



First Quarter Report 2010

REPORT TO MEMBERS

CENTRAL 1 REPORTS SOLID RESULTS FOR FIRST QUARTER OF 2010

First-quarter highlights compared to the same period last year:

- Central's Net income of \$11.9 million, compared to Net income of \$11.7 million.
- Central's return on average equity of 8.6%, compared to 10.7%.
- Central's assets of \$10.4 billion, up 18.2% from \$8.8 billion.
- B.C. system⁽¹⁾ net operating income⁽²⁾ of \$100.3 million, up 111.2% from \$47.5 million.
- B.C. system assets of \$47.2 billion, up 6.1% from \$44.5 billion.
- Ontario system⁽³⁾ net operating income⁽²⁾ of \$22.1 million, up 56.7% from \$14.1 million.
- Ontario system assets of \$21.7 billion, up 6.9% from \$20.3 billion.

Central recorded Net income of \$11.9 million in the first quarter of 2010 compared to Net income of \$11.7 million for the same period last year. Net financial income was \$18.3 million for the first quarter of 2010, down from \$18.8 million in the same period last year.

Interest margin at \$17.7 million, was up \$4.3 million over the \$13.4 million posted in 2009 and realized gains on disposal of financial instruments at \$7.0 million were up \$8.3 million over the loss of \$1.3 million in 2009. However, Central recorded a net unrealized mark-to-market loss on financial instruments of \$6.5 million in the first quarter of 2010, compared to a net unrealized gain of \$6.8 million in the first quarter 2009.

Central's Other income increased by \$0.7 million over the same period last year, against an increase in Operating expenses of \$0.5 million during the same period. Assets increased by 18.2%, reaching \$10.4 billion compared to \$8.8 billion as at March 31, 2009, reflecting growth in system liquidity, as well as, an increase in

borrowings under the Bank of Canada's Purchase and Resale Agreements (PRA) initiative of \$0.6 billion.

In March 2010, the federal government introduced the necessary legislative amendments to the *Bank Act* to enable credit unions to continue under that Act. In doing so, the government cited the need to encourage the continued growth and competitiveness of the financial sector and the enhancement of financial stability.

The economies of B.C. and Ontario are benefitting from the U.S. recovery and from low interest rates as well as some fiscal stimulus. Employment is rising and unemployment is no longer climbing, though wage gains remain low. Housing markets are operating at elevated sales levels and higher prices. The changes to federal mortgage insurance regulations effective mid-April advances some sales as will the Harmonized Sales Tax implementation in both provinces.

The B.C. system earned \$100.3 million before taxes, dividends and patronage refunds in the first quarter of 2010, up 111.2% from the \$47.5 million earned during the same period a year earlier. Financial margin was up \$69.5 million over the same period last year. System assets rose 6.1%, year-over-year, to reach \$47.2 billion at quarter-end.

Demand for loans accelerated, with total B.C. system net loans increasing by 3.7% year-over-year to reach \$39.5 billion. Commercial loans secured by real estate fell by 2.7% while personal loans secured by real estate grew by 6.4%. B.C. system loan delinquencies over 90 days rose to 0.77% of total loans compared to 0.53% a year ago.

The Ontario system earned \$22.1 million before taxes, dividends and patronage refunds in the first quarter, up from the \$14.1 million earned during the same period in 2009. Similar to credit unions in British Columbia, financial margins increased, but the system recorded negative variances in non-financial income and non-financial expense over the same period last year. System assets rose 6.9% year-over-year, to reach \$21.7 billion at quarter-end.

Demand for loans and deposit growth tracked closely to one another, as total Ontario system loans increased by 5.8% year-over-year to reach \$18.1 billion and deposits grew by 5.5% to \$19.3 billion. Commercial loans secured by real estate grew by 10.1% while personal loans fell by 4.8%, year-over-year, respectively. Ontario system loan delinquencies over 90 days rose to 0.86% of total loans compared to 0.74% a year ago.

- (1) These documents include statements about the credit union system in British Columbia, referred to as the B.C. system. B.C. 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 B.C. 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.
- (3) These documents include statements about Central's member credit unions in Ontario, collectively referred to as the Ontario system. Ontario system financial information has been provided by the Deposit Insurance Corporation of Ontario (DICO), which makes available reports on information provided by Ontario credit unions. Central has no means of verifying the accuracy of information provided by credit unions to DICO or DICO's subsequent compilation of that information. Reference to Ontario system information should be interpreted in this context.

Management's Discussion and Analysis as at March 31, 2010

This portion of the Report to Members updates Central's Management's Discussion and Analysis for the year ended December 31, 2009, and provides a discussion and analysis of Central's financial condition and results of operations for the three-month period ended March 31, 2010, 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 5* of the 2009 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 described in Central's Management's Discussion and Analysis for the year ended December 31, 2009. 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, 2009.

In addition, this discussion may include forward-looking statements, 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 recorded Net income in the first quarter of 2010 of \$11.9 million or 7.3 cents per share, compared to Net income of \$11.7 million or 7.2 cents per share last year.

Interest margin of \$17.7 million increased 32.1% from the \$13.4 million posted in the first quarter of 2009. Solid deposit growth in both B.C. and Ontario saw the assets of Central's member credit unions increase at a combined rate of 6.2% year-over-year to reach \$68.9 billion at quarter-end. Central's average assets also rose by 26.8%, compared to this time last year, to reach \$10.4 billion, reflecting both the asset growth of its member credit unions and an increase in borrowings under the PRA initiative. Central's Interest margin has also benefited from higher credit spreads on its investment portfolio and a lower cost of funds in the capital markets than it realized in the same period last year.

Gains on disposal of financial instruments totalled \$7.0 million, compared to a loss of \$1.3 million in the first quarter 2009. Gains during the period were realized on the sale of securities as Central did not enter into any securitization transactions during the first quarter. Losses recognized on securitization transactions in the same quarter 2009 were \$1.9 million. Gains and losses on disposal of financial instruments will fluctuate with changes in financial markets and interest rates.

In the first quarter 2010, Central recorded a net mark-to-market loss of \$6.5 million, compared to a net gain of \$6.8 million in the same period a year earlier. An increase in securities spreads at the end of the quarter resulted in mark-to-market losses on Central's trading assets of \$8.6 million and also triggered a net loss in Other comprehensive income of \$12.0 million.

Other income of \$21.5 million for the quarter was 3.4% higher than last year's \$20.8 million. Central acquired a 27% interest in the CUMIS Group Limited (CUMIS) on December 31, 2009, and effective from that date Central has recognized its proportionate share of the net income of CUMIS under the equity method of accounting, which amounted to \$0.8 million in the first three months of 2010. Other income realized in Central's other operating areas decreased by \$0.1 million over the prior year.

