



First Quarter Report 2009

REPORT TO MEMBERS

CENTRAL 1 REPORTS STRONG RESULTS FOR FIRST QUARTER OF 2009

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

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

- Central's assets of \$8.7 billion, up 65.7% from \$5.3 billion
- Central's net income of \$11.70 million, compared to \$4.98 million
- Central's return on equity of 10.67%, compared to 7.05%
- B.C. system⁽¹⁾ net operating income⁽²⁾ of \$47.5 million, versus \$72.0 million
- B.C. system assets of \$44.5 billion, up 4.20% from \$42.7 billion
- Ontario system⁽³⁾ net operating income⁽²⁾ of \$13.9 million, versus \$25.8 million
- Ontario system assets of \$20.3 billion, up 6.3% from \$19.1 billion.

While the current financial markets continued to be challenging, Central's capital and liquidity remained strong and Central is well-positioned for growth. Net income increased to \$11.70 million compared to \$4.98 million for the same period last year. Central's financial position remained strong, with significant growth in overall revenues of \$17.79 million during the quarter, more than offsetting increases in operating expenses of \$10.10 million. The revenue growth was achieved through increases in interest margin of \$4.63 million, net gains and changes in the value of financial instruments of \$6.46 million and other income of \$6.79 million. Assets increased by 65.7%, reaching \$8.7 billion compared to \$5.3 billion as at March 31, 2008, largely reflecting the combination with CUCO.

The changes in fair value of financial instruments includes a \$2.4 million write-down of Central's investment in membership shares in U.S. Central Federal Credit Union, with a par value of \$10.2 million, following its placement under conservatorship by the National Credit Union Administration during the quarter.

The performance of British Columbia credit unions, collectively referred to as the B.C. system, reflects the impact of historically low interest rates in a contracting provincial economy, with decreasing exports, increasing unemployment and decreasing housing starts. The B.C. system earned \$47.5 million before taxes, dividends and patronage refunds in the first quarter of 2009, down 34.0% from the \$72.0 million earned during the same period in 2008. Combined assets for the B.C. system in the same period rose 4.2%, year-over-year, to reach \$44.5 billion at quarter-end.

Demand for loans slowed, as total B.C. system net loans increased 2.9% year-over-year to reach \$38.1 billion. Commercial and personal loans secured by real estate grew by 7.0% and 2.2%, year-over-year, respectively. B.C. system loan delinquencies over 90 days rose to 0.53% of total loans compared to 0.24% a year ago.

The performance of Central's member credit unions in Ontario, collectively referred to as the Ontario system, reflects the impact of historically low interest rates in a contracting provincial economy with declining exports, increasing unemployment and weak residential housing markets. The Ontario system earned \$13.9 million before taxes, dividends and patronage refunds in the first quarter, down 46.0% from the \$25.8 million earned during the same period in 2008. Combined assets for the Ontario system in the same period rose 6.3%, year-over-year, to reach \$20.3 billion at quarter-end.

Demand for loans was relatively balanced with deposit growth, as total Ontario system loans increased by 6.9% year-over-year to reach \$17.1 billion and deposits grew by 8.4% to \$18.3 billion. Commercial and personal loans secured by real estate grew by 16.7% and 3.8%, year-over-year, respectively. Ontario system loan delinquencies over 90 days rose to 0.74% of total loans compared to 0.48% 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.
- (3) These documents include statements about Central's member credit unions in Ontario, collectively referred to as the Ontario credit union system. 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 system information should be interpreted in this context.

Management's Discussion and Analysis as at March 31, 2009

This portion of the Report to Members updates Central's Management's Discussion and Analysis for the year ended December 31, 2008, and provides a discussion and analysis of Central's financial condition and results of operations for the three-month period ended March 31, 2009, 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 3* of the 2008 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, 2008. Central's performance is also subject to a number of risks, including credit, liquidity, market and operational risk. Integration risks are relatively low and should not represent a major disruption to Central's operations and there has not been a 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, 2008.

In addition, this discussion may include forward-looking statements with regard to 2009 and beyond, which, by their nature, involve some risk with regard to accuracy. Where forward-looking comments appear, they should be interpreted in the context of this uncertainty.

Overall Performance and Interim Financial Condition

Central recorded a net income in the first quarter of 2009 of \$11.70 million or 7.20 cents per share, compared to \$4.98 million or 4.39 cents per share last year.

Interest margin of \$13.38 million increased 52.9% from the \$8.75 million posted in the first quarter of 2008. The increases in interest margin are attributable to both the combination with CUCO and balance sheet growth.

Net financial income of \$18.73 million was up from the \$7.73 million posted in the first quarter of 2008. The increase in net financial income includes loss on disposal of financial instruments and an increase in the fair value of financial instruments for a net gain of \$5.43 million during the first quarter compared to a net loss of \$1.02 for the same

period last year. Gain and losses on disposal and changes in the fair value of financial instruments will fluctuate with changes in financial markets and interest rates.

Central has an investment in the membership capital shares of U.S. Central Federal Credit Union (U.S. Central) of \$10.2 million. With the continuing effects of the credit crisis, particularly in the U.S., where home prices have deteriorated significantly and defaults on consumer loans are increasing in severity, the impact on mortgage and asset backed securities held by U.S. Central is serious, causing liquidity and capital strains. The National Credit Union Administration (NCUA) has been taking steps to support the corporate credit union system in the U.S. and on March 20, 2009, placed U.S. Central under conservatorship and appointed a new Chief Executive Officer to oversee U.S. Central's operations.

On May 13, 2009, U.S. Central reported that membership share capital had been depleted by approximately 23% to cover losses that exceed retained earnings. Central has recorded a \$2.4 million write down of its investment in membership capital of US Central which has been included in the changes in the fair value of financial instruments during the first quarter of 2009.

U.S. Central expects to issue its 2008 audited financial statements in June 2009. The amount, if any, of any further deterioration in the value of shares in U.S. Central is not determinable at this time.

Central also has \$44.1 million on deposit with U.S. Central which, as explained in note 5, are subject to a guarantee program by NCUA.

Other income of \$20.80 million for the quarter was 48.5% higher than last year's \$14.01 million, with the increase mainly attributable to Ontario operations previously carried out by CUCO. Quarterly operating expenses were \$25.55 million, compared to \$15.45 million incurred last year, again with the increase mainly attributable to Ontario operations.

Central's financial condition remained sound in the first quarter and was comparable to that of March 31, 2008. Capital ratios remained strong. At the quarter-end, Central's risk-weighted capital ratio was 19.6% and its borrowing multiple was 18.0:1.

