period rose 8.7%, year-over-year, to reach \$42.7 billion at quarter-end.

Demand for loans remains strong as total system net loans increased by 9.0% year-over-year to reach \$37.1 billion. Commercial and personal loans secured by real estate grew by 15.2% and 7.8%, year-over-year, respectively. System loan

delinquencies over 90 days remain low, at 0.24% of total loans compared to 0.20% a year ago.

- (1) These documents include statements about the credit union system in British Columbia. System financial information has been provided by the Financial Institutions Commission of British Columbia (FICOM), which makes available reports on information provided by British Columbia credit unions. Central has no means of verifying the accuracy of information provided by credit unions to FICOM or FICOM's subsequent compilation of that information. Reference to system information should be interpreted in this context.
- (2) System net operating income is equivalent to income from recurring operations and does not include extraordinary items, patronage dividends or income taxes.

Management's Discussion and Analysis as at March 31, 2008

This portion of the Report to Members updates Central's Management's Discussion and Analysis for the year ended December 31, 2007, and provides a discussion and analysis of Central's financial condition and results of operations for the three-month period ended March 31, 2008 compared to the corresponding period in the preceding fiscal year. Additional information on Central, including its Annual Information Form, may be found on SEDAR at www.sedar.com.

The results reported in this Management's Discussion and Analysis and in the financial statements that follow are reported in Canadian dollars and are based on the significant accounting policies reported in *Note 2* of the 2007 consolidated financial statements which may be found at www.sedar.com.

Forward-Looking Statements

There are numerous factors, many beyond Central's control, which could cause results to differ from expectations. These factors, which include industry factors, Central and system specific factors, economic factors and financial market conditions, are substantially unchanged from those described in Central's Management's Discussion and Analysis for the year ended December 31, 2007. Central's performance is also subject to a number of risks, including credit, liquidity, market and operational risk. There has been no substantial change in Central's risk profile or in its management of risk as described in Central's Management's Discussion and Analysis for the year ended December 31, 2007.

In addition, this discussion may include forward-looking statements with regard to 2008 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.

Overall Performance and Interim Financial Condition

Central had a solid first quarter in 2008, achieving net income of \$4.98 million, or 4.39 cents a share compared to \$5.11 million or 4.50 cents a share last year. Net financial income of \$7.73 million was flat compared to the \$7.70 million recorded in the first quarter of 2007.

Other income of \$14.01 million for the quarter was higher than last year's \$12.51 million, primarily due to increased payment processing and Internet banking revenue. Operating expenses of \$15.45 million were higher compared to the \$13.67 million incurred last year. The gap between other income and operating expenses was a negative \$1.44 million compared to a negative of \$1.16 million last year.

System net operating income for the quarter was \$71.95 million, compared to \$64.32 million for the first quarter of 2007. Non-financial income rose by a healthy 10.1% from the same period last year, and increases in non-financial expense were well contained at 3.1%. System financial margin improved by 3.3% year-over-year, despite the challenges of heavy discounting of residential mortgages and increased funding costs in the capital markets.

The financial condition of Central and the system remains sound and is comparable to that of March 31, 2007. Capital ratios remain strong. Central's risk-weighted capital ratio was 21.3% and its borrowing multiple was 15:1. System risk-weighted capital was 12.5%. Credit quality remains high in the system's loan portfolios and system provisions for credit losses as a percentage of average loans are consistent with prior periods.

Overall liquidity within the system, including that held by Central, improved to 9.9% of assets as of March 31, 2008, compared to 9.5% a year ago. Although credit unions are faced with continued strong loan demand by their members, Central and its member credit unions have taken steps to improve system liquidity in the face of the current state of financial markets. Deposits with credit unions grew year-over-year by a healthy 9.1%, more than matching loan growth of 9.0%. Holdings of liquid assets increased by 8.1% year-over-year.

	For the Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	(Decrease) Change
Central ⁽³⁾			
Earnings			
Net Financial Income (<i>\$ millions</i>)	7.73	7.70	0.03
Net Financial and Other Income (<i>\$ millions</i>)	21.74	20.22	1.52
Net Income (<i>\$ millions</i>)	4.98	5.11	(0.13)
Earnings Per Share (<i>cents</i>)			
Basic	4.39	4.50	(0.11)
Diluted	4.39	4.50	(0.11)
Return On:			
Average Assets (%)	0.38	0.43	(0.05)
Average Equity (%)	7.05	7.80	(0.75)
Balance Sheet Data (\$ billions)			
Total Assets	5.27	5.13	0.14
Average Assets	5.29	4.86	0.43
Long-term Financial Liabilities	1.26	1.47	(0.21)
Capital Ratios			
Tier 1 Capital Ratio (%)	18.0	19.6	(1.6)
Total Capital Ratio (%)	21.3	23.2	(1.9)
Borrowing Multiple (times)	15.1	15.3	(0.2)
Share Information			
Outstanding \$1 Par Value Shares (<i>thousands</i>)			
Class A - Credit Unions	113,345	113,345	0.00
Class B - Cooperatives	3	3	0.00
Class C - Other	6	5	1.00
Dividends Per Share (all classes) (<i>cents</i>)	1.57	2.06	(0.49)
System ⁽³⁾			
Net Operating Income (<i>\$ millions</i>)	71.95	64.32	7.63
Total Assets (<i>\$ billions</i>)	42.70	39.30	3.40
Total Capital Ratio (%)	12.45	12.65	-0.20
Number of Credit Unions	48	51	(3)
Number of Branches	373	359	14
Number of Members (thousands)	1,648	1,589	59

⁽³⁾ Unaudited

Total Revenues

Net Financial Income

Central's net financial income increased to \$7.73 million for the quarter from \$7.70 million for the same period last year. Interest margin, at \$8.75 million, improved from last year's \$7.23 million. Higher average loans to credit unions, higher average assets and higher credit spreads on investments were the major contributors to improved interest margin relative to last year. Gains on disposal of financial instruments were \$6.30 million, up sharply from a loss of \$0.11 million for the first quarter of 2007. The majority of these gains resulted from Central's role in the securitization of system assets, although a significant portion of the gains resulted from the sales of investments from Central's securities portfolio.