Central's financial condition remained sound in the first quarter and capital ratios remain well within statutory limits. Central's borrowing multiple at quarter-end of 16.9:1 was lower than the amount reported at December 31, 2009. At the quarter-end, Central's risk-weighted capital ratio was 36.0% compared to 34.5% at December 31, 2009.

While loans to credit unions did increase, they still remain at levels lower than experienced in recent years. Credit unions in B.C. saw continued strong deposit growth, due in part to the introduction of an unlimited guarantee of deposits accepted by B.C. credit unions by the B.C. government, in late 2008. Member credit unions also experienced increased loan demand in the period, albeit, at a slower rate than deposits. Central ordinarily accommodates loan demand from the system primarily by accessing funds in the capital markets through loan securitizations; however, in the current period Central was able to meet demand through its own cash and excess liquid securities.

B.C. System

B.C. system net operating income for the quarter was \$100.3 million, compared to \$47.5 million for the first quarter of 2009. Non-financial income decreased by 6.6% from the same period last year, and non-financial expense increased 4.4% and B.C. system financial margin increased by 31.0% year-over-year. As system assets tend to re-price more quickly than liabilities, margins have been buoyed by the increase in interest rates at the end of the quarter.

The B.C. system's regulatory risk-weighted capital was 14.4%. As expected given the economic climate, credit quality has deteriorated somewhat in the B.C. system's loan

portfolios over the past year as loan delinquencies over 90 days increased to 0.77% of system loans at period-end, up from 0.53% a year ago. System provisions for credit losses as a percentage of average loans have also increased during the past year.

Overall liquidity within the B.C. system, including that held by Central, continued to improve, reaching 12.9% of assets as of March 31, 2010, compared to 10.9% a year earlier. Deposits with credit unions grew year-over-year by 6.4%, due to the unlimited deposit guarantee mentioned previously. Deposit growth substantially exceeded loan growth of 3.5%. Holdings of liquid assets increased by 26.0% year-over-year, while borrowings from Central and other lenders decreased by 5.2%.

Ontario System

Ontario system net operating income for the quarter was \$22.1 million, compared to \$14.1 million for the first quarter of 2009. Non-financial income decreased by 16.4% from the same period last year, and non-financial expense increased by 2.2%. Ontario system financial margin increased by 7.2% year-over-year. As system assets tend to re-price more quickly than liabilities, margins have been buoyed by the increase in interest rates at the end of the quarter.

The Ontario system's regulatory risk-weighted capital was 12.8%. Credit quality has declined in the Ontario system's loan portfolios over the past year as loan delinquencies over 90 days increased to 0.86% of system loans at period-end, up from 0.74% a year earlier. System provisions for credit losses as a percentage of average loans have also increased during the past year, 0.7% versus 0.6%.

Overall liquidity within the Ontario system, including that held by Central, was 14.8% of assets as of March 31, 2010, compared to 13.7% a year ago. Deposits with Ontario system credit unions grew year-over-year by 5.5%, while loan growth was 5.7%. Holdings of liquid assets remained fairly stable year-over-year while borrowings from Central and other lenders increased by \$0.2 billion to \$0.4 billion.

<u>Central 1 Credit Union</u>	<u>For the Three Months Ended</u>		
	<u>March 31</u> <u>2010</u>	<u>March 31</u> <u>2009</u>	<u>Difference</u>
Earnings			
Net Financial Income (<i>\$ millions</i>)	18.3	18.8	(0.5)
Net Financial and Other Income (<i>\$ millions</i>)	39.8	39.5	0.3
Net Income (<i>\$ millions</i>)	11.9	11.7	0.2
Weighted Average Shares Outstanding (<i>\$ millions</i>)	162.6	162.6	-
Earnings per share (cents)			
Basic	7.3	7.2	0.1
Fully Diluted	7.3	7.2	0.1
Return on			
Average Assets	0.5%	0.6%	(0.1%)
Average Equity	8.6%	10.7%	(2.1%)
Balance Sheet Data (<i>\$ billions</i>)			
Total Assets	10.4	8.8	1.6
Average Assets	10.4	8.2	2.2
Long Term Financial Liabilities	3.1	1.5	1.6
Regulatory Capital Ratios			
Tier 1 Capital Ratio	23.7	17.5	6.2
Total Capital Ratio	36.0	19.6	16.4
Borrowing multiple (times)	16.9	18.0	(1.1)
Share Information			
Outstanding \$1 par value Shares (<i>\$ thousands</i>)			
Class A - Credit Unions	162,536	162,539	(3)
Class B - Cooperatives	5	5	-
Class C - Others	7	7	-
Outstanding \$0.01 par value Shares with redemption value of \$100 (<i>\$ thousands</i>)			
Class E - Credit Unions	32	31	1
Dividends per share (cents)			
Class "A", "B" and "C"	0.5	0.4	0.1
Class "E"	50.0	-	50.0

Total Revenues

Net Financial Income

Central's Net financial income of \$18.3 million during the first quarter, was down from \$18.8 million a year ago. Central's interest margin was \$17.7 million, 32.1% better than the \$13.4 million recorded the year before. As a percentage of average assets, interest margin rose to 69 basis points from 65 basis points earned the previous year. Higher interest spreads were a result of higher credit spreads on Central's investment portfolio and lower yields on interest bearing liabilities. Average assets during the period increased from \$8.2 billion in 2009 to \$10.4 billion during the first quarter of 2010, reflecting both growth in system deposits and borrowings under the PRA program.

During the quarter, Central recorded a net mark-to-market loss of \$6.5 million compared to a net gain of \$6.8 million during the same period last year. Central's investment portfolio mainly consists of debt issued by Canadian federal, provincial and municipal governments, senior deposit notes issued by major Canadian financial institutions and some highly rated debt issued by corporations. During the first quarter, market spreads on Central's securities increased compared to those at year-end, which resulted in mark-to-market losses on Central's trading assets of \$8.6 million. Central also recorded a net loss on its available-for sale securities of \$12.0 million which is included in other comprehensive income.

Other Income

Other income of \$21.5 million during the quarter included equity income of \$0.8 million related to Central's interest in CUMIS. Other income earned by Central's other operational areas totaled \$20.7 million, down slightly from \$20.8 million in the previous year.

Operating Expenses

Operating expenses increased to \$26.1 million for the quarter from \$25.5 million last year. Salary costs increased from \$12.1 million to \$13.1 million reflecting an increased staff complement over the same period last year as Central expands the suite of products and services that it offers to its customers.