Liquidity at Central and in the B.C. and Ontario systems remained strong. With the economic slowdown in Canada, credit union lending activity has slowed, reducing the demand on Central for liquidity.

Over the past year, Central and its member credit unions have taken steps to improve system liquidity in the face of the current state of financial markets, including expanding their access to the Canada Mortgage Bond program and adjusting lending activities to more closely match funding capacity.

Central has also broadened its access to liquidity through various facilities introduced recently by the Bank of Canada and Canada Mortgage and Housing Corporation (CMHC) to inject liquidity into the financial markets. These consist of Purchase and Resale Agreements (PRA) offered through the Bank of Canada, purchase of Insured Mortgage Pools by CMHC through a competitive auction process, and a Canadian Lenders Assurance Facility administered by the Bank of Canada. Central has availed itself of the CMHC and PRA facilities, but does not anticipate that its liquidity requirements will necessitate use of the Canadian Lenders Assurance Facility.

B.C. System

B.C. system net operating income for the quarter was \$47.5 million, compared to \$72.0 million for the first quarter of 2008. Non-financial income rose by 0.2% from the same period last year, and non-financial expense increased 1.5%. B.C. system financial margin declined by 8.5% year-over-year, due to historically low interest rates and declining loan and investment yields. Interest rates dropped sharply in the first quarter, with assets repricing more quickly than deposit liabilities, leading to a more exacerbated decline in the financial margin.

The B.C. system's regulatory risk-weighted capital was 11.8%. 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 0.53% of system loans at period end, up from 0.24% 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 10.9% of assets as of March 31, 2009, compared to 9.9% a year earlier. Deposits with credit unions grew year-over-year by a healthy 9.4%, more than matching loan growth of 2.8%. Holdings of liquid assets increased by 14.0% year-over-year, while borrowings from Central and other lenders decreased by 60.8%.

Ontario System

Ontario system net operating income for the quarter was \$13.9 million, compared to \$25.8 million for the first quarter of 2008. Non-financial income rose by 21.8% from the same period last year, and non-financial expense decreased by 1.5%. Ontario system financial margin decreased by 12.1% year-over-year, due to historically low interest rates and decreased loan and investment yields. Interest rates dropped sharply in the first quarter, with assets repricing more quickly than deposit liabilities, leading to a more exacerbated decline in the financial margin.

The Ontario system's regulatory risk-weighted capital was 12.2%. Credit quality has declined in the Ontario system's loan portfolios over the past year as loan delinquencies over 90 days increased to 0.74% of system loans at period end, up from 0.48% 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 Ontario system, including that held by Central was 12.5% of assets as of March 31, 2009, compared to 13.1% a year ago. Deposits with Ontario system credit unions grew year-over-year by 8.4%, more than matching loan growth of 6.9%. Holdings of liquid assets increased by 4.8% year-over-year and borrowings from Central and other lenders decreased by 53.7%.

	For the Three Months Ended		
	March 31	March 31	
	<u>2009</u>	<u>2008</u>	<u>Difference</u>
Earnings			
Net Financial Income (<i>\$ millions</i>)	18.81	7.73	11.08
Net Financial and Other Income (<i>\$ millions</i>)	39.52	21.74	17.78
Net Income (<i>\$ millions</i>)	11.70	4.98	6.72
Weighted Average Shares Outstanding (<i>\$ millions</i>)	162.58	113.40	49.18
Earnings per share (<i>cents</i>)			
Basic	7.20	4.39	2.81
Fully Diluted	7.20	4.39	2.81
Return on			
Average Assets (%)	0.58%	0.38%	0.20%
Average Equity (%)	10.67%	7.05%	3.62%
Balance Sheet Data (<i>\$ billions</i>)			
Total Assets	8.75	5.27	3.48
Average Assets	8.23	5.29	2.94
Long Term Financial Liabilities	1.48	1.26	0.22
Regulatory Capital Ratios			
Tier 1 Capital Ratio %	17.5%	18.0%	(0.5%)
Total Capital Ratio %	19.6%	21.3%	(1.7%)
Borrowing multiple (times)	18.0	15.1	2.9
Share Information			
Outstanding \$1 par value Shares (<i>\$ thousands</i>)			
Class A - Credit Unions	162,539	113,345	49,194
Class B - Cooperatives	5	3	2
Class C - Others	7	6	1
Outstanding \$0.01 par value Shares (<i>\$ thousands</i>)			
Class E - Credit Unions	31	-	31
Dividends per share - all classes except E (<i>cents</i>)	0.38	1.57	(1.19)

Total Revenues

Net Financial Income

The Bank of Canada and other central banks continue their efforts to promote economic recovery and have taken extraordinary measures to do so. The continuation of rate cuts from the Bank of Canada throughout the beginning of 2009 left overnight interest rates at 0.50% at the end of the quarter while quantitative easing was underway in the US and other parts of the world.

In its investment portfolio, Central holds debt issued by provincial governments, senior deposit notes issued by major Canadian financial institutions and some highly rated debt issued by corporations. A decline in base interest rates, combined with a narrowing of bond spreads during the quarter, resulting in a gain on Central's trading assets of \$22.45 million partly offset by a decrease of \$15.8 million in trading derivatives. Central also experienced a positive impact from changes in the fair market value of financial instruments included in other comprehensive income. Except for the \$2.4 million write-down on Central's \$10.2 million investment in membership shares of U.S. Central Federal Credit Union, it is anticipated that there will be a reversal of this impact over time as markets recover, spreads move to more normal levels and the impacted debt reaches maturity.

Central earned net financial income of \$18.73 million for the quarter, compared with \$7.73 million for the same period last year. Interest margin, at \$13.38 million, improved from last year's \$8.75 million. The increase in interest margin is attributable to the balance sheet growth of \$3.5 billion during the past year with \$2.5 billion of the increase resulting from the combination with CUCO. Also, as a percentage of average assets, interest margin decreased slightly to 65% from 67%, year over year. Losses on disposal of financial instruments were \$(1.34) million, down from gains of \$6.30 million for the first quarter of 2008. The majority of these gains resulted from Central's role in the securitization of system assets.

Included in net financial income were mark-to-market gains on financial instruments. These gains, which totaled \$6.77 million compared to a loss of \$7.32 million last year, principally resulted from the impact of markedly lower credit spreads and, except for the \$2.4 million write-down on membership shares of U.S. Central Federal Credit Union, do not represent any intrinsic impairment of the underlying financial instruments.