Offsetting these gains were mark-to-market losses on financial instruments. These losses, which totalled \$7.32 million compared to a gain of \$0.59 million last year, principally resulted from the impact of sharply lower interest rates and markedly higher credit and interest rate swap spreads and do not represent any intrinsic impairment of the underlying financial instruments. Included in the \$7.32 million loss, however, is a \$1.6 million further write-down of Central's holdings of non-bank sponsored Asset Backed Commercial Paper (ABCP) that is in the process of being restructured under the terms of the Montreal Accord. (*Note 4* of the March 31, 2008 Interim Consolidated Financial Statements.) As at March 31, 2008, Central holds \$23.0 million of ABCP, which has been written down by \$4.5 million or 19.6% of the face amount.

Other Income

Central's other income for the quarter increased by 12.0% to \$14.01 million from last year's \$12.51 million. Income from payments processing and Internet banking has increased on the back of higher volumes. Management anticipates that this trend will continue as Central continues to extend these lines of business to entities outside the system. Year-to-date figures also include an income distribution from Credit Union Central of Canada (CUCC) of \$0.74 million during the first quarter, versus \$0.50 million last year.

Operating Expenses

Operating expenses, before combination transaction costs of \$0.29 million, increased to \$15.45 million for the quarter from \$13.67 million last year. Included in these expenses are salary costs, which increased from \$7.38 million to \$8.28 million, reflecting higher levels of staffing as Central expands its services to entities outside of the province of B.C.

Income Taxes

Central's income tax expense for the quarter was \$1.02 million, which compares to \$1.11 million last year. Central's effective tax rate for the quarter was 17.0% compared to 17.8% for the same quarter in 2007.

Balance Sheet

Cash and Securities and Liquidity Management

Central's assets increased to \$5.3 billion from \$5.1 billion as at March 31, 2007. Loans to credit unions have decreased significantly as Central and the system have collectively sought to increase system liquidity in the face of uncertain capital market conditions. As a result, at \$3.7 billion, cash and securities represent over 71% of Central's assets compared to 58% last year. Central has not drawn down any of its operating lines with other financial institutions and has sufficient excess liquid securities, and unused capacity

remaining in its commercial paper and medium-term note programs, to meet further loan advances to credit unions.

Loans and Off-Balance Sheet Arrangements

Loans, which are almost entirely secured loans to member credit unions, decreased to \$1.4 billion from \$2.0 billion last year. While strong real estate markets continue to drive consumer loan demand, credit unions have prudently met these demands from deposits rather than from borrowings. Credit unions also continue to successfully use securitization to fund member loan demand. Although current conditions in global financial markets have effectively closed system access to commercial paper securitization conduits, the system through Central securitized over \$500 million of residential mortgages in the first quarter of 2008 through the Canada Housing Trust program. As at March 31, assets securitized by the system directly or indirectly through Central were as follows:

\$ millions	MAR 31, 2008	MAR 31, 2007
Total Securitized	\$3,523	\$3,006

Summary of Quarterly Results

Central's financial results for each of the last eight, most recently completed quarters are summarized in the accompanying table. In general, Central's net interest income is quite stable from quarter to quarter, with no discernable seasonal trend, and reflects the condition of prevailing financial markets. However, interest income and dividends from CUCC and its subsidiaries, if any, are generally received in the first quarter of each year. In 2008 and 2007, these amounted to \$0.74 million and \$0.50 million, respectively. Non-interest income and non-interest expenses are also generally consistent from quarter to quarter. Trading gains and losses also have a significant impact on quarterly net income but their timing and magnitude are not predictable.

CUCBC - QUARTERLY EARNINGS

(Millions of \$)	Period Ended				Period Ended			
	30-Jun-07	30-Sep-07	31-Dec-07	31-Mar-08	30-Jun-06	30-Sep-06	31-Dec-06	31-Mar-07
Total Interest Income	55,084	60,306	64,278	58,278	45,341	50,284	52,453	53,458
Total Interest Expense	47,716	52,655	55,401	49,526	38,847	43,720	45,293	46,233
Interest margin	7,368	7,651	8,877	8,752	6,494	6,564	7,160	7,225
Gain on disposal of financial instruments	1,270	2,243	4,367	6,297	87	(131)	(71)	(113)
Changes in fair value of financial instruments	259	(1,481)	(4,861)	(7,321)	398	236	105	591
Recovery (provision) for credit losses	29	0	28	0			(795)	
Non-Interest Income	13,319	12,900	13,941	14,008	11,551	12,621	13,549	12,514
Non-Interest Expenses	(14,789)	(14,382)	(15,731)	(15,448)	(13,966)	(12,945)	(16,630)	(13,671)
Unusual Items	(592)	3,711	(772)	(290)	0	0	(168)	(332)
Income Taxes	(1,205)	(1,689)	(1,168)	(1,023)	(1,294)	(991)	(499)	(1,107)
Net Income	5,659	8,953	4,681	4,975	3,270	5,354	2,651	5,107
Shares	113.40	113.40	113.40	113.40	113.35	113.35	113.40	113.40
Earnings per share from continuing operations								
Basic	5.51	4.62	4.81	4.64	2.88	4.72	2.49	4.80
Diluted	5.51	4.62	4.81	4.64	2.88	4.72	2.49	4.80
Earnings per Share								
Basic	4.99	7.90	4.13	4.39	2.88	4.72	2.34	4.50
Diluted	4.99	7.90	4.13	4.39	2.88	4.72	2.34	4.50