Income Taxes

Central's Income tax expense for the quarter was \$1.9 million, compared to \$2.3 million in the same period last year. Central's effective tax rate for the quarter was 13.7% compared to 16.3% for the same quarter in 2009. Central's equity interest in CUMIS is subject to a lower effective tax rate than its other earnings, which contributed to the decrease in Central's overall effective tax rate compared to the same period last year.

Balance Sheet

Cash and Securities and Liquidity Management

At \$8.7 billion, cash and securities represent 83.7% of Central's assets compared to 81.8% last year. Both B.C. and Ontario systems have experienced strong deposit growth over the past year, which in turn has resulted in increased deposits with Central. Loans to member credit unions are up slightly over this time last year but still remain at relatively lower levels.

In order to provide greater flexibility in cash management, the investment activity in the liquidity pool over the past 12 months, continued to be conservative with investments

made primarily in government debt (federal and provincial) and in senior bank debt. Central has more than sufficient excess liquid securities, together with access to other credit facilities, to meet further loan advances to credit unions.

On April 19, 2010 Central issued \$225.0 million principal amount of 3.379% Series 7 Notes due 2013. A portion of the proceeds of the note has been used to repay other borrowings.

Loans and Off-Balance Sheet Arrangements

Loans, which are almost entirely secured loans to member credit unions, increased to \$1.2 billion from \$1.0 billion last year. This includes amounts advanced to credit unions through back-to-back transactions whereby Central borrowed amounts under the PRA, and lent the proceeds to credit unions. With the acceleration in residential real estate markets in 2009, which carried over to the 2010 first quarter, quarter-end net loan balances for the system reflected a 4.2% year-over-year increase to \$57.4 billion, compared to \$55.1 billion in 2009. Central's loans as a percentage of total average assets decreased to 13.8% from 18.9%. Through the end of the first quarter, credit unions met demand for loans from deposits rather than borrowings from Central. During the period, Central was able to fund member loan demand through its cash and excess liquid securities. Accordingly, Central did not have to access the Canada Mortgage Bond program and did not securitize any residential mortgages during the quarter.

As at March 31, assets securitized by credit unions directly or indirectly through Central were as follows:

<i>(\$ millions)</i>	March 31 2010	March 31 2009
Total Securitized	\$2,972	\$4,199

Summary of Quarterly Results

Central's financial results for each of the last eight most recently completed quarters are summarized in the accompanying table. 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 table separately from "Non-Interest 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. Operating expense for the fourth quarter tends to be higher than that of other quarters due, in part, to non-recurring items, but also due to the timing and recognition of certain expenses.

<i>(Millions of \$, except as indicated)</i>	2010/2009				2009/2008			
	Period Ended				Period Ended			
	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-08	30-Sep-08	31-Dec-08	31-Mar-09
Total Interest income	48,869	51,720	51,203	47,992	51,374	71,191	72,239	55,333
Total Interest expense	32,382	30,807	32,001	30,270	42,017	57,444	57,000	41,953
Interest margin	16,487	20,913	19,202	17,722	9,357	13,747	15,239	13,380
Gain on disposal of financial instruments	8,487	6,948	4,029	7,032	4,188	3,352	11,416	(1,343)
Changes in fair value of financial instruments	28,894	18,956	(2,168)	(6,468)	(1,376)	(15,896)	(3,176)	6,777
Recovery (provision) for credit losses	(117)	54	(1,308)	93	34	(316)	(823)	(89)
Other income	21,614	22,126	23,062	21,450	15,367	20,986	23,524	20,799
Operating expense	(26,895)	(27,479)	(29,719)	(26,083)	(16,174)	(23,483)	(28,353)	(25,547)
Unusual items	-	-	-	-	(2,150)	-	-	-
Income taxes	(7,009)	(5,986)	(1,894)	(1,885)	(1,465)	340	(2,751)	(2,273)
Net income	41,461	35,532	11,204	11,861	7,781	(1,270)	15,076	11,704
Weighted average shares outstanding	162.6	162.6	162.6	162.6	113.4	157.7	162.6	162.6
Earnings per share from continuing operations								
Basic (cents)	25.5	21.9	6.9	7.3	8.8	(0.8)	9.3	7.2
Diluted (cents)	25.5	21.9	6.9	7.3	8.8	(0.8)	9.3	7.2
Earnings per share								
Basic (cents)	25.5	21.9	6.9	7.3	6.9	(0.8)	9.3	7.2
Diluted (cents)	25.5	21.9	6.9	7.3	6.9	(0.8)	9.3	7.2

* 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 remained strong. As of March 31, 2010, Central's Tier 1 Capital was \$522.4 million and total capital, which includes Central's subordinated debt, before deductions was \$722.4 million, compared to \$445.9 million and \$495.9 million, respectively, a year earlier. The increase in the total capital before deductions over the past year reflects growth in retained earnings of \$76.5 million and the issue of \$150.0 principal amount of Series 2 Subordinated Notes on October 9, 2009.

Central's regulatory capital levels are determined according to both federal guidelines and provincial regulations. Central's federal capital adequacy borrowing multiple met regulatory requirements, as well as, internal operating targets at March 31, 2010. Central's provincial risk-weighted total capital ratio, at 36.0%, remains well in excess of both Central's target and provincial requirements, reflecting the high quality of Central's balance sheet and, hence, low risk weighting of securities in Central's liquidity portfolio.

	March 31 2010	March 31 2009	Target	Regulatory Requirement
Borrowing Multiple	16.9:1	18.0:1	16:1 – 18:1	20:1
Risk-weighted Ratios	36.0%	19.6%	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.

Future Adoption of International Financial Reporting Standards

In February 2008, the Canadian Institute of Chartered Accountants (CICA) announced that GAAP for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. The conversion from GAAP to IFRS will be applicable to Central's reporting for the first quarter of 2011, for which the current and comparative information will be prepared under IFRS.

Central has established an IFRS Team whose focus is on the key aspects of implementing IFRS including financial reporting, systems and processes, communications, and training. The IFRS Team, which is responsible to Central's Audit Committee, is responsible for determining the scope of the IFRS transition initiative, planning Central's transition to IFRS and evaluating Central's progress in meeting its objectives. Additional information related to Central's IFRS conversion plan is available in Central's 2009 Management's Discussion and Analysis.

The adoption of new accounting standards results in an increased risk of organizations distributing financial statements which contain misstatements. The evolving nature of IFRS, coupled with evolving interpretations of how to apply those standards, exacerbates that risk.

Central will continue to monitor changes in IFRS and will reassess the expected impact of adopting IFRS and adjust its implementation plans, accordingly.