Other Income

Central's other income for the quarter increased by 48.5% to \$20.80 million from last year's \$14.01 million; the increase is primarily attributable to Ontario operations. Income from payments processing and Internet banking increased as Central achieved higher volumes. Management anticipates that this trend will continue as Central continues to extend these lines of business to entities outside the system. Income from

Funding Services also increased as Central continued to expand its role in administering and facilitating system securitization activities.

Operating Expenses

Operating expenses increased to \$25.55 million for the quarter from \$15.45 million last year. The increase is primarily attributable to Ontario operations. Included in these expenses are salary costs, which increased to \$12.05 million from \$8.28 million, which reflects the addition of Ontario operations. The remainder largely represents higher levels of staffing to support Central's continued expansion of services to entities other than its member credit unions.

Included in operating expenses were integration and other one-time costs associated with the successful combination with CUCO totaling \$1.57 million for the three months ended March 31, 2009, compared to \$1.54 million for the same period last year.

Income Taxes

Central income tax expense for the quarter was \$2.27 million compared to \$1.02 million in the same period last year. Central's effective tax rate for the quarter was 16.3% compared to 17.0% for the same quarter in 2008.

Balance Sheet

Cash and Securities and Liquidity Management

Central's assets increased to \$8.7 billion from \$5.3 billion as at March 31, 2008. Over the last 12 months, loans to credit unions have decreased as Central and the system have collectively sought to increase system liquidity in the face of uncertain capital market conditions. As a result, at \$7.2 billion, cash and securities represent over 82% of Central's assets compared to 67% last year. Central has not drawn down any of its operating lines with other financial institutions and has sufficient excess liquid securities, together with access to other credit facilities, to meet further loan advances to credit unions. As noted earlier, Central has broadened its access to liquidity through various facilities introduced recently by the Bank of Canada and CMHC.

Loans and Off-Balance Sheet Arrangements

Loans, which are almost entirely secured loans to member credit unions, decreased to \$964 million from \$1,383 million last year, when Central served only B.C. credit unions. The decrease reflects the slow down in residential real estate markets and as a percentage of total average assets, loans decreased to 18.9% from 29.8% at year end. With residential real estate firmly in buyer's market territory, credit unions prudently decreased their overall discounting of consumer loans and also met the demand for loans from deposits rather than borrowings. Credit unions also continued 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 \$218 million of residential mortgages in the first three months of 2009 through the Canada Mortgage Bond Program.

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

<i>(\$ millions)</i>	March 31 2009	March 31 2008
Total Securitized	\$4,199	\$3,523

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. Non-interest income and non-interest expenses are also generally consistent from quarter to quarter, although revenue from the technology and payments areas has a slight seasonal pattern, with fourth quarter revenue being approximately 10-15% higher than that of the first quarter. Gains and losses on disposal of financial instruments and changes in fair value of financial instruments may also have a significant impact on quarterly net income, but their timing and magnitude are not predictable.

CENTRAL - QUARTERLY EARNINGS

<i>(Millions of \$, except as indicated)</i>	2009/2008				2008/2007			
	Period Ended				Period Ended			
	30-Jun-08	30-Sep-08	31-Dec-08	31-Mar-09	30-Jun-07	30-Sep-07	31-Dec-07	31-Mar-08
Total Interest Income	51,374	71,191	72,239	55,333	55,084	60,306	64,278	58,278
Total Interest Expense	42,017	57,444	57,000	41,953	47,716	52,655	55,401	49,526
Interest margin	9,357	13,747	15,239	13,380	7,368	7,651	8,877	8,752
Gain on disposal of financial instruments	4,188	3,352	11,416	(1,343)	1,270	2,243	4,367	6,297
Changes in fair value of financial instrumen	(1,376)	(15,896)	(3,176)	6,777	259	(1,481)	(4,861)	(7,321)
Recovery (provision) for credit losses	34	(316)	(823)	(89)	29	-	28	-
Non-Interest Income	15,367	20,986	23,524	20,799	13,319	12,900	13,941	14,008
Non-Interest Expenses	(16,174)	(23,483)	(28,353)	(25,547)	(14,789)	(14,382)	(15,731)	(15,448)
Unusual Items	(2,150)	-	-	-	(592)	3,711	(772)	(290)
Income Taxes	(1,465)	340	(2,751)	(2,273)	(1,205)	(1,689)	(1,168)	(1,023)
Net Income	7,781	(1,270)	15,076	11,704	5,659	8,953	4,681	4,975
Weighted Average Shares Outstanding	113.40	157.66	162.58	162.58	113.35	113.35	113.35	113.40
Earnings per share from continuing operations								
Basic (cents)	8.76	(0.81)	9.27	7.20	5.51	4.62	4.81	4.64
Diluted (cents)	8.76	(0.81)	9.27	7.20	5.51	4.62	4.81	4.64
Earnings per Share								
Basic (cents)	6.86	(0.81)	9.27	7.20	4.99	7.90	4.13	4.39
Diluted (cents)	6.86	(0.81)	9.27	7.20	4.99	7.90	4.13	4.39

* 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. In the quarter, Central's available capital resources reached \$495.8 million, compared to \$340.1 million as at March 31, 2008, with \$137.1 million of the increase representing shares issued in respect of the combination with CUCO.

Central's regulatory capital levels are determined according to both federal guidelines and provincial regulations. Central's federal capital adequacy borrowing multiple, while within regulatory requirements, reached the upper range of Central's internal operating targets and increased above the March 31, 2008 level as a result of strong balance sheet growth. Central's provincial risk-weighted total capital ratio at 19.6% 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 2009	March 31 2008	Target	Regulatory Requirement
Borrowing Multiple	18.0:1	15.1:1	16:1 – 18:1	20:1
Risk-weighted Ratios	19.6%	21.3%	11 – 14%	10 %

Mergers and Acquisitions

On July 1, 2008, Central purchased substantially all of the assets and assumed substantially all of the liabilities of CUCO. CUCO provided wholesale financial and trade services to member credit unions in Ontario similar to those provided by Central to British Columbia credit unions. As part of the transaction, 148 credit unions in Ontario became members of Central. These credit unions contributed capital to Central by subscribing for Class A shares and contributing surplus to ensure that Central continues to be well capitalized. The assets purchased from CUCO were approximately \$2.5 billion and consisted primarily of highly liquid securities and loans to Ontario member credit unions. The liabilities assumed from CUCO were almost entirely deposits from its member credit unions. Going forward, the assets of Central are anticipated to continue to consist primarily of highly rated liquid securities or loans to member credit unions, in keeping with Central's role as the liquidity manager for both B.C. and member Ontario credit unions.

