

CREDIT UNION CENTRAL OF CANADA
CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The management of Credit Union Central of Canada ("Canadian Central") is responsible for the integrity, objectivity and consistency of the financial information presented in this annual report. This responsibility includes selecting appropriate accounting policies which are in accordance with Canadian generally accepted accounting principles ("GAAP") and ensuring that the financial information is based on informed judgements and estimates. The Board of Directors has approved the consolidated financial statements for issuance to the members.

Management maintains the necessary system of internal controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records maintained.

The Board of Directors oversees management's responsibilities for financial statements through the Audit & Risk Management and Conduct Review Committees, which are composed solely of directors who are not officers or employees of Canadian Central.

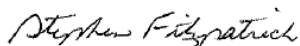
The Audit & Risk Management Committee conducts a detailed review of the consolidated financial statements with management and the independent auditors before recommending their approval to the Board of Directors.

Annually, the Office of the Superintendent of Financial Institutions Canada reviews the activities of Canadian Central, to the extent deemed necessary, to satisfy itself that provisions of the Cooperative Credit Associations Act (Canada), having reference to the safety of the interests of depositors and members of Canadian Central, are being duly observed and that Canadian Central is in sound financial condition.

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



David Philips
President & Chief Executive Officer



Stephen Fitzpatrick
Vice President, Operations & Chief Financial Officer

AUDITORS' REPORT TO THE MEMBERS OF CREDIT UNION CENTRAL OF CANADA

We have audited the consolidated balance sheet of Credit Union Central of Canada ("Canadian Central") as at December 31, 2009 and the consolidated statements of earnings, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Canadian Central's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Canadian Central as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for December 31, 2008 were reported on by another firm of chartered accountants.



Chartered Accountants
Licensed Public Accountants
Toronto, Canada
January 26, 2010

CONSOLIDATED BALANCE SHEET (In thousands of dollars)

DECEMBER 31, 2009, with comparative figures for 2008

	2009	2008
ASSETS		
Cash	\$ 22,256	\$ 17,980
Deposits with the Bank of Canada	382,147	1,360
Held-for-trading investments (note 5)	42,536	20,946
Available-for sale securities (note 6)	4,350	4,351
Cash in transit from financial institutions (note 4)	56,746	445,304
Assets purchased under reverse repurchase agreements (note 4)	1,168,585	448,000
Loans (note 7)	83,672	41,503
Income taxes recoverable	3	2,797
Premises and equipment (note 8)	354	419
Accrued interest and other assets	2,790	2,014
	\$ 1,763,439	\$ 984,674
LIABILITIES		
Cash in transit to financial institutions (note 4)	\$ 361,571	\$ 271,277
Deposits by members	182,816	230,706
Obligations related to assets sold under repurchase agreements (note 4)	1,168,585	448,000
Future income taxes (note 12)	40	40
Dividends payable (note 10)	1,150	592
Accrued interest and other liabilities	2,649	2,183
	1,716,811	952,798
MEMBERS' EQUITY		
Share capital (note 10)	42,725	27,725
Retained earnings	3,903	4,151
	46,628	31,876
Commitments and guarantees (note 13)		
	\$ 1,763,439	\$ 984,674

See accompanying notes to consolidated financial statements.

Approved by the Board



Garth Manness
Director



Gerard Adams
Director

CONSOLIDATED STATEMENT OF EARNINGS, COMPREHENSIVE INCOME AND RETAINED EARNINGS (In thousands of dollars)