Critical Accounting Estimates

The critical accounting estimates remain unchanged from those disclosed in Central's 2009 Annual Report.

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

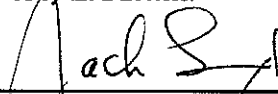
Central evaluated the design of its internal controls and procedures over financial reporting as defined under National Instrument 52-109 for the year ended December 31, 2009, and for the quarter ended March 31, 2010, for operations in B.C. For operations in Ontario the evaluation covered the six month period ending December 31, 2009 and the quarter ended March 31, 2010.

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


Central 1 Credit Union
Interim Consolidated Balance Sheets
Unaudited

		(Thousands of dollars)			
		Notes	March 31		December 31
		<u> </u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
Assets					
Cash			\$ 106,504	\$ 45,087	\$ 202,591
Securities	4		8,582,349	7,140,492	8,254,183
Amounts on deposit with regulated financial institutions	4 & 5		142,772	106,812	54,753
Loans	6		1,214,335	963,940	2,165,958
Capital assets			18,444	17,111	17,871
Other	7		355,476	477,551	360,320
			<u>\$ 10,419,880</u>	<u>\$ 8,750,993</u>	<u>\$ 11,055,676</u>
Liabilities					
Notes	9		\$ 459,079	\$ 666,787	\$ 465,289
Deposits	10		7,995,542	6,798,735	8,879,977
Obligations related to assets sold under repurchase agreements			1,018,362	368,856	748,654
Other	11		195,045	396,648	209,826
			<u>9,668,028</u>	<u>8,231,026</u>	<u>10,303,746</u>
Subordinated Debt	12		<u>202,634</u>	<u>51,186</u>	<u>200,577</u>
Members' Equity					
Share Capital	13		162,580	162,582	162,580
Contributed Surplus			87,901	87,901	87,901
Retained Earnings			271,893	195,429	262,056
Accumulated Other Comprehensive Income (Loss)			26,844	22,869	38,816
			<u>549,218</u>	<u>468,781</u>	<u>551,353</u>
			<u>\$ 10,419,880</u>	<u>\$ 8,750,993</u>	<u>\$ 11,055,676</u>
Guarantees and contingencies	17				

Approved by the Directors:



 Jack Smit, Chairperson



 Fred Wagner, Chairperson - Audit Committee

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Interim Consolidated Statements of Income
Unaudited

	Notes	(Thousands of dollars)	
		For the three months ended	
		March 31	March 31
		2010	2009
		<u> </u>	<u> </u>
Interest Income			
Securities		\$ 43,006	\$ 44,992
Amounts on deposit with regulated financial institutions		229	996
Loans		4,757	9,345
		<u>47,992</u>	<u>55,333</u>
Interest Expense			
Notes		1,447	3,229
Deposits		26,766	38,216
Subordinated debt		2,057	508
		<u>30,270</u>	<u>41,953</u>
Interest Margin		17,722	13,380
Gain on disposal of financial instruments	8	7,032	(1,343)
Changes in fair value of financial instruments	14	<u>(6,468)</u>	<u>6,777</u>
Net financial income		18,286	18,814
Provision for credit losses	6	<u>(93)</u>	<u>89</u>
		18,379	18,725
Other income	15	<u>21,450</u>	<u>20,799</u>
Net financial and other income		<u>39,829</u>	<u>39,524</u>
Operating Expenses			
Salaries and employee benefits		13,144	12,054
Premises and equipment		1,657	1,741
Other administrative expenses		11,282	11,752
		<u>26,083</u>	<u>25,547</u>
Income before income taxes		13,746	13,977
Income taxes	16	1,885	2,273
		<u> </u>	<u> </u>
Net Income		<u>\$ 11,861</u>	<u>\$ 11,704</u>

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Interim Consolidated Statements of Comprehensive Income
Unaudited

	(Thousands of dollars)	
	For the three months ended	
	March 31 2010	March 31 2009
	<u> </u>	<u> </u>
Net Income	\$ 11,861	\$ 11,704
Other comprehensive income (net of tax)		
Net unrealized gains (losses) on available-for-sale assets ¹	(6,659)	22,253
Reclassification of losses (gains) on available-for-sale assets to net income ²	(5,313)	4,685
	<u>(11,972)</u>	<u>26,938</u>
Net losses on derivative instruments designated as cash flow hedges ³	-	(125)
	<u>-</u>	<u>(125)</u>
Other comprehensive income (loss)	<u>(11,972)</u>	<u>26,813</u>
Comprehensive income (loss)	<u>\$ (111)</u>	<u>\$ 38,517</u>
Income taxes (recoveries) deducted from the above items		
¹ Net unrealized gains (losses) on available-for-sale assets	<u>\$ (1,111)</u>	<u>\$ 3,831</u>
² Reclassification of losses (gains) on available-for-sale assets to net income	<u>\$ (886)</u>	<u>\$ 794</u>
³ Net losses on derivative instruments designated as cash flow hedges	<u>\$ -</u>	<u>\$ (21)</u>

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Interim Consolidated Statements of Changes in Members' Equity
Unaudited

	Notes	(Thousands of dollars)	
		For the three months ended	
		March 31	March 31
		2010	2009
Share Capital			
Balance at beginning of period		\$ 162,580	\$ 162,580
Net shares (redeemed) issued during the period	13	-	2
Balance at end of period		<u>\$ 162,580</u>	<u>\$ 162,582</u>
Contributed Surplus			
Balance at beginning and end of period		<u>\$ 87,901</u>	<u>\$ 87,901</u>
Retained Earnings			
Balance at beginning of period		\$ 262,056	\$ 188,060
Impact of change in accounting policies		-	(3,814)
Net Income		11,861	11,704
Dividends		(2,361)	(614)
Related tax savings	16	337	93
Balance at end of period		<u>\$ 271,893</u>	<u>\$ 195,429</u>
Accumulated Other Comprehensive Income (Loss) (net of tax)			
Balance at beginning of period		\$ 38,816	\$ (3,944)
Other comprehensive income (loss)		(11,972)	26,813
Balance at end of period		<u>\$ 26,844</u>	<u>\$ 22,869</u>
Members' Equity at end of period		<u>\$ 549,218</u>	<u>\$ 468,781</u>

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Interim Consolidated Statements of Cash Flows
Unaudited

(Thousands of dollars)