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, 2009 Central adopted EIC – 173 – *Credit Risk and Fair Value of Financial Assets and Financial Liabilities*. EIC – 173 requires an entity to take into account its own credit risk and that of the relevant counterparty(s) when determining the fair value of financial assets and financial liabilities, including derivatives.

Critical Accounting Estimates

The critical accounting estimates remain unchanged from those disclosed in Central's 2008 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, 2008, and for the three months ended March 31, 2009, for operations in B.C. Based on that evaluation, management has concluded that the design of its internal controls and procedures over financial reporting was effective.

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

Central has not yet completed its evaluation of the design of its internal controls and procedures over financial reporting as defined under National Instrument 52-109 for the nine-month period ended March 31, 2009, for operations in Ontario. However, Central does not anticipate any significant deficiencies in the design of these controls.

Central 1 Credit Union
Interim Consolidated Balance Sheets
Unaudited

	Notes	(Thousands of dollars)		December 31 2008
		2009	March 31 2008	
Assets				
Cash		\$ 45,087	\$ 151,606	\$ 228,378
Securities	5	7,148,971	3,398,797	5,313,636
Amounts on deposit with regulated financial institutions	5 & 6	106,812	173,441	126,471
Loans	7	963,940	1,383,209	2,425,947
Capital assets		17,111	13,356	15,128
Other	8	469,072	155,473	448,224
		<u>\$ 8,750,993</u>	<u>\$ 5,275,882</u>	<u>\$ 8,557,784</u>
Liabilities				
Notes	10	\$ 666,787	\$ 831,009	\$ 526,225
Deposits	11	6,798,735	3,974,659	6,938,186
Other	12	765,504	130,018	608,096
		<u>8,231,026</u>	<u>4,935,686</u>	<u>8,072,507</u>
Subordinated Debt	13	<u>51,186</u>	<u>51,693</u>	<u>50,678</u>
Members' Equity				
Share Capital	14	162,582	113,354	162,580
Shares to be issued as result of merger	2	-	-	2
Contributed Surplus	2	87,901	-	87,901
Retained Earnings		195,429	170,619	188,060
Accumulated Other Comprehensive Income (Loss)		22,869	4,470	(3,944)
		<u>468,781</u>	<u>288,443</u>	<u>434,599</u>
		<u>\$ 8,750,993</u>	<u>\$ 5,275,822</u>	<u>\$ 8,557,784</u>
Guarantees and contingencies	18			

Approved by the Directors:

"Jack Smit"
 Jack Smit, Chairperson

"Fred Wagner"
 Fred Wagner, Chairperson - Audit Committee

Central 1 Credit Union
Interim Consolidated Statements of Income
Unaudited

	Notes	(Thousands of dollars)	
		For the three months ended	
		March 31	March 31
		2009	2008
Interest Income			
Securities		\$ 44,992	\$ 34,887
Amounts on deposit with regulated financial institutions		996	2,404
Loans		9,345	20,987
		<u>55,333</u>	<u>58,278</u>
Interest Expense			
Notes		3,229	10,002
Deposits		38,216	38,949
Subordinated debt		508	575
		<u>41,953</u>	<u>49,526</u>
Interest Margin		13,380	8,752
Gain on disposal of financial instruments	9	(1,343)	6,297
Changes in fair value of financial instruments	15	<u>6,777</u>	<u>(7,321)</u>
Net financial income		18,814	7,728
Provision for credit losses	7	89	-
		<u>18,725</u>	<u>7,728</u>
Other income	16	<u>20,799</u>	<u>14,008</u>
Net financial and other income		<u>39,524</u>	<u>21,736</u>
Operating Expenses			
Salaries and employee benefits		12,054	8,279
Premises and equipment		1,741	1,030
Other administrative expenses		11,752	6,139
		<u>25,547</u>	<u>15,448</u>
Income from operations before the following		13,977	6,288
Combination transaction costs		-	(290)
		<u>13,977</u>	<u>5,998</u>
Income before income taxes		13,977	5,998
Income taxes	17	2,273	1,023
		<u>11,704</u>	<u>4,975</u>
Net Income		<u>\$ 11,704</u>	<u>\$ 4,975</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 2009	March 31 2008
	<u> </u>	<u> </u>
Net Income	\$ 11,704	\$ 4,975
Other comprehensive income (net of tax)		
Net unrealized gains on available-for-sale assets ¹	22,253	13,768
Reclassification of losses on available-for-sale assets to net income ²	4,685	751
	<u>26,938</u>	<u>14,519</u>
Net gains (losses) on derivative instruments designated as cash flow hedges ³	(125)	567
Reclassification of (gains) losses on derivative instruments designated as cash flow hedges recorded in prior periods ⁴	-	(27)
	<u>(125)</u>	<u>540</u>
Other comprehensive income (loss)	<u>26,813</u>	<u>15,059</u>
Comprehensive income (loss)	<u>\$ 38,517</u>	<u>\$ 20,034</u>
Income taxes (recoveries) deducted from the above items		
¹ Net unrealized gains on available-for-sale assets	<u>\$ 3,831</u>	<u>\$ 2,557</u>
² Reclassification of losses on available-for-sale assets to net income	<u>\$ 794</u>	<u>\$ 143</u>
³ Net gains (losses) on derivative instruments designated as cash flow hedges	<u>\$ (21)</u>	<u>\$ 108</u>
⁴ Reclassification of (gains) losses on derivative instruments designated as cash flow hedges recorded in prior periods	<u>\$ -</u>	<u>\$ (5)</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 2009	March 31 2008
	<u> </u>	<u> </u>	<u> </u>
Share Capital			
Balance at beginning of period		\$ 162,580	\$ 113,354
Shares issued during the period	15	2	-
Balance at end of period		<u>\$ 162,582</u>	<u>\$ 113,354</u>
Shares to be Issued			
Balance at beginning of period		\$ 2	\$ -
Shares issued during the period	14	(2)	-
Balance at end of period		<u>\$ -</u>	<u>\$ -</u>
Contributed Surplus			
Balance at beginning and end of period		<u>\$ 87,901</u>	<u>\$ -</u>
Retained Earnings			
Balance at beginning of period		\$ 188,060	\$ 167,148
Impact of change in accounting policy	3	(3,814)	-
Net Income		11,704	4,975
Dividends		(614)	(1,790)
Related tax savings	17	93	286
Balance at end of period		<u>\$ 195,429</u>	<u>\$ 170,619</u>
Accumulated Other Comprehensive Income (Loss) (net of tax)			
Balance at beginning of period		\$ (3,944)	\$ (10,589)
Other comprehensive income		26,813	15,059
Balance at end of period		<u>\$ 22,869</u>	<u>\$ 4,470</u>
Members' Equity at end of period		<u>\$ 468,781</u>	<u>\$ 288,443</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 2009	March 31 2008
Cash flows from operating activities			
Net Income (Loss)		\$ 11,704	\$ 4,975
Adjustments for:			
Depreciation		440	528
Realized gains and holding gains		(5,374)	1,024
Net change in accrued interest		(21,684)	(1,867)
Provision for credit losses	7	89	-
Other items, net		(33,337)	(7,045)
		<u>(48,162)</u>	<u>(2,385)</u>
Cash flows from financing activities			
Dividends - net of income taxes		(7,097)	(9,169)
Net change - settlements-in-transit		(15,762)	13,441
Net change - notes		141,788	(136,189)
Net change - deposits		(122,781)	(253,694)
Net change - securities sold under repurchase agreements		175,637	-
		<u>171,785</u>	<u>(385,611)</u>
Cash flows from investing activities			
Net change - securities		(1,774,602)	370,986
Net change - amounts on deposit with regulated financial institutions		18,597	37,922
Net change - loans		1,460,585	99,160
Net changes - loans available for sale		(9,071)	3,055
Capital asset acquisitions		(2,423)	(50)
		<u>(306,914)</u>	<u>511,073</u>
Increase (decrease) in cash resources		(183,291)	123,077
Cash resources - beginning of period		228,378	28,529
Cash resources - end of period		<u>\$ 45,087</u>	<u>\$ 151,606</u>
Supplemental Information			
Interest received		<u>\$ 48,608</u>	<u>\$ 63,037</u>
Interest paid		<u>\$ 57,574</u>	<u>\$ 55,325</u>