YEAR ENDED DECEMBER 31, 2009, with comparative figures for 2008

	2009	2008
REVENUE		
Income from securities	\$ 1,161	\$ 586
Income from loans	262	1,554
Income from other loans and leases	372	247
Other	64	62
	1,859	2,449
EXPENSES		
Interest	248	1,371
Salaries, benefits and variable compensation	5,069	4,771
Technology, administration and other	6,288	5,292
Amortization of premises and equipment	183	171
Cost-sharing recoveries	(10,932)	(9,859)
	856	1,746
EARNINGS FROM CONTINUING OPERATIONS BEFORE SPECIAL STRATEGY COMMITTEE AND REBATE TO MEMBERS		
	1,003	703
SPECIAL STRATEGY COMMITTEE		
Special Strategy Committee costs (Note 11)	2,569	2,987
Recoveries of Special Strategy Committee costs	(2,569)	(2,987)
	–	–
EARNINGS BEFORE REBATE TO MEMBERS AND INCOME TAXES		
	1,003	703
REBATE TO MEMBERS		
Cost sharing assessments (Note 15)	101	235
EARNINGS BEFORE INCOME TAXES		
Income taxes – current (Note 12)	902	468
	299	115
NET EARNINGS AND COMPREHENSIVE INCOME		
	603	353
RETAINED EARNINGS, BEGINNING OF YEAR		
	4,151	4,191
DIVIDENDS, net of related income tax savings of \$299 (2008 – \$199)		
	(851)	(393)
RETAINED EARNINGS, END OF YEAR		
	\$ 3,903	\$ 4,151

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (In thousands of dollars)

YEAR ENDED DECEMBER 31, 2009, with comparative figures for 2008

	2009	2008
Cash flows provided by (used in):		
OPERATING ACTIVITIES		
Net earnings	\$ 603	\$ 353
Amortization of premises and equipment which does not involve cash	183	171
Change in non-cash operating items:		
Cash in transit from financial institutions	388,558	(79,930)
Cash in transit to financial institutions	90,294	(208,366)
Deposits by members	(47,890)	185,443
Deposits with the Bank of Canada	(380,787)	1,514
Held-for-trading investments	(21,590)	4,686
Assets purchased under reverse repurchase agreements	(720,585)	(448,000)
Obligations related to assets sold under repurchase agreements	720,585	448,000
Income taxes recoverable	2,794	(84)
Accrued interest and other assets	(776)	1,207
Accrued interest and other liabilities	466	(662)
	31,855	(95,668)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	15,000	–
Share redemption	(2)	–
Dividends paid	(592)	(2,371)
Income tax savings resulting from dividends declared	299	199
	14,705	(2,172)
INVESTING ACTIVITIES		
Proceeds from disposition of available-for-sale securities	1	–
Loans	(42,169)	104,434
Purchase of premises and equipment	(116)	(55)
	(42,284)	104,379
INCREASE IN CASH	4,276	6,539
CASH BEGINNING OF YEAR	17,980	11,441
CASH, END OF YEAR	\$ 22,256	\$ 17,980
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 248	\$ 1,390
Income taxes recovered	2,797	–

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars) DECEMBER 31, 2009

Credit Union Central of Canada (“Canadian Central”) is the national trade association and finance facility of all member credit unions and caisses populaires in Canada. Canadian Central provides a national forum, national voice and national services to support and expand the Canadian credit union system. Incorporated by a special act of parliament in 1953 and regulated under the Cooperative Credit Associations Act (Canada), Canadian Central was first established to provide liquidity for the Canadian system. This remains core to its purpose today. Seven provincial credit union centrals and one federation of caisses populaires comprise the Class A shareholder group of Canadian Central. The Board of Directors’ ten directors are appointed by the Provincial Centrals. In addition, another Provincial Central is a Class B shareholder.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Subsection 292(4) of the Cooperative Credit Associations Act which states that, except as otherwise specified by the Superintendent of Financial Institutions Canada (the “Superintendent”), the financial statements are to be prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The significant accounting policies used in the preparation of these consolidated financial statements, including the accounting requirements of the Superintendent, are summarized below:

(a) Basis of presentation:

The consolidated financial statements include the accounts of Credit Union Central of Canada (“Canadian Central”) and those of its investees which it controls for which it has the right and ability to obtain future economic benefits, and for which it is exposed to the related risks of ownership.