	Notes	For the three months ended	
		March 31	March 31
		2010	2009
Cash flows from operating activities			
Net Income		\$ 11,861	\$ 11,704
Adjustments for:			
Depreciation		367	440
Realized gains and holding gains		(564)	(5,374)
Net change in accrued interest		(3,204)	(21,684)
Provision for credit losses	6	(93)	89
Other items, net		19,084	(33,337)
		<u>27,451</u>	<u>(48,162)</u>
Cash flows from financing activities			
Dividends - net of income taxes		(18,332)	(7,097)
Net change - settlements-in-transit		(2,785)	(15,762)
Net change - notes		(6,003)	141,788
Net change - deposits		(883,084)	(122,781)
Net change - securities sold under repurchase agreements		271,507	175,637
		<u>(638,697)</u>	<u>171,785</u>
Cash flows from investing activities			
Net change - securities		(345,498)	(1,774,602)
Net change - amounts on deposit with regulated financial institutions		(88,065)	18,597
Net change - loans		952,470	1,460,585
Net changes - loans available for sale		(2,808)	(9,071)
Capital asset acquisitions		(940)	(2,423)
		<u>515,159</u>	<u>(306,914)</u>
Increase (decrease) in cash resources		(96,087)	(183,291)
Cash resources - beginning of period		202,591	228,378
Cash resources - end of period		<u>\$ 106,504</u>	<u>\$ 45,087</u>
Supplemental Information			
Interest received		<u>\$ 41,332</u>	<u>\$ 48,608</u>
Interest paid		<u>\$ 23,811</u>	<u>\$ 57,574</u>

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

Central 1 Credit Union (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 credit unions in British Columbia and its member credit unions in Ontario. The performances of the British Columbia and Ontario credit union systems play an integral part in determining the results of 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, 2009.

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., Central Risk and Insurance Management Services Ltd., Inovera Solutions Inc., and Landmark Credit Limited, all of which are wholly owned.

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, 2009. 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, 2009 and the accompanying notes.

2. Changes in Accounting Policies

The CICA has announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS), effective for Central's 2011 fiscal year. The areas which are expected to have the most significant impact include balance sheet de-recognition of securitizations, financial instruments, consolidation and business combinations. Management is currently in the process of identifying the specific quantitative impact of changes to Central's financial statements as a result of implementing IFRS.

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 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.

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

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 classified as held to maturity are as follows:

	(Thousands of dollars)		
	March 31 2010	March 31 2009	December 31 2009
Amortized cost	<u>\$ 36,180</u>	<u>\$ 162,276</u>	<u>\$ 37,287</u>
Fair value	<u>\$ 36,020</u>	<u>\$ 158,335</u>	<u>\$ 36,873</u>

Securities designated as trading are as follows:

	(Thousands of dollars)		
	March 31 2010	March 31 2009	December 31 2009
Amortized cost	<u>\$ 4,441,567</u>	<u>\$ 1,550,145</u>	<u>\$ 4,368,639</u>
Fair value	<u>\$ 4,508,142</u>	<u>\$ 1,595,705</u>	<u>\$ 4,443,858</u>

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

	(Thousands of dollars)		
	March 31 2010	March 31 2009	December 31 2009
Amortized cost	<u>\$ 4,006,920</u>	<u>\$ 5,367,083</u>	<u>\$ 3,728,001</u>
Fair value	<u>\$ 4,038,027</u>	<u>\$ 5,382,511</u>	<u>\$ 3,773,038</u>

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

Total securities recorded in the Interim Consolidated Balance Sheets are as follows:

(Thousands of dollars)		
March 31	March 31	December 31
2010	2009	2009
<u>\$ 8,582,349</u>	<u>\$ 7,140,492</u>	<u>\$ 8,254,183</u>

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

(Millions of dollars)			
	March 31	March 31	December 31
	2010	2009	2009
Government & guarantees	\$ 5,152.6	\$ 2,509.6	\$ 5,143.0
Corporate & major financial Institutions R-1(Mid) or greater	3,235.1	4,316.0	2,956.6
Other	<u>194.7</u>	<u>314.9</u>	<u>154.6</u>
	<u>\$ 8,582.4</u>	<u>\$ 7,140.5</u>	<u>\$ 8,254.2</u>

At the period-end, securities having a par value of **\$305.8** million (March 31, 2009 - \$329.4 million; December 31, 2009 - \$290.3 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. In addition, Central had pledged securities with a par value of \$885.6 million to the Bank of Canada under the Term Purchase and Resale Agreement Facility.

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 (March 31, 2009 - \$9.0 million; December 31, 2009 - \$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.

At period-end, Central's trading securities included Master Asset Vehicle (MAV) notes with par value of \$28.2 million. On January 19, 2009, Central received MAV II and III notes with a par value of \$32.7 million in exchange for its third party asset backed commercial paper (ABCP). Subsequent to the exchange, Central has received payments representing \$4.5 million of the par value of its MAV II and III notes.

At period-end, Central estimated the fair value of its holdings of MAV II and III notes by discounting the expected future cash flows on these notes. In forecasting the expected future cash flows Central has made assumptions as to the timing and amount of cash flows expected to be received on as well as market yield expectations on those instruments. As at March 31, 2010, the estimated fair value of these notes was \$18.2 million.

Securities classified as Available for Sale include membership shares in U.S. Central Federal Credit Union (U.S. Central) with a cost of \$9.6 million. On March 23, 2009, the National Credit Union Administration (NCUA) (United States) placed U.S. Central under conservatorship and appointed a new Chief Executive Officer to oversee U.S. Central's operations.

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

On January 28, 2009, the NCUA's Board approved the formation of a Temporary Corporate Credit Union Share Guarantee Program (TCCUGSP). Under this program the NCUA's Share Insurance Fund (NCUSIF) provides a temporary guarantee of all shares (excluding paid-in capital and membership share accounts) at all corporate credit unions, including U.S. Central. This guarantee expires on September 30, 2011.

Central's investment in membership shares of U.S. Central do not come under the protection of the TCCUGSP. In 2009, Central recorded a charge to Net Income of \$9.6 million to adjust its carrying value of these instruments to their estimated fair value. At period end, Central also had deposit shares with U.S. Central with par value of \$9.3 million which are included in Amounts on deposit with regulated financial institutions. These deposit shares are covered by the provisions of TCCUGSP; accordingly, no provision has been recorded against those assets.