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Notes to the March 31, 2009 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, 2008.

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.

Except as described in note 3, 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, 2008. 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, 2008 and the accompanying notes.

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

On July 1, 2008 Central acquired substantially all of the assets of CUCO for a total estimated cost of \$152.868 million as indicated below. The results of CUCO's operations have been included in the Interim Consolidated Financial Statements since that date.

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

(Millions of dollars)	
Assets	
Cash and securities	\$ 1,795.076
Loans	578.794
Other	<u>95.058</u>
	<u>2,468.928</u>
Liabilities	
Deposits & borrowings	2,248.337
Other	<u>67.723</u>
	<u>2,316.060</u>
Net assets acquired	<u>\$ 152.868</u>

On closing, Central issued class A shares with a par value of \$44.275 million and class E shares with a par value of \$0.006 million to CUCO based on the estimated fair value of net assets acquired at that time. Subsequently, Central issued additional class A shares with a par value of \$4.919 million, class E shares with par value of \$0.003 and cash of \$11.264 million. The sum of the par value of shares issued to CUCO, and the cash paid to CUCO was \$60.467 million.

Central 1 Credit Union
Notes to the March 31, 2009 Interim Consolidated Financial Statements
Unaudited

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

Central has recognized contributed surplus of \$87.901 million; being the excess of the estimated fair value of net assets acquired of \$152.868 million over the sum of the par value of shares and cash issued to CUCO of \$60.467 million and the estimated fair value of the obligation to the ABCP LP of \$4.500 million.

3. Changes in Accounting Policies

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

Effective January 1, 2009 Central adopted EIC – 173 – *Credit Risk and Fair Value of Financial Assets and Financial Liabilities*. EIC – 173 requires an entity to take into account its own credit risk and that of the relevant counterparty(s) when determining the fair value of financial assets and financial liabilities, including derivatives.

This standard was adopted by Central on a retrospective basis without restatement of comparative balances. This resulted in a reduction to opening retained earnings for the period of \$3.81 million, representing the adjustment to the fair value of applicable outstanding financial assets and liabilities, including derivatives, at January 1, 2009.

4. 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.

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.

Central 1 Credit Union
Notes to the March 31, 2009 Interim Consolidated Financial Statements
Unaudited

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.

5. Securities

Securities designated as trading are as follows:

	(Thousands of dollars)		
	March 31	March 31	December 31
	2009	2008	2008
Amortized cost	<u>\$ 1,332,991</u>	<u>\$ 482,023</u>	<u>\$ 1,092,549</u>
Fair value	<u>\$ 1,372,598</u>	<u>\$ 485,724</u>	<u>\$ 1,109,702</u>

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

	(Thousands of dollars)		
	March 31	March 31	December 31
	2009	2008	2008
Amortized cost	<u>\$ 5,754,992</u>	<u>\$ 2,915,985</u>	<u>\$ 4,222,658</u>
Fair value	<u>\$ 5,776,373</u>	<u>\$ 2,913,073</u>	<u>\$ 4,203,934</u>

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

	(Thousands of dollars)		
	March 31	March 31	December 31
	2009	2008	2008
	<u>\$ 7,148,971</u>	<u>\$ 3,398,797</u>	<u>\$ 5,313,636</u>

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

	(Millions of dollars)		
	March 31	March 31	December 31
	2009	2008	2008
Government & guarantees	\$ 2,509.6	\$ 399.8	\$ 1,285.93
Corporate & major financial Institutions R-1(Mid) or greater	4,316.0	2,484.3	3,680.2
Other	<u>323.4</u>	<u>514.7</u>	<u>347.5</u>
	<u>\$ 7,149.0</u>	<u>\$ 3,398.8</u>	<u>\$ 5,313.6</u>

Central 1 Credit Union
Notes to the March 31, 2009 Interim Consolidated Financial Statements
Unaudited

At the period-end, securities having a book value of \$329.4 million (March 31, 2008 - \$200.1 million; December 31, 2008 - \$316.1 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 \$250 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, 2008 - \$0.0 million; December 31, 2008 - \$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 the end of 2008, Central's Available for Sale securities included third party asset backed commercial paper (ABCP) with a par value of \$33.0 million. During the quarter, the Pan-Canadian Investors Committee, which represented holders of ABCP securities subject to the Montreal Accord, completed the restructuring of these securities.

Upon completion of the restructuring, Central exchanged its ABCP holdings for longer term notes of Master Asset Vehicle (MAV) II and III with a par value of \$32.7 million. These notes have been designated as Trading and are measured at fair value on Central's Interim Consolidated Balance Sheet.