Canadian Cooperative Agricultural Financial Services (“CCAFS”) and Canadian Cooperative Leasing Services (“CCLS”), both members of Canadian Central, are deemed to be subsidiaries, notwithstanding the nominal shareholdings which Canadian Central has in these members, by virtue of the fact that Canadian Central controls them, has the right and ability to obtain future economic benefits, and is exposed to the related risks of both organizations. The nominal shareholdings which these two members have in Canadian Central have been eliminated from reported share capital, and other intercompany transactions have been eliminated.

On October 12, 2007, CCAFS sold the businesses of Agrifinance and AgriCard to AgriFinancial Canada Corporation and Agrilease Canada Corp. (together “AgriFinancial”), subsidiaries of C.A. Bancorp Inc., a publicly traded Canadian merchant bank and asset manager. Subsequent to the sale, the assets of CCAFS consist primarily of tax related assets and amounts related to the sale due from AgriFinancial. On January 31, 2009, Canadian Central was repaid in full the amounts due from AgriFinancial.

On October 31, 2008, CCLS ceased its leasing activities and has no income-generating assets as at December 31, 2009. CUIC Inc. (“CUIC”), operating as CUSOURCE Credit Union Knowledge Network, is wholly owned by Canadian Central. However, due to the Governance Agreement which provides that CUIC be operated as a not-for-profit organization and that Canadian Central have no control or risks or rewards of ownership, this investment is carried at cost.

Canadian Central also holds 100% of the shares of Cancred Lands Limited, an inactive company.

(b) Financial instruments:

Financial assets and financial liabilities are initially recognized at fair value, except for certain related party transactions, and are recognized on the consolidated balance sheet. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities. Financial assets and financial liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in net earnings. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities other than those classified as held-for-trading are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses being recognized in other comprehensive income. Classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and Canadian Central’s designation of such instruments. Canadian Central has not designated any non derivative financial liabilities as held-for-trading.

The majority of financial assets are classified as loans and receivables and financial liabilities are classified as other financial liabilities. These instruments are, as a result, measured at amortized cost. Canadian Central did not classify any financial instruments as held-to-maturity.

At December 31, 2009, Canadian Central was not party to any hedging relationships.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Held-for-trading investments:

Held-for-trading investments are recorded at fair value on the consolidated balance sheet. Realized and unrealized gains and losses and interest income on held-for-trading investments are recorded in income from securities and short-term investments. Fair value is determined based on quoted market prices in an active market. When the market is not active, fair value is determined using a valuation technique that makes maximum use of inputs observed from markets.

(d) Available-for-sale securities:

Available-for-sale securities include cooperative investments which are primarily equity securities and are recorded at cost because they are not securities quoted in an active market. Realized gains and dividend income are recorded in income from securities.

(e) Assets purchased under reverse repurchase agreements and sold under repurchase agreements:

Securities purchased under agreements to resell and securities sold under agreements to repurchase represent short-term funding transactions and are collateralized by liquid short term securities. These transactions are carried at the amounts at which the securities were initially acquired or sold.

(f) Premises and equipment:

Premises and equipment are recorded at cost less accumulated amortization. Assets costing less than \$2,000 each are expensed in the year acquired. Amortization is calculated using the straight-line method at rates so as to fully amortize the assets over their estimated useful lives as follows:

Computer equipment	3 years
Computer software and licenses	3 years
Furniture and equipment	5 years
Leasehold improvements	5 - 9 years (lease term)

(g) Translation of foreign currencies:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rates of exchange at year end. Revenue and expenses are translated at the average rates of exchange in effect throughout the year. Foreign exchange translation gains and losses and unrealized gains and losses on foreign currency contracts are recorded in earnings in the year in which they occur.

(h) Income taxes:

Canadian Central follows the asset and liability method of accounting for corporate income taxes. Under this method, future tax assets and liabilities represent the amount of tax applicable to temporary differences between the carrying amount of the assets and liabilities and their values for tax purposes. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable earnings in the year in which those temporary differences are expected to be recovered or settled. Changes in future income taxes related to a change in tax rates are recognized in earnings in the year in which the tax rate change was enacted or substantively enacted.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Key areas of estimation where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, include those relating to the fair valuation of financial instruments and income taxes. For this reason, actual results could differ from these and other estimates.