5. Amounts on deposit with regulated financial institutions

Amounts on deposit with regulated financial institutions classified as loans and receivables is as follows:

	(Thousands of dollars)		
	March 31 2010	March 31 2009	December 31 2009
Amortized cost	<u>\$ 17,088</u>	<u>\$ 68,976</u>	<u>\$ 27,032</u>
Fair value	<u>\$ 17,578</u>	<u>\$ 66,416</u>	<u>\$ 27,614</u>

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

	(Thousands of dollars)		
	March 31 2010	March 31 2009	December 31 2009
Amortized cost	<u>\$ 125,526</u>	<u>\$ 34,973</u>	<u>\$ 27,524</u>
Fair value	<u>\$ 125,684</u>	<u>\$ 37,836</u>	<u>\$ 27,721</u>

Total amounts on deposit with regulated financial institutions recorded in the Interim Consolidated Balance Sheets are as follows:

	(Thousands of dollars)		
	March 31 2010	March 31 2009	December 31 2009
	<u>\$ 142,772</u>	<u>\$ 106,812</u>	<u>\$ 54,753</u>

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

6. Loans

(Thousands of dollars)

	March 31 2010	March 31 2009	December 31 2009
Due on demand - Credit unions	\$ 34,374	\$ 25,339	\$ 36,660
- Co-operatives and others	<u>12,433</u>	<u>562</u>	<u>2,692</u>
	<u>46,807</u>	<u>25,901</u>	<u>39,352</u>
Term - Credit unions	1,018,863	773,051	1,965,818
- Co-operatives and other	133,925	148,242	146,318
- Officers and employees	<u>16,797</u>	<u>20,666</u>	<u>17,374</u>
	<u>1,169,585</u>	<u>941,959</u>	<u>2,129,510</u>
	1,216,392	967,860	2,168,862
Accrued interest	<u>4,342</u>	<u>1,201</u>	<u>3,588</u>
	1,220,734	969,061	2,172,450
Allowance for losses	<u>6,399</u>	<u>5,121</u>	<u>6,492</u>
	<u>\$ 1,214,335</u>	<u>\$ 963,940</u>	<u>\$ 2,165,958</u>

Officer and employee loans bear interest at rates varying from 1.53% to 4.80%.

Impaired loans are as follows:

	Gross Impaired	Specific Provision	General Provision	March 31 2010	March 31 2009	December 31 2009
Credit unions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial & other	<u>9,558</u>	<u>(5,573)</u>	<u>(826)</u>	<u>3,159</u>	<u>1,961</u>	<u>3,073</u>
Total	<u>\$ 9,558</u>	<u>\$ (5,573)</u>	<u>\$ (826)</u>	<u>\$ 3,159</u>	<u>\$ 1,961</u>	<u>\$ 3,073</u>

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

	Specific Provision	General Provision	Three moths ended March 31, 2010	Three moths ended March 31, 2009	Year ended December 31 2009
Balance at beginning of period	\$ 5,573	\$ 919	\$ 6,492	\$ 5,032	\$ 5,032
Provision for credit losses	<u>-</u>	<u>(93)</u>	<u>(93)</u>	<u>89</u>	<u>1,460</u>
Total	<u>\$ 5,573</u>	<u>\$ 826</u>	<u>\$ 6,399</u>	<u>\$ 5,121</u>	<u>\$ 6,492</u>

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

7. Other assets

(Thousands of dollars)

	March 31 2010	March 31 2009	December 31 2009
Market revaluation of trading derivatives	\$ 119,321	\$ 325,186	\$ 128,435
Assets available for sale designated as trading	8,715	16,421	9,470
Assets available for sale at amortized cost	65,648	90,852	62,517
Accounts receivable	4,786	12,012	5,968
Prepaid expenses	3,466	4,324	2,788
Future income taxes (Note 16)	4,872	7,390	5,815
Investment in affiliates	130,617	8,479	130,018
Trade amounts and other	<u>18,101</u>	<u>12,887</u>	<u>15,309</u>
	<u>\$ 355,476</u>	<u>\$ 477,551</u>	<u>\$ 360,320</u>

At period-end, the amortized cost of the assets available for sale designated as trading was **\$8,536** thousand (March 31, 2009 - \$15,703 thousand; December 31, 2009 - \$9,148 thousand)

8. Loan Securitizations

Central did not securitize any mortgages with Canada Housing Trust (the Trust) during the three months ended March 31, 2010. During the three months ended March 31, 2009, Central securitized mortgages with the Trust with a book value of \$218.2 million (year ended December 31, 2009 - \$545.3 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 Trust, totalled \$216.3 million for the three months ended March 31, 2009 (year ended December 31, 2009 - \$545.3 million) which resulted in a loss on these transactions of \$1.9 million during the three months ended March 31, 2009 (year ended December 31, 2009 – gain \$0.1 million) which was recorded in Gain on disposal of financial instruments.

The total principal amount of loans securitized by Central outstanding at March 31, 2010 was **\$1,680.9** million (March 31, 2009 - \$2,652.0 million; December 31, 2009 - \$1,839.2 million).

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

9. Notes

	(Thousands of dollars)		
	March 31	March 31	December 31
	2010	2009	2009
Operating lines			
- with Credit Union Central of Canada	<u>\$ -</u>	<u>\$ 51,584</u>	<u>\$ -</u>
Notes			
- due within three months	358,942	339,452	364,953
- due after three months and within one year	100,000	175,000	99,992
- due after one year and less than five years	<u>-</u>	<u>99,989</u>	<u>-</u>
	<u>458,942</u>	<u>614,441</u>	<u>464,945</u>
	458,942	666,025	464,945
Accrued interest	<u>137</u>	<u>762</u>	<u>344</u>
	<u>\$ 459,079</u>	<u>\$ 666,787</u>	<u>\$ 465,289</u>

Notes are recognized in the Interim Consolidated Financial Statements at amortized cost.

Central has established **\$290.9** million of unsecured credit facilities with various financial institutions. These unsecured credit facilities rank equally with the outstanding notes and deposits. At March 31, 2010, no amounts were drawn against these facilities (March 31, 2009 - \$51.6 million; December 31, 2009 - \$0.0 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 mid term note facility. At March 31, 2010, **\$358.9** million was borrowed under the short term commercial paper facility (March 31, 2009 - \$339.4 million; December 31, 2009 - \$190.0 million) and **\$100.0** million was borrowed under the mid term note facility (March 31, 2009 - \$275.0 million; December 31, 2009 - \$275.0 million).