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, 2009, the estimated fair value of these notes was \$20.0 million.

Securities classified as Available for Sale include membership shares in U.S. Central Federal Credit Union (U.S. Central) with a book value of \$10.2 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.

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 was initially scheduled to expire on December 31, 2010 but was extended to September 30, 2011 subsequent to quarter-end.

Central's membership shares of U.S. Central do not come under the protection of the TCCUGSP and during the quarter, Central recorded a charge to Net Income of \$2.4 million to adjust its carrying value of these instrument to their estimated fair value. At period end, Central also had deposit shares with U.S. Central with par value of \$44.1 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.

Central 1 Credit Union
Notes to the March 31, 2009 Interim Consolidated Financial Statements
Unaudited

6. 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 2009	March 31 2008	December 31 2008
Amortized cost	<u>\$ -</u>	<u>\$ 25,993</u>	<u>\$ -</u>
Fair value	<u>\$ -</u>	<u>\$ 26,300</u>	<u>\$ -</u>

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

	(Thousands of dollars)		
	March 31 2009	March 31 2008	December 31 2008
Amortized cost	<u>\$ 103,949</u>	<u>\$ 144,061</u>	<u>\$ 123,248</u>
Fair value	<u>\$ 106,812</u>	<u>\$ 147,141</u>	<u>\$ 126,471</u>

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

	(Thousands of dollars)		
	March 31 2009	March 31 2008	December 31 2008
	<u>\$ 106,812</u>	<u>\$ 173,441</u>	<u>\$ 126,471</u>

Central 1 Credit Union
Notes to the March 31, 2009 Interim Consolidated Financial Statements
Unaudited

7. Loans

(Thousands of dollars)

	March 31 2009	March 31 2008	December 31 2008
Due on demand - Credit unions	\$ 25,339	\$ 19,873	\$ 41,268
- Co-operatives and others	<u>562</u>	<u>5,137</u>	<u>4,266</u>
	<u>25,901</u>	<u>25,010</u>	<u>45,534</u>
Term - Credit unions	773,051	1,315,300	2,200,642
- Co-operatives and other	148,242	25,277	157,520
- Officers and employees	<u>20,666</u>	<u>15,401</u>	<u>24,749</u>
	<u>941,959</u>	<u>1,355,978</u>	<u>2,382,911</u>
	967,860	1,380,988	2,428,445
Accrued interest	<u>1,201</u>	<u>3,287</u>	<u>2,534</u>
	969,061	1,384,275	2,430,979
Allowance for losses	<u>5,121</u>	<u>1,066</u>	<u>5,032</u>
	<u>\$ 963,940</u>	<u>\$ 1,383,209</u>	<u>\$ 2,425,947</u>

Officer and employee loans bear interest at rates varying from 2.00% to 5.44%.

Impaired loans are as follows:

	Gross Impaired	Specific Provision	General Provision	March 31 2009	Net Impaired March 31 2008	December 31 2008
Credit unions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial & other	<u>7,082</u>	<u>(4,098)</u>	<u>(1,023)</u>	<u>1,961</u>	<u>-</u>	<u>2,272</u>
Total	<u>\$ 7,082</u>	<u>\$ (4,098)</u>	<u>\$ (1,023)</u>	<u>\$ 1,961</u>	<u>\$ -</u>	<u>\$ 2,272</u>

Central 1 Credit Union
Notes to the March 31, 2009 Interim Consolidated Financial Statements
Unaudited

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, 2009	Three moths ended March 31, 2008	Year ended December 31 2008
Balance at beginning of period	\$ 3,999	\$ 1,033	\$ 5,032	\$ 1,066	\$ 1,066
Acquired on merger with CUCO (Note 2)	-	-	-	-	2,861
Collection of loans previously written off	-	-	-	-	(74)
Provision for credit losses	<u>99</u>	<u>(10)</u>	<u>89</u>	<u>-</u>	<u>1,179</u>
Total	<u>\$ 4,098</u>	<u>\$ 1,023</u>	<u>\$ 5,121</u>	<u>\$ 1,066</u>	<u>\$ 5,032</u>

8. Other assets

(Thousands of dollars)

	March 31 2009	March 31 2008	December 31 2008
Market revaluation of trading derivatives	\$ 325,186	\$ 43,216	\$ 316,668
Assets available for sale designated as trading	16,421	20,524	17,287
Assets available for sale at amortized cost	90,852	81,466	80,842
Accounts receivable and other	24,899	2,689	19,081
Prepaid expenses	4,324	2,780	4,882
Future income taxes (Note 17)	<u>7,390</u>	<u>4,798</u>	<u>9,464</u>
	<u>\$ 469,072</u>	<u>\$ 155,473</u>	<u>\$ 448,224</u>

At period-end, the amortized cost of the assets available for sale designated as trading was **\$15,703** thousand (March 31, 2008 - \$20,514 thousand; December 31, 2008 - \$16,664 thousand)

9. Loan Securitizations

During the three months ended March 31, 2009, Central securitized mortgages with Canada Housing Trust (the Trust) with a book value of \$218.2 (three months ended March 31, 2008 - \$540.3 million; year ended December 31, 2008 - \$1,621.9 million) which had been acquired from member credit unions.

The fair value of derivative contracts acquired as a result of these transactions, together with proceeds received from the Trust, totalled \$216.3 million (three months ended March 31, 2008 - \$545.1 million; year ended December 31, 2008 - \$1,630.7 million) which resulted in a loss on these transaction of \$1.9 million (three months ended March 31, 2008 – gain of \$4.8 million, year ended December 31, 2008 – gain \$8.8 million) which was recorded in Gain on disposal of financial instruments.

The total principal amount of loans securitized by Central outstanding at March 31, 2009 was **\$2,652.0** million (March 31, 2008 - \$1,450.2 million; December 31, 2008 - \$2,225.9 million)

Central 1 Credit Union
Notes to the March 31, 2009 Interim Consolidated Financial Statements
Unaudited

10. Notes

	(Thousands of dollars)		
	March 31	March 31	December 31
	2009	2008	2008
Operating lines			
- with Credit Union Central of Canada	<u>\$ 51,584</u>	\$ -	\$ -
Notes			
- due within three months	339,452	428,368	249,249
- due after three months and within one year	175,000	124,969	-
- due after one year and less than five years	<u>99,989</u>	<u>274,985</u>	<u>274,988</u>
	<u>614,441</u>	<u>828,322</u>	<u>524,237</u>
	666,025	828,322	524,237
Accrued interest	<u>762</u>	<u>2,747</u>	<u>1,988</u>
	<u>\$ 666,787</u>	<u>\$ 831,069</u>	<u>\$ 526,225</u>

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

Central has established \$294.7 million of unsecured credit facilities with various financial institutions. These unsecured credit facilities rank equally with the outstanding notes and deposits. At March 31, 2009, **\$51.6** million was borrowed under these facilities (March 31, 2008 - \$0.0 million; December 31, 2008 - \$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, 2009, **\$339.4** million was borrowed under the short term commercial paper facility (March 31, 2008 - \$428.4 million; December 31, 2008 - \$249.2 million) and **\$275.0** million was borrowed under the mid term note facility (March 31, 2008 - \$400.0 million; December 31, 2008 - \$275.0 million).