*Earnings per share calculated for a central credit union must be taken in the context that member shares may not be traded or transferred.

Capital Resources

Central's capital position remains strong. For the quarter, Central's available capital resources reached \$336.7 million, compared to \$317.3 million as at March 31, 2007.

Central's regulatory capital levels are determined according to both federal guidelines and provincial regulations. Central's federal capital adequacy borrowing multiple was below its targeted operating range and below that at March 31, 2007. It was also well below the federal regulatory maximum. The multiple is projected to move toward Central's targeted range later in the fiscal year. Central's provincial risk-weighted ratio at 21.3% remains considerably higher than both Central's target and provincial requirements. This reflects the high quality and, hence, low risk weighting of securities in Central's liquidity portfolio.

	March 31, 2008	March 31, 2007	Target	Regulatory Requirement
Borrowing Multiple	15.1:1	15.3:1	16:1 – 18:1	20:1
Risk-weighted Ratios	21.3%	23.2%	11 – 14%	10%

Central's Accounting Policies and Estimates

Central's Consolidated Interim Financial Statements, included in this Report to Members, have been prepared in accordance with GAAP as described in *Note 1* of the Interim Consolidated Financial Statements.

Changes in Accounting Policies

Effective January 1, 2008, Central adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1535 – Capital Disclosures, 3862 – Financial Instruments, Disclosures and 3863 – Financial Instruments, Presentation. These standards require organizations to provide disclosures related to their processes for managing capital as well as increased disclosures related to the risks associated with their financial instrument holdings. On adoption of these standards no changes were made to previously reported amounts.

Critical Accounting Estimates

The critical accounting estimates remain unchanged from those disclosed in Central's 2007 Annual Report.

Credit Union Central of British Columbia
Interim Consolidated Balance Sheet
Unaudited

	Notes	(Thousands of dollars)		December 31 2007
		2008	March 31 2007	
Assets				
Cash		\$ 151,606	\$ 62,358	\$ 28,529
Securities	4	3,398,797	2,573,386	3,753,662
Amounts on deposit with regulated financial institutions	5	173,441	341,444	211,058
Loans	6	1,383,209	2,028,029	1,482,978
Capital assets		13,356	13,716	13,834
Other	7	155,473	110,503	172,121
		<u>\$ 5,275,882</u>	<u>\$ 5,129,436</u>	<u>\$ 5,662,182</u>
Liabilities				
Notes	9	\$ 831,069	\$ 1,056,284	\$ 968,774
Deposits	10	3,974,659	3,648,035	4,223,377
Other	11	130,018	110,043	150,447
		<u>4,935,746</u>	<u>4,814,362</u>	<u>5,342,598</u>
Subordinated debt	12	<u>51,693</u>	<u>50,221</u>	<u>49,671</u>
Members' Equity				
Shares		113,354	113,353	113,354
Retained earnings		170,619	153,715	167,148
Accumulated other comprehensive income		4,470	(2,215)	(10,589)
		<u>288,443</u>	<u>264,853</u>	<u>269,913</u>
		<u>\$ 5,275,882</u>	<u>\$ 5,129,436</u>	<u>\$ 5,662,182</u>

Approved by the Directors:

"Lorne Myhra"
Lorne Myhra, Chairperson

"J. Ross Montgomery"
J. Ross Montgomery, Chairperson - Audit Committee

Credit Union Central of British Columbia
Interim Consolidated Statement of Income
Unaudited

	Notes	For the three months ended	
		March 31 2008	March 31 2007
		<u> </u>	<u> </u>
Interest Income			
Securities		\$ 34,887	\$ 27,648
Amounts on deposit with regulated financial institutions		2,404	3,700
Loans		<u>20,987</u>	<u>22,110</u>
		<u>58,278</u>	<u>53,458</u>
Interest Expense			
Notes		10,002	9,429
Deposits		38,949	36,226
Subordinated debt		<u>575</u>	<u>578</u>
		<u>49,526</u>	<u>46,233</u>
Interest Margin		8,752	7,225
Gain (loss) on disposal of financial instruments		6,297	(113)
Changes in fair value of financial instruments	13	<u>(7,321)</u>	<u>591</u>
Net financial income		7,728	7,703
Other income	14	<u>14,008</u>	<u>12,514</u>
Net financial and other income		<u>21,736</u>	<u>20,217</u>
Operating Expenses			
Salaries and employee benefits		8,279	7,375
Premises and equipment, including depreciation		1,030	920
Other		<u>6,139</u>	<u>5,376</u>
		<u>15,448</u>	<u>13,671</u>
Income from operations before the following		6,288	6,546
Combination transaction costs		(290)	(332)
		<u> </u>	<u> </u>
Income before income taxes		5,998	6,214
Income taxes	15	1,023	1,107
		<u> </u>	<u> </u>
Net Income		<u>\$ 4,975</u>	<u>\$ 5,107</u>