10. Deposits

Deposits designated as trading are as follows:

	(Thousands of dollars)		
	March 31	March 31	December 31
	2010	2009	2009
Amortized cost	<u>\$ 2,114,217</u>	<u>\$ 1,006,099</u>	<u>\$ 1,789,465</u>
Fair value	<u>\$ 2,126,097</u>	<u>\$ 1,032,899</u>	<u>\$ 1,808,022</u>

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

Deposits classified as other liabilities are as follows:

	(Thousands of dollars)		
	March 31 2010	March 31 2009	December 31 2009
Due on demand	\$ 877,138	\$ 382,229	\$ 940,595
Due within three months	1,535,457	2,375,584	2,756,384
Due after three months and within one year	1,512,547	1,770,297	1,392,533
Due after one year and less than five years	1,903,592	1,185,451	1,942,878
Due after five years and less than six years	<u>2,713</u>	<u>250</u>	<u>250</u>
	5,831,447	5,713,811	7,032,640
Accrued interest	<u>37,998</u>	<u>52,025</u>	<u>39,315</u>
	<u>\$ 5,869,445</u>	<u>\$ 5,765,836</u>	<u>\$ 7,071,955</u>

Total deposits recorded in the Interim Consolidated Balance Sheets are as follows:

	(Thousands of dollars)		
	March 31 2010	March 31 2009	December 31 2009
	<u>\$ 7,995,542</u>	<u>\$ 6,798,735</u>	<u>\$ 8,879,977</u>

11. Other liabilities

	(Thousands of dollars)		
	March 31 2010	March 31 2009	December 31 2009
Market revaluation of trading derivatives	\$ 69,383	\$ 298,581	\$ 65,936
Settlements-in-transit	79,778	54,835	82,563
Dividends payable	2,361	614	18,669
Future income taxes (Note 16)	3,014	2,827	2,818
Accrued vacation and sick benefits	1,491	1,328	1,446
Employee future benefits	19,162	18,107	18,588
Trade amounts and other	<u>19,856</u>	<u>20,356</u>	<u>19,806</u>
	<u>\$ 195,045</u>	<u>\$ 396,648</u>	<u>\$ 209,826</u>

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

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 4.52% until December 21, 2011, and thereafter at a floating rate based on 90-day Banker's Acceptance plus 1.00%. Central has the option to redeem the note on December 21, 2011, subject to regulatory approval.

On October 9, 2009, Central issued \$150 million principal amount of 4.00% Series 2 Subordinated Notes due October 9, 2019. The notes bear interest at a fixed rate of 4.00% until, but excluding, October 9, 2014, and thereafter at a floating rate based on 90-day Bankers' Acceptance plus 2.40%. Central has the option to redeem the note on October 9, 2014, subject to regulatory approval.

The notes are recognized in the Interim Consolidated Financial Statements at amortized cost, with basis adjustment for hedge accounting.

13. Shares

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 \$.01 per share and a redemption value of \$100 per share.

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 credit unions. Each class B and C shareholder has one vote on certain issues.

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

The numbers of shares issued are as follows:

	(Thousands of shares)		
	March 31	March 31	December 31
	2010	2009	2009
Class A – credit unions			
Balance at beginning of period	162,536	162,539	162,539
Net redemptions during the period	<u>-</u>	<u>-</u>	<u>(3)</u>
Balance at end of period	<u>162,536</u>	<u>162,539</u>	<u>162,536</u>
Class B – co-operatives			
Balance at beginning and end of period	<u>5</u>	<u>5</u>	<u>5</u>
Class C – other			
Balance at end of period	<u>7</u>	<u>7</u>	<u>7</u>
Class E – credit unions			
Balance at beginning of period	3,163	2,866	2,866
Issued during the period	<u>-</u>	<u>247</u>	<u>297</u>
Balance at end of period	<u>3,163</u>	<u>3,113</u>	<u>3,163</u>

The amounts outstanding are as follows:

	(Thousands of dollars)		
	March 31	March 31	December 31
	2010	2009	2009
Outstanding \$1 par value shares			
Class A – credit unions	\$ 162,536	\$ 162,539	\$ 162,536
Class B – co-operatives	5	5	5
Class C – other	7	7	7
Outstanding \$.01 par value shares			
Class E – other	<u>32</u>	<u>31</u>	<u>32</u>
	<u>\$ 162,580</u>	<u>\$ 162,582</u>	<u>\$ 162,580</u>

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

14. Change in fair value of financial instruments

	(Thousands of dollars)	
	For the three months ended	
	March 31, 2010	March 31, 2009
Trading assets	\$ (8,644)	\$ 22,454
Trading deposits	6,677	2,441
Provision against U.S. Central as described in Note 4	-	(2,379)
Ineffective portion of cash flow hedges	-	61
Trading derivatives	<u>(4,501)</u>	<u>(15,800)</u>
	<u>\$ (6,468)</u>	<u>\$ 6,777</u>

15. Other Income

	(Thousands of dollars)	
	For the three months ended	
	March 31, 2010	March 31, 2009
Membership Dues	\$ 1,752	\$ 2,164
Provincial Advertising Assessment	636	636
Technology & Payment Services		
- Processing	8,975	9,405
- Technical Operations	570	506
- Internet banking	4,037	3,613
Financial Services		
- Treasury Services	590	559
- Funding Services	797	940
- Property rents	206	172
- Other	803	579
Trade Services		
- Risk Management	995	634
- Manuals	321	360
- Registered Plans	621	452
- Other	<u>1,147</u>	<u>779</u>
	<u>\$ 21,450</u>	<u>\$ 20,799</u>

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

16. Provision for income taxes

Income taxes reported in the financial statements are as follows:

	(Thousands of dollars)	
	For the three months ended	
	March 31, 2010	March 31, 2009
Provision for income taxes in Statements of Income	\$ 1,885	\$ 2,273
Income tax benefit related to dividends accrued	<u>(337)</u>	<u>(93)</u>
Total	<u>\$ 1,548</u>	<u>\$ 2,180</u>

Components of total income taxes are as follows:

Current income taxes	\$ 409	\$ 1,689
Future income taxes	<u>1,139</u>	<u>491</u>
Total	<u>\$ 1,548</u>	<u>\$ 2,180</u>

Central's effective tax rate differs from the amount that would be computed by applying the federal and provincial statutory rates of **30.5%** (2009 – 30.5%) to income before taxes. The reasons for this are as follows:

	For the three months ended	
	March 31, 2010	March 31, 2009
	%	%
Combined federal and provincial statutory income tax rates	30.5	30.5
Reduction available to credit unions	(15.0)	(17.0)
Other	<u>(1.8)</u>	<u>2.8</u>
Total	<u>13.7</u>	<u>16.3</u>

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

Components of future income tax balances are as follows:

	(Thousands of dollars)		
	March 31 2010	March 31 2009	December 31 2009
Future income tax assets:			
Financial instruments	\$ 1,832	\$ 4,225	\$ 2,853
Employee future benefits	2,741	2,626	2,658
Other	<u>299</u>	<u>539</u>	<u>304</u>
	<u>4,872</u>	<u>7,390</u>	<u>5,815</u>
Future income tax liabilities:			
Financial instruments	1,789	1,920	1,799
Pension asset	583	370	641
Other	<u>642</u>	<u>537</u>	<u>378</u>
Total	<u>3,014</u>	<u>2,827</u>	<u>2,818</u>
	<u>\$ 1,858</u>	<u>\$ 4,563</u>	<u>\$ 2,997</u>

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.