11. Deposits

Deposits designated as trading are as follows:

	(Thousands of dollars)		
	March 31	March 31	December 31
	2009	2008	2008
Amortized cost	<u>\$ 1,006,099</u>	<u>\$ 1,333,028</u>	<u>\$ 1,273,742</u>
Fair value	<u>\$ 1,032,899</u>	<u>\$ 1,346,259</u>	<u>\$ 1,302,983</u>

Central 1 Credit Union
Notes to the March 31, 2009 Interim Consolidated Financial Statements
Unaudited

Deposits classified as other liabilities are as follows.

	(Thousands of dollars)		
	March 31	March 31	December 31
	2009	2008	2008
Due on demand	\$ 382,229	\$ 185,037	\$ 356,652
Due within three months	2,375,584	1,406,008	2,948,378
Due after three months and within one year	1,770,297	379,029	1,124,171
Due after one year and less than five years	1,185,451	638,736	1,147,730
Due after five years and less than six years	<u>250</u>	<u>1,250</u>	<u>145</u>
	5,713,811	2,600,060	5,577,076
Accrued interest	<u>52,025</u>	<u>28,340</u>	<u>58,127</u>
	<u>\$ 5,765,836</u>	<u>\$ 2,628,400</u>	<u>\$ 5,635,203</u>

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

	(Thousands of dollars)		
	March 31	March 31	December 31
	2009	2008	2008
	<u>\$ 6,798,735</u>	<u>\$ 3,974,659</u>	<u>\$ 6,938,186</u>

Central 1 Credit Union
Notes to the March 31, 2009 Interim Consolidated Financial Statements
Unaudited

12. Other liabilities

(Thousands of dollars)

	March 31	March 31	December 31
	2009	2008	2008
Market revaluation of trading derivatives	\$ 298,581	\$ 31,568	\$ 278,709
Settlements-in-transit	54,835	70,154	70,597
Securities sold under repurchase agreements	368,856	-	193,333
Dividends payable	614	1,790	3,376
Future income taxes (Note 17)	2,827	1,238	3,179
Accrued vacation and sick benefits	1,328	1,186	4,851
Employee future benefits	18,107	12,519	17,170
Net amount payable to CUCO (Note 2)	-	-	10,763
Trade amounts and other	<u>20,356</u>	<u>11,563</u>	<u>26,118</u>
	<u>\$ 765,504</u>	<u>\$ 130,018</u>	<u>\$ 608,096</u>

13. Subordinated Debt

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

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

14. 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 members. Each class B and C shareholder has one vote on certain issues.

Central 1 Credit Union
Notes to the March 31, 2009 Interim Consolidated Financial Statements
Unaudited

The numbers of shares issued are as follows:

	(Thousands of shares)		
	March 31	March 31	December 31
	2009	2008	2008
Class A – credit unions			
Balance at beginning of period	162,539	113,345	113,345
Issued on merger with CUCO (Note 2)	<u>-</u>	<u>-</u>	<u>49,194</u>
Balance at end of period	<u>162,539</u>	<u>113,345</u>	<u>162,539</u>
Class B – co-operatives			
Balance at beginning of period	5	3	3
Issued on merger with CUCO (Note 2)	<u>-</u>	<u>-</u>	<u>2</u>
Balance at beginning and end of period	<u>5</u>	<u>3</u>	<u>5</u>
Class C – other			
Balance at beginning of period	7	6	6
Issued for cash during the period	<u>-</u>	<u>-</u>	<u>1</u>
Balance at end of period	<u>7</u>	<u>6</u>	<u>7</u>
Class E – credit unions			
Balance at beginning of period	2,866	-	-
Issued to credit unions in British Columbia	-	-	2,156
Issued on merger with CUCO (Note 2)	<u>247</u>	<u>-</u>	<u>710</u>
Balance at end of period	<u>3,113</u>	<u>-</u>	<u>2,866</u>

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The amounts outstanding are as follows:

	(Thousands of dollars)		
	March 31 2009	March 31 2008	December 31 2008
Outstanding \$1 par value shares			
Class A – credit unions	\$ 162,539	\$ 113,345	\$ 162,539
Class B – co-operatives	5	3	5
Class C – other	7	6	7
Outstanding \$.01 par value shares			
Class E – other	<u>31</u>	<u>-</u>	<u>29</u>
	<u>\$ 162,582</u>	<u>\$ 113,354</u>	<u>\$ 162,580</u>

15. Change in fair value of financial instruments

	(Thousands of dollars)	
	For the three months ended	
	March 31, 2009	March 31, 2008
Trading assets	\$ 22,454	\$ 4,021
Trading deposits	2,441	(11,718)
Provision against U.S. Central as described in Note 5	(2,379)	-
Adjustment of ABCP holdings to fair value as described in Note 5	-	(1,584)
Ineffective portion of cash flow hedges	61	41
Ineffective portion of fair value hedges	-	36
Trading derivatives	<u>(15,800)</u>	<u>1,883</u>
	<u>\$ 6,777</u>	<u>\$ (7,321)</u>

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16. Other Income

(Thousands of dollars)

For the three months ended

	March 31, 2009	March 31, 2008
Membership Dues	\$ 2,164	\$ 1,225
Provincial Advertising Assessment	636	624
Technology & Payment Services		
- Processing	9,405	5,526
- Technical Operations	506	472
- Internet banking	3,613	2,447
Financial Services		
- Treasury Services	559	181
- Funding Services	940	462
- Property rents	172	267
- Other	579	724
Trade Services		
- Risk Management	634	598
- Manuals	360	242
- Registered Plans	452	479
- Other	<u>779</u>	<u>761</u>
	<u>\$ 20,799</u>	<u>\$ 14,008</u>