See accompanying notes to the interim consolidated financial statements

Credit Union Central of British Columbia
Interim Consolidated Statement of Comprehensive Income
Unaudited

	For the three months ended	
	March 31 2008	March 31 2007
	<u> </u>	<u> </u>
Net Income	\$ 4,975	\$ 5,107
Other comprehensive income (net of tax)		
Net unrealized gains on available-for-sale assets ¹	13,768	278
Reclassification of losses on available-for-sale assets to net income ²	751	97
	<u>14,519</u>	<u>375</u>
Net gains (losses) on derivative instruments designated as cash flow hedges ³	567	(26)
Reclassification of gains on derivative instruments designated as cash flow hedges recorded in prior periods ⁴	(27)	-
	<u>540</u>	<u>(26)</u>
Other comprehensive income	15,059	349
Comprehensive income	<u>\$ 20,034</u>	<u>\$ 5,456</u>
Income taxes (recoveries) deducted from the above items		
¹ Net unrealized gains on available-for-sale assets	<u>\$ 2,557</u>	<u>\$ 62</u>
² Reclassification of losses on available-for-sale assets to net income	<u>\$ 143</u>	<u>\$ 17</u>
³ Net gains (losses) on derivative instruments designated as cash flow hedges	<u>\$ 108</u>	<u>\$ (6)</u>
⁴ Reclassification of gains on derivative instruments designated as cash flow hedges recorded in prior periods	<u>\$ (5)</u>	<u>\$ -</u>

See accompanying notes to the interim consolidated financial statements

Credit Union Central of British Columbia
Interim Consolidated Statement of Changes in Members' Equity
Unaudited

(Thousands of dollars)

	Notes	For the three months ended	
	_____	March 31 2008	March 31 2007
	_____	_____	_____
Share Capital			
Balance at end of period		\$ 113,354	\$ 113,353
<hr/>			
Retained Earnings			
Balance at beginning of period		\$ 167,148	\$ 149,444
Transition adjustments on adoption of new accounting policies ¹		-	1,093
Net Income		4,975	5,107
Dividends		(1,790)	(2,341)
Related tax savings	15	286	412
Balance at end of period		\$ 170,619	\$ 153,715
<hr/>			
Accumulated Other Comprehensive Income (AOCI) (net of tax)			
Balance at beginning of period		\$ (10,589)	\$ -
Transition adjustments on adoption of new accounting policies ¹		-	(2,564)
Other comprehensive income		15,059	349
Accumulated other comprehensive income		\$ 4,470	\$ (2,215)
<hr/>			
Members' equity at end of period		\$ 288,443	\$ 264,853

¹The transition adjustment relates to the adoption of new accounting standards for financial instruments. Refer to Note 3 in the Consolidated Financial Statements in our 2007 Annual Report.

See accompanying notes to the interim consolidated financial statements

Credit Union Central of British Columbia
Interim Consolidated Statement of Cash Flows
Unaudited

(Thousands of dollars)

For the three months ended
March 31 March 31
2008 2007

	2008	2007
Cash flows from operating activities		
Net income	\$ 4,975	\$ 5,107
Adjustments for:		
Depreciation	528	448
Loss (gains) on financial instruments	1,024	(478)
Net change in accrued interest	(1,867)	(6,716)
Other items, net	(7,045)	(28,420)
	(2,385)	(30,059)
Cash flows from financing activities		
Dividends - net of income taxes	(9,169)	(8,677)
Net change - settlements-in-transit	13,441	(85,301)
Net change - notes	(136,189)	299,500
Net change - deposits	(253,694)	(216,155)
	(385,611)	(10,633)
Cash flows from investing activities		
Net change - securities	370,986	659,802
Net change - amounts on deposit with regulated financial institutions	37,922	46,061
Net change - loans	99,160	(609,757)
Net changes - loans available for sale	3,055	(22,474)
Capital asset acquisitions	(50)	(193)
	511,073	73,439
Increase (decrease) in cash resources	123,077	32,747
Cash resources - beginning of period	28,529	29,611
Cash resources - end of period	\$ 151,606	\$ 62,358

Supplemental Information

Interest received	\$ 63,037	\$ 53,184
Interest paid	\$ 55,325	\$ 52,675

See accompanying notes to the interim consolidated financial statements

Credit Union Central of British Columbia
Notes to the March 31, 2008 Interim Consolidated Financial Statements
Unaudited

Credit Union Central of British Columbia (Central) is governed by the Credit Union Incorporation Act (British Columbia) and is 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 the province's independent credit unions. The performance of the British Columbia credit union system plays an integral part in determining the results of Credit Union Central's operations and its financial position.

These interim consolidated financial statements do not contain the complete disclosure of the annual financial statements. Accordingly these financial statements should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2007.

1. Basis of presentation

The interim consolidated financial statements include the accounts of Central and its subsidiaries, 0789376 B.C. Ltd., Central Financial Corporation (1989) Ltd., C.U. Financial Services Ltd., Central Data Systems Ltd., and Inovera Solutions Inc., all of which are wholly owned.