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

17. 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 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.

(Contractual amounts in thousand of dollars)

	March 31 2010	March 31 2009	December 31 2009
Financial instruments whose contract amounts could represent credit risk:			
Standby letters of credit	\$ 114,468	\$ 148,085	\$ 148,507
Commitments to extend credit	\$ 2,972,147	\$ 3,490,044	\$ 2,059,036

Central is involved in a legal action in the ordinary course of business. The likelihood of a loss and amount of loss, if any, resulting from this proceeding is not readily determinable.

18. Financial instruments - Interest rate risk

The following table summarizes carrying amounts and effective yields, by the earlier of the contractual repricing or maturity dates, for the following financial instruments.

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

(Millions of dollars)	<u>Floating</u> ⁽¹⁾	<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	\$ 106.5 0.21%	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ 106.5 0.21%
Securities	-	749.9 0.78%	497.5 3.59%	5,991.6 2.98%	1,154.5 4.23%	188.9 -	8,582.4 2.92%
Amounts on deposit with regulated financial institutions	-	98.0 1.54%	9.1 5.02%	35.5 5.16%	-	0.2 -	142.8 2.61%
Loans	46.8 1.93%	538.9 2.37%	554.9 3.28%	53.7 4.19%	9.2 5.01%	10.7 -	1,214.2 2.85%
Other assets	-	4.9 3.78%	16.6 3.63%	73.6 3.61%	-	278.9 -	374.0 0.92%
Total	<u>\$ 153.3</u> 0.59%	<u>\$ 1,391.7</u> 1.38%	<u>\$ 1,078.1</u> 3.44%	<u>\$ 6,154.4</u> 3.01%	<u>\$ 1,163.7</u> 4.24%	<u>\$ 478.7</u> -	<u>\$ 10,419.9</u> 2.80%
Liabilities							
Notes	\$ - -	\$ 459.0 0.39%	\$ - -	\$ - -	\$ - -	\$ 0.1 -	\$ 459.1 0.69%
Deposits	877.0 0.77%	1,648.6 0.64%	2,374.0 1.23%	3,023.8 2.51%	2.7 3.11%	69.5 -	7,995.6 153%
Obligations related to securities sold under repurchase agreements	-	1,015.7 0.42%	-	-	-	2.7 -	1,018.4 0.42%
Subordinated Debt	-	-	-	200.0 4.13%	-	2.6 -	202.6 4.08%
Other liabilities	-	-	-	-	-	195.0 -	195.0 -
Members' Equity	-	-	-	-	-	549.2 -	549.2 -
Total	<u>\$ 877.0</u> 0.77%	<u>\$ 3,123.3</u> 0.53%	<u>\$ 2,374.0</u> 1.23%	<u>\$ 3,223.8</u> 2.61%	<u>\$ 2.7</u> 3.11%	<u>\$ 819.1</u> -	<u>\$ 10,419.9</u> 1.31%
On Balance Sheet Gap	(723.7)	(1,731.6)	(1,295.9)	2,930.6	1,161.0	(340.4)	
Off Balance Sheet Gap	-	1,004.9	1,370.5	(1,128.0)	(1,249.2)	-	
Total Gap – March 31, 2010	<u>\$ (723.7)</u>	<u>\$ (726.7)</u>	<u>\$ 74.6</u>	<u>\$ 1,802.6</u>	<u>\$ (88.2)</u>	<u>\$ (340.4)</u>	
Total Gap – March 31, 2009	<u>\$ (363.2)</u>	<u>\$ (302.8)</u>	<u>\$ (740.0)</u>	<u>\$ 1,661.9</u>	<u>\$ 98.8</u>	<u>\$ (354.7)</u>	
Total Gap – December 31, 2009	<u>\$ (698.7)</u>	<u>\$ (86.7)</u>	<u>\$ (131.5)</u>	<u>\$ 1,330.9</u>	<u>\$ (102.5)</u>	<u>\$ (311.5)</u>	

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

(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.

19. 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)	
	March 31 2010	March 31 2009	March 31 2010	March 31 2009	March 31 2010	March 31 2009
Assets						
Cash	\$ 106.51	\$ 45.09	\$ 106.51	\$ 45.09	\$ -	\$ -
Securities	8,582.19	7,136.55	8,582.35	7,140.49	(0.16)	(3.94)
Amounts on deposit with regulated financial institutions	143.26	104.25	142.77	106.81	0.49	(2.56)
Loans	1,220.07	963.50	1,214.34	964.54	5.73	(1.04)
Other assets	375.12	490.50	373.91	486.18	1.21	4.32
Liabilities						
Notes & Deposits	8,479.57	6,921.63	8,454.62	6,852.18	(24.95)	(69.45)
Subordinated Debt	204.55	49.53	202.63	51.19	(1.92)	1.66
Obligations related to assets sold under repurchase agreements	1,018.32	368.86	1,018.36	368.86	0.04	-
Off-Balance Sheet Financial Instruments						
Derivatives	50.82	28.77	50.82	28.77	<u>-</u>	<u>-</u>
Total					<u>\$ (19.56)</u>	<u>\$ (71.01)</u>

Central's net unrealized loss as at December 31, 2009 was \$40.98 million.

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

20. 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 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 2009 Annual Report. 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 32 of our 2009 Annual Report and Central's policies and procedures for managing liquidity risk are presented in the MD&A on pages 52 to 55 of our 2009 Annual Report. Financial guarantees, issued by Central on behalf of its members, are summarized in note 18 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 32 of our 2009 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 18 and 19 of the interim consolidated financial statements.

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.

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	(2,545)	(4.6)	(46,442)	(8.8)
200 bp decrease in rates	2,873	5.2	32,027	6.0

21. 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. Provincial regulations, 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. The provincial risk-weighted capital, calculated by

Central 1 Credit Union
Notes to the March 31, 2010 Interim Consolidated Financial Statements
Unaudited

dividing regulatory capital by risk-weighted assets, must exceed 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.

In determining its capital base for both the federal and provincial capital tests, Central may include its subordinated debt subject to certain conditions. Certain deductions from regulatory capital may also be required based on balances recognized in Central's Interim Consolidated Financial Statements.

At period-end, Central was in compliance with these regulatory requirements.