17. Provision for income taxes

Income taxes reported in the financial statements are as follows:

(Thousands of dollars)

For the three months ended

	March 31, 2009	March 31, 2008
Provision for income taxes in Statements of Income	\$ 2,273	\$ 1,023
Income tax benefit related to dividends accrued	<u>(93)</u>	<u>(286)</u>
Total	<u>\$ 2,180</u>	<u>\$ 737</u>

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Components of total income taxes are as follows:

Current income taxes	\$ 1,689	\$ 981
Future income taxes	<u>491</u>	<u>(244)</u>
Total	<u>\$ 2180</u>	<u>\$ 737</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% (2008 – 32.5%) to income before taxes. The reasons for this are as follows:

	For the three months ended	
	March 31, 2009	March 31, 2008
	<u>%</u>	<u>%</u>
Combined federal and provincial statutory income tax rates	30.5	32.5
Reduction available to credit unions	(17.0)	(16.0)
Other	<u>2.8</u>	<u>0.5</u>
Total	<u>16.3</u>	<u>17.0</u>

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Components of future income tax balances are as follows:

	(Thousands of dollars)		
	March 31	March 31	December 31
	2009	2008	2008
Future income tax assets:			
Financial instruments	\$ 4,225	\$ 2,398	\$ 6,230
Employee future benefits	2,626	1,940	2,674
Other	<u>539</u>	<u>460</u>	<u>560</u>
	<u>7,390</u>	<u>4,798</u>	<u>9,464</u>
Future income tax liabilities:			
Financial instruments	1,920	648	2,234
Pension asset	370	-	386
Other	<u>537</u>	<u>590</u>	<u>559</u>
Total	<u>2,827</u>	<u>1,238</u>	<u>3,179</u>
	<u>\$ 4,563</u>	<u>\$ 3,560</u>	<u>\$ 6,285</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.

18. 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	March 31	December 31
	2009	2008	2008
Financial instruments whose contract amounts could represent credit risk:			
Standby letters of credit	\$ 148,085	\$ 156,754	\$ 172,170
Commitments to extend credit	\$ 3,490,044	\$ 2,282,285	\$ 2,894,462

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.

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19. 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.

(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	\$ 45.1 0.50%	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ 45.1 0.50%
Securities	- -	2,810.3 1.19%	727.1 2.84%	3,234.5 3.37%	177.9 4.13%	193.9 -	7,143.7 2.39%
Amounts on deposit with regulated financial institutions	- -	72.3 1.54%	4.4 3.98%	28.7 5.24%	- -	1.4 -	106.8 2.61%
Loans	25.8 1.37%	823.5 1.76%	48.6 3.53%	50.1 5.43%	18.2 5.93%	(2.3) -	963.9 2.11%
Other assets	- -	3.4 4.52%	19.3 3.49%	61.5 4.74%	- -	402.0 -	486.2 0.77%
Total	<u>\$ 70.9</u> 0.82%	<u>\$ 3,709.5</u> 1.33%	<u>\$ 799.4</u> 2.90%	<u>\$ 3,374.8</u> 3.44%	<u>\$ 196.1</u> 4.30%	<u>\$ 600.3</u> -	<u>\$ 8,751.0</u> 2.26%
Liabilities							
Notes	\$ 51.6 0.50%	\$ 614.41 0.71%	\$ - -	\$ - -	\$ - -	\$ 0.8 -	\$ 666.8 0.69%
Deposits	382.5 0.15%	2,666.2 1.17%	2,005.7 2.05%	1,657.1 3.38%	0.3 1.94%	86.9 -	6,798.7 1.90%
Subordinated Debt	- -	- -	- -	49.8 4.53%	- -	1.4 -	51.2 4.41%
Other liabilities	- -	368.4 0.70%	- -	- -	- -	397.1 -	765.5 0.30%
Members' Equity	- -	- -	- -	- -	- -	468.8 -	468.8 -
Total	<u>\$ 434.1</u> 0.19%	<u>\$ 3,649.0</u> 1.05%	<u>\$ 2,005.7</u> 2.05%	<u>\$ 1,706.9</u> 3.41%	<u>\$ 0.2</u> 1.94%	<u>\$ 955.0</u> -	<u>\$ 8,751.0</u> 1.58%
On Balance Sheet Gap	(363.2)	60.5	(1,206.3)	1,667.9	195.8	(354.7)	
Off Balance Sheet Gap	-	(363.3)	466.3	(6.0)	(97)	-	
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 – 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 – December 31, 2008	<u>\$ (80.3)</u>	<u>\$ (1,132.6)</u>	<u>\$ (58.7)</u>	<u>\$ 1,598.9</u>	<u>\$ 53.6</u>	<u>\$ (380.9)</u>	

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(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.

20. 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 4. 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 2009	March 31 2008	March 31 2009	March 31 2008	March 31 2009	March 31 2008
Assets						
Cash	\$ 45.09	\$ 151.61	\$ 45.09	\$ 151.61	\$ -	\$ -
Securities	7,148.97	3,398.80	7,148.97	3,398.80	-	-
Amounts on deposit with regulated financial institutions	106.81	173.44	106.81	173.44	-	-
Loans	963.50	1,383.41	964.54	1,383.21	(1.04)	0.20
Other assets	490.50	171.20	486.18	168.83	4.32	2.37
Liabilities						
Notes & Deposits	6,921.63	4,822.88	6,852.18	4,806.36	(69.45)	(16.52)
Subordinated Debt	49.53	48.60	51.19	51.69	1.66	3.09
Off-Balance Sheet Financial Instruments						
Derivatives	28.77	11.64	28.77	11.64	-	-
Total					<u>\$ (64.51)</u>	<u>\$ (10.86)</u>

Central's net unrealized loss as at December 31, 2008 was \$62.09 million.

21. 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

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presented in the Management's Discussion and Analysis (MD&A) on page 33 of our 2008 Annual Report. Summary information regarding Central's securities and loans is included in Notes 5 and 7 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 10 and 11 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 33 of our 2008 Annual Report and Central's policies and procedures for managing liquidity risk are presented in the MD&A on pages 48 to 50 of our 2008 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 34 of our 2008 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 19 and 20 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	12,416	23.5	(67,065)	(15.6)
200 bp decrease in rates	(5,705)	(10.8)	57,450	13.3

22. 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 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.

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

	Regulatory Requirement	<u>2009</u>	<u>2008</u>
Federal Borrowing Multiple	20:1	18.0:1	15.1:1
Provincial Risk-Weighted Ratio	8%	19.6%	21.3%