Except as described in note 2, these interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), using the same accounting policies as set out in Central's Consolidated Financial Statements for the year ended December 31, 2007. Under GAAP, additional disclosures are required in the annual financial statements and accordingly, these interim consolidated financial statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2007 and the accompanying notes.

2. Changes in Accounting Policies

Capital Disclosures and Financial Instruments – Disclosures and Presentation

Effective January 1, 2008 Central adopted three new presentation and disclosure standards which are contained in Canadian Institute of Chartered Accountants 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.

3. Fair value of financial instruments

Certain financial instruments are recognized in the interim consolidated balance sheet at fair value. These include securities, other than equity shares with no quoted market value, amounts on deposit with regulated financial institutions, derivative instruments and deposits designated as trading.

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

Credit Union Central of British Columbia
Notes to the March 31, 2008 Interim Consolidated Financial Statements
Unaudited

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.

4. Securities

Securities designated as trading are as follows.

	(Thousands of dollars)		
	March 31 2008	March 31 2007	December 31 2007
Amortized cost	<u>\$ 482,023</u>	<u>\$ 66,762</u>	<u>\$ 267,641</u>
Fair value	<u>\$ 485,724</u>	<u>\$ 66,896</u>	<u>\$ 267,321</u>

Securities classified as available-for-sale are as follows.

	(Thousands of dollars)		
	March 31 2008	March 31 2007	December 31 2007
Amortized cost	<u>\$ 2,915,985</u>	<u>\$ 2,508,521</u>	<u>\$ 3,500,954</u>
Fair value	<u>\$ 2,913,073</u>	<u>\$ 2,506,490</u>	<u>\$ 3,486,341</u>

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

Credit Union Central of British Columbia
Notes to the March 31, 2008 Interim Consolidated Financial Statements
Unaudited

	(Thousands of dollars)		
	March 31	March 31	December 31
	2008	2007	2007
	<u>\$ 3,398,797</u>	<u>\$ 2,573,386</u>	<u>\$ 3,753,662</u>

The composition of Central's security portfolio is as follows

	(Millions of dollars)		
	March 31	March 31	December 31
	2008	2007	2007
Government & guarantees	\$ 399.8	\$ 293.4	\$ 465.3
Corporate & major financial Institutions R-1(Mid) or greater	2,484.3	1,991.5	2,950.5
Other	<u>514.7</u>	<u>288.5</u>	<u>337.9</u>
	<u>\$ 3,398.8</u>	<u>\$ 2,573.4</u>	<u>\$ 3,753.7</u>

At the period-end, securities having a book value of \$200.1 million (March 31, 2007 - \$159.2 million; December 31, 2007 - \$315.8 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.

Securities classified as Available for Sale include third party asset-backed commercial paper (ABCP) with a par value of \$23.0 million. When purchased, these securities were rated R-1 (High) by Dominion Bond Rating Service. The ABCP holdings 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, has developed a restructuring proposal for the ABCP. Under this proposal, the underlying assets of the ABCP would be segregated between those that are eligible for the restructuring process and those which are not eligible.

Separate classes of notes would be 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 would be interest bearing, and the repayment of principal on these notes would be required before interest and principal payments could be made to Class B and C note holders. Investors may also receive Ineligible Asset Tracking Notes (IATN's) in respect of their ineligible assets. The payment of interest and principal on all classes would be subject to certain conditions.

Completion of the restructuring process, and the distribution of the notes to investors, is subject to certain conditions including approval by the holders of the ABCP which approval was obtained subsequent to the end of the period.

Central has 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 expects to receive under the restructuring plan. 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's that it expects to receive as part of the restructuring process.

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During the period, Central recorded a charge to Net Income of \$1.6 million (three months ended March 31, 2007 - \$0.0 million; year ended December 31, 2007 - \$2.9 million) to reflect its forecast of the expected future cash flows on its ABCP holdings. This adjustment is included in Changes in fair value of financial instruments. 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.

5. Amounts on deposit with regulated financial institutions

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

(Thousands of dollars)

	March 31 2008	March 31 2007	December 31 2007
Amortized cost	<u>\$ 25,993</u>	<u>\$ 17,326</u>	<u>\$ 25,064</u>
Fair value	<u>\$ 26,300</u>	<u>\$ 17,380</u>	<u>\$ 25,194</u>

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

(Thousands of dollars)

	March 31 2008	March 31 2007	December 31 2007
Amortized cost	<u>\$ 144,061</u>	<u>\$ 324,483</u>	<u>\$ 183,885</u>
Fair value	<u>\$ 147,141</u>	<u>\$ 324,064</u>	<u>\$ 185,864</u>

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

(Thousands of dollars)

	March 31 2008	March 31 2007	December 31 2007
	<u>\$ 173,441</u>	<u>\$ 341,444</u>	<u>\$ 211,058</u>

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6. Loans

		(Thousands of dollars)		
		March 31	March 31	December 31
		2008	2007	2007
Due on demand - Credit unions		\$ 19,873	\$ 23,546	\$ 29,318
	- Co-operatives and others	<u>5,137</u>	<u>17,579</u>	<u>4,116</u>
		<u>25,010</u>	<u>41,125</u>	<u>33,434</u>
Term	- Credit unions	1,315,300	1,915,151	1,414,506
	- Co-operatives & others	25,277	53,200	16,339
	- Officers and employees	<u>15,401</u>	<u>14,452</u>	<u>15,869</u>
		<u>1,355,978</u>	<u>1,982,803</u>	<u>1,446,714</u>
		1,380,988	2,023,928	1,480,148
Accrued interest		<u>3,287</u>	<u>5,224</u>	<u>3,896</u>
		1,384,275	2,029,152	1,484,044
Allowance for losses (specific)		<u>1,066</u>	<u>1,123</u>	<u>1,066</u>
		<u>\$ 1,383,209</u>	<u>\$ 2,028,029</u>	<u>\$ 1,482,978</u>

Officer and employee loans bear interest at rates varying from 2.138% to 5.185%.