(j) Changes in accounting policies:

In August 2009, The Canadian Institute of Chartered Accountants (“CICA”) amended Handbook Section 3855, Financial Instruments - Recognition and Measurement (“Section 3855”), to achieve consistency with international standards on impairment of debt securities. The amendments adopt the definition of loans and receivables from International Financial Reporting Standards (“IFRS”) and allow certain debt securities not quoted in an active market to be classified as loans and measured at amortized cost or if Canadian Central elects to classify these instruments as available-for-sale, measured at fair value with unrealized gains and losses recorded through other comprehensive income (“OCI”). Impairment for debt securities classified as loans will be assessed and recorded using the incurred credit loss model. Based on management’s assessment, this amendment has no impact on Canadian Central’s consolidated financial statements, as all debt securities are classified as held-for-trading.

In June 2009, the CICA issued amendments to Handbook Section 3862, Financial Instruments - Disclosures, to expand disclosures of financial instruments consistent with new disclosure requirements made under international standards. The amendments introduce a three-level hierarchy that prioritizes the quality and reliability of information used in estimating the fair value of instruments. The fair values for the three levels are based on quoted prices in active markets (Level 1), models using observable inputs other than quoted prices (Level 2), or models using inputs that are not based on observable market data (Level 3).

In February 2008, the CICA issued a new accounting standard, Handbook Section 3064, Goodwill and Intangible Assets (“Section 3064”), which was effective for Canadian Central on January 1, 2009. The standard clarifies that costs may only be deferred for items that meet the definition of an asset. The concept of matching revenue and expenses remains appropriate only for allocating the cost of an asset that is consumed in generating revenue over multiple reporting periods. Section 3064 also provides extensive guidance on when expenses qualify for recognition as intangible assets but excludes intangible assets acquired in a business combination. For internally generated intangible assets, the choice to expense development costs or follow the capitalization model is no longer allowed and the accounting policy has to be applied to all projects on a consistent basis. Based on management’s assessment, this new standard has no material impact on Canadian Central’s consolidated financial statements.

(k) Future accounting policies:

In February 2008, the Canadian Accounting Standards Board announced that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. Canadian Central meets the definition of a publicly accountable enterprise. As such, Canadian Central will be required to prepare the 2011 consolidated financial statements, including comparative information, in compliance with IFRS. Canadian Central is currently assessing the potential impact of the transition to IFRS on the consolidated financial statements, disclosures, and broader financial reporting systems and controls. Canadian Central is analyzing the differences between the current accounting policies and those required by IFRS, as well as the alternatives available on adoption.

2. FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT

(a) Fair values:

The fair value of a financial instrument is the amount of the consideration that would be agreed upon in an arm’s-length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair values of cash, deposits with the Bank of Canada, cash in transit to/from financial institutions, assets purchased under repurchase agreements, loans, accrued interest and other assets, deposits by members, obligations related to assets sold under repurchase agreements, and accrued interest and other liabilities are assumed to approximate their carrying values, due to their short-term nature.

(b) Fair value hierarchy:

The extent of Canadian Central’s use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) in the valuation of securities is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2009	
	Available-for-sale securities	Trading securities
Value using quoted market prices (Level 1)	\$ –	\$ 33,727
Valued using internal models (with observable inputs) (Level 2)	–	7,293
Valued using internal models (without observable inputs) (Level 3)	4,350	1,516
	\$ 4,350	\$ 42,536

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

Canadian Central is exposed to a variety of risks as a result of holding financial instruments. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk. Canadian Central manages these risks in accordance with established policies that limit Canadian Central's investments to high quality and liquid instruments, principally debt instruments issued by Canadian government entities and/or highly rated corporates. The financial goals of Canadian Central's investment activities are in descending order of priority, the safety