7. Other Assets

		(Thousands of dollars)		
		March 31	March 31	December 31
		2008	2007	2007
Market revaluation of trading derivatives		\$ 43,216	\$ 27,041	\$ 57,836
Assets available for sale designated as trading		20,524	-	20,715
Assets available for sale at amortized cost		81,466	75,720	84,805
Accounts receivable		2,689	3,069	2,114
Prepaid expenses		2,780	2,917	2,360
Future income taxes (note 15)		<u>4,798</u>	<u>1,756</u>	<u>4,291</u>
		<u>\$ 155,473</u>	<u>\$ 110,503</u>	<u>\$ 172,121</u>

8. Loan Securitizations

During the three months ended March 31, 2008, Central securitized mortgages under the Canada Housing Trust Program (the Program) with a book value of \$540.3 million which had been acquired from member credit unions.

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The fair value of derivative contracts acquired as a result of these transactions, together with proceeds received under the Program totalled \$545.1 million (three months ended March 31, 2007 - \$0.0 million); year ended December 31, 2007 - \$987.4 million) which resulted in a gain on these transaction of \$4.8 million (three months ended March 31, 2007 - \$0.0 million, year ended December 31, 2007 - \$7.2 million) which was recorded in Gain on disposal of financial instruments.

The total principal amount of loans securitized by Central outstanding at March 31, 2008 was **\$1,450.2** million (March 31, 2007 - \$3.9 million; December 31, 2007 - \$947.0 million)

9. Notes

	(Thousands of dollars)		
	March 31 2008	March 31 2007	December 31 2007
Operating lines			
- with Credit Union Central of Canada	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,839</u>
Notes			
- due within three months	428,368	603,112	494,736
- due after three months and within one year	124,969	224,751	124,953
- due after one year and less than five years	<u>274,985</u>	<u>225,000</u>	<u>299,983</u>
	<u>828,322</u>	<u>1,052,863</u>	<u>919,672</u>
	828,322	1,052,863	964,511
Accrued interest	<u>2,747</u>	<u>3,421</u>	<u>4,263</u>
	<u>\$ 831,069</u>	<u>\$ 1,056,284</u>	<u>\$ 968,774</u>

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 mid term note facility. At March 31, 2008, **\$428.4** million was borrowed under the short term commercial paper facility (March 31, 2007 - \$603.1 million; December 31, 2007 - \$394.7 million) and **\$425.0** million was borrowed under the mid term note facility (March 31, 2007 - \$450.0 million; December 31, 2007 - \$525.0 million).

10. Deposits

Deposits designated as trading are as follows.

	(Thousands of dollars)		
	March 31 2008	March 31 2007	December 31 2007
Amortized cost	<u>\$ 1,333,028</u>	<u>\$ 1,148,290</u>	<u>\$ 2,424,967</u>
Fair value	<u>\$ 1,346,259</u>	<u>\$ 1,146,580</u>	<u>\$ 2,426,480</u>

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Deposits classified as other liabilities are as follows.

	(Thousands of dollars)		
	March 31 2008	March 31 2007	December 31 2007
Due on demand	\$ 185,037	\$ 172,862	\$ 143,489
Due within three months	1,406,008	986,589	575,378
Due after three months and within one year	369,029	451,240	344,978
Due after one year and less than five years	638,736	859,678	704,575
Due after five years and less than six years	<u>1,250</u>	<u>911</u>	<u>284</u>
	2,600,060	2,471,280	1,768,704
Accrued interest	<u>28,340</u>	<u>30,175</u>	<u>28,193</u>
	<u>\$ 2,628,400</u>	<u>\$ 2,501,455</u>	<u>\$ 1,796,897</u>

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

	(Thousands of dollars)		
	March 31 2008	March 31 2007	December 31 2007
	<u>\$ 3,974,659</u>	<u>\$ 3,648,035</u>	<u>\$ 4,223,377</u>

11. Other Liabilities

	(Thousands of dollars)		
	March 31 2008	March 31 2007	December 31 2007
Market revaluation of trading derivatives	\$ 31,568	\$ 24,076	\$ 62,494
Settlements-in-transit	70,154	66,375	56,713
Dividends	1,790	2,341	9,455
Future income taxes (note 15)	1,238	939	975
Accrued vacation and sick benefits	1,186	1,279	1,281
Employee future benefits	12,519	10,497	11,984
Trade amounts and other	<u>11,563</u>	<u>4,536</u>	<u>7,545</u>
	<u>\$ 130,018</u>	<u>\$ 110,043</u>	<u>\$ 150,447</u>

12. 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.

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The note is recognized in the Consolidated Financial Statements at amortized cost, with basis adjustment for hedge accounting.

13. Change in fair value of financial instruments

	(Thousands of dollars)	
	For the three months ended	
	<u>March 31, 2008</u>	<u>March 31, 2007</u>
Trading assets	\$ 4,021	\$ 67
Trading deposits	(11,718)	(202)
Adjustment of ABCP holdings to fair value as described in Note 4	(1,584)	-
Ineffective portion of cash flow hedges	41	57
Ineffective portion of fair value hedges	36	(68)
Trading derivatives	<u>1,883</u>	<u>737</u>
	<u>\$ (7,321)</u>	<u>\$ 591</u>

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14. Other Income

	(Thousands of dollars)	
	For the three months ended	
	<u>March 31, 2008</u>	<u>March 31, 2007</u>
Membership Dues	\$ 1,225	\$ 1,143
Provincial Advertising Assessment	624	609
Technology & Payment Services		
- Processing	5,526	5,019
- Technical Operations	472	413
- Internet banking	2,447	1,904
Financial Services		
- Treasury Services	181	229
- Funding Services	462	322
- Property rents	267	322
- Other	724	603
Trade Services		
- Risk Management	598	501
- Manuals	242	244
- Registered Plans	479	467
- Other	<u>761</u>	<u>738</u>
	<u>\$ 14,008</u>	<u>\$ 12,514</u>

15. Provision for income taxes

Income taxes reported in the financial statements are as follows:

	(Thousands of dollars)	
	For the three months ended	
	<u>March 31, 2008</u>	<u>March 31, 2007</u>
Provision for income taxes in Statement of Income	\$ 1,023	\$ 1,107
Income tax benefit related to dividends accrued	<u>(286)</u>	<u>(412)</u>
Total	<u>\$ 737</u>	<u>\$ 695</u>

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Components of total income taxes are as follows:

Current income taxes	\$ 2,620	\$ 607
Future income taxes	<u>(1,883)</u>	<u>88</u>
Total	<u>\$ 737</u>	<u>\$ 695</u>

Central's effective tax rate differs from the amount that would be computed by applying the federal and provincial statutory rates of 32.5% (2007 – 34.1%) to income before taxes. The reasons for this are as follows:

	For the three months ended	
	<u>March 31, 2008</u>	<u>March 31, 2007</u>
	%	%
Combined federal and provincial statutory income tax rates	32.5	34.1
Reduction available to credit unions	(16.0)	(16.0)
Other	<u>0.5</u>	<u>(0.3)</u>
Total	<u>17.0</u>	<u>17.8</u>

Components of future income tax balances are as follows:

	(Thousands of dollars)		
	March 31 2008	March 31 2007	December 31 2007
Future income tax assets:			
Financial instruments	\$ 2,398	\$ 65	\$ 2,064
Employee future benefits	1,940	1,638	1,857
Other	<u>460</u>	<u>53</u>	<u>370</u>
	<u>4,798</u>	<u>1,756</u>	<u>4,291</u>
Future income tax liabilities:			
Financial instruments	648	295	374
Premises and equipment	440	439	521
Computer hardware and software	<u>150</u>	<u>205</u>	<u>80</u>
Total	<u>1,238</u>	<u>939</u>	<u>975</u>
	<u>\$ 3,560</u>	<u>\$ 817</u>	<u>\$ 3,316</u>

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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.

16. Guarantees

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

(Thousands of dollars)	Contractual amounts		
	March 31 2008	March 31 2007	December 31 2007
Financial instruments whose contract amounts could represent credit risk:			
- Standby letters of credit	\$ 156,754	\$ 198,497	\$ 693,769
- Commitments to extend credit	2,282,285	1,535,118	1,824,529

17. 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.

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(Millions of dollars)	<u>Floating⁽¹⁾</u>	<u>Within 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1 Year to 5 Years</u>	<u>Over 5 Years</u>	<u>Not Rate Sensitive</u>	<u>Total</u>
Assets							
Cash	\$ 151.6 2.50%	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ 151.6 2.50%
Securities	- -	1,818.4 3.70%	369.6 4.17%	1,104.9 4.46%	70.9 4.32%	48.0 -	3,398.8 3.96%
Amounts on deposit with regulated financial institutions	- -	85.8 3.56%	45.3 4.92%	37.2 5.04%	- -	5.1 -	173.4 4.28%
Loans	24.0 3.25%	1,278.3 4.09%	61.8 4.03%	16.9 3.75%	- -	2.2 -	1,383.2 4.06%
Other assets	- -	3.7 4.36%	15.1 4.25%	82.5 4.92%	- -	67.5 -	168.8 2.88%
Total	<u>\$ 175.6</u> 2.60%	<u>\$ 3,186.2</u> 3.86%	<u>\$ 468.8</u> 4.23%	<u>\$ 1,241.5</u> 4.50%	<u>\$ 70.9</u> 4.34%	<u>\$ 122.8</u> -	<u>\$ 5,275.8</u> 3.92%
Liabilities							
Notes	\$ - -	\$ 828.3 3.68%	\$ - -	\$ - -	\$ - -	\$ 2.8 -	\$ 831.1 3.67%
Deposits	185.0 1.35%	1,824.0 3.73%	909.2 4.15%	987.6 4.21%	1.3 3.32%	67.5 -	3,974.6 3.77%
Subordinated debt	- -	- -	- -	49.8 4.53%	- -	1.9 -	51.7 4.36%
Other liabilities	- -	3.7 3.50%	- -	- -	- -	126.3 -	130.0 0.01%
Members' equity	- -	- -	- -	- -	- -	288.4 -	288.4 -
Total	<u>\$ 185.0</u> 1.35%	<u>\$ 2,656.0</u> 3.71%	<u>\$ 909.2</u> 4.15%	<u>\$ 1,037.4</u> 4.23%	<u>\$ 1.3</u> 3.32%	<u>\$ (364.1)</u> -	<u>\$ 5,275.8</u> 3.46%
On Balance Sheet Gap	(9.4)	540.2	(440.4)	203.0	70.7	(364.1)	
Off Balance Sheet Gap	-	(579)	650.2	(62.6)	(8.6)	-	
Total Gap – March 31, 2008	<u>\$ (9.4)</u>	<u>\$ (38.8)</u>	<u>\$ 209.9</u>	<u>\$ 140.4</u>	<u>62.1</u>	<u>\$ (364.1)</u>	
Total Gap – March 31, 2007	<u>\$ (69.6)</u>	<u>\$ (129.7)</u>	<u>\$ 306.1</u>	<u>\$ 116.0</u>	<u>\$ 44.7</u>	<u>\$ (267.5)</u>	
Total Gap – December 31, 2007	<u>\$ (126.3)</u>	<u>\$ 132.4</u>	<u>\$ 312.3</u>	<u>\$ 17.6</u>	<u>\$ 42.7</u>	<u>\$ (378.7)</u>	

(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.

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

(Millions of dollars)	Fair Value		Book Value		Unrealized Gain (Loss)	
	<u>March 31</u> <u>2008</u>	<u>March 31</u> <u>2007</u>	<u>March 31</u> <u>2008</u>	<u>March 31</u> <u>2007</u>	<u>March 31</u> <u>2008</u>	<u>March 31</u> <u>2007</u>
Assets						
Cash	\$ 151.61	\$ 62.36	\$ 151.61	\$ 62.36	\$ -	\$ -
Securities	3,398.80	2573.39	3,398.80	2573.39	-	-
Amounts on deposit with regulated financial institutions	173.44	341.44	173.44	341.44	-	-
Loans	1383.41	2,028.03	1,383.21	2028.39	.20	(0.36)
Other assets	171.20	124.04	168.83	124.22	2.37	(0.18)
Liabilities						
Notes & Deposits	4,822.88	4,701.09	4,806.36	4,704.32	(16.52)	3.23
Subordinated note	48.60	50.09	51.69	50.22	3.09	0.13
Off-Balance Sheet Financial Instruments						
Derivatives	11.64	11.64	2.97	2.97	-	-
Total					<u>\$ (10.86)</u>	<u>\$ 2.82</u>

Central's net unrealized gain as at December 31, 2007 was \$2.37 million (December 31, 2006 – 1.27 million)

19. Nature and extent of risks arising from financial instruments

That nature of Central's holdings of financial instruments exposes Central to credit, liquidity and market 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. Central's policies and procedures for managing credit risk are presented in the Management's Discussion and Analysis (MD&A) on page 31 of our 2007 Annual Report.

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Summary information regarding Central's securities and loans is included in Notes 4 and 6 of the interim consolidated financial statements.

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. The contractual maturity of Central's non-trading notes and deposits is included in notes 9 and 10 of the interim consolidated financial statements. Central's role as liquidity provider for its member credit unions is described in the MD&A on page 31 of our 2007 Annual Report and Central's policies and procedures for managing liquidity risk are presented in the MD&A on pages 41 to 43 of our 2007 Annual Report. Financial guarantees, issued by Central on behalf of its members, are summarized in note 16 of the interim consolidated financial statements.

Market risk refers to the risk of loss resulting from changes in interest rates, foreign exchange rates and market prices. Central's policies and procedures for managing market risk are included in the MD&A on pages 30 to 32 of our 2007 Annual Report. Information regarding the weighted average yields and costs of Central's assets and liabilities and information on the fair value of financial assets and liabilities is contained in notes 17 and 18 of the interim consolidated financial statements.

Central's interest rate risk policy defines standards and sets acceptable risk 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 economic value of Members' Equity.

Before Tax Impact of:	(Thousands of Dollars)			
	Interest Margin		Fair value of net assets	
	Amount	Percentage of Base Forecast	Amount	Percentage of Base Forecast
200 bp increase in rates	1,224	3.6	(16,051)	(5.7)
200 bp decrease in rates	(2,614)	(7.8)	17,161	6.1

20. Capital management

Central's capital levels are regulated under federal guidelines issued by the Office of the Superintendent of Financial Institutions and provincial guidelines administered by the Financial Institutions Commission of British Columbia.

Central's regulatory capital requirements as well as its policies and procedures for managing capital are presented on pages 43 and 44 of our 2007 Annual Report. Central met its regulatory capital requirements as at March 31, 2008 as detailed in the Capital Resources section of Management's Discussion and Analysis of this First Quarter Report to Members.

21. Comparative amounts

Certain comparative amounts have been reclassified to conform to current period presentation.

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22. Proposed merger

In May 2007 Central formalized the merger of the financial services operations of Central with Credit Union Central of Ontario Limited (CUCO). This merger, as set out in the binding combination agreement, received the approval of CUCO's membership in June, 2007. Concurrently, Central's membership approved amendments to Centrals' constitution and rules to facilitate the implementation of the combination agreement. Subject to satisfaction of the other customary closing conditions and resolution of the ABCP issue which has delayed the originally scheduled closing of October 1, 2007, the parties expect to close no later than July 1, 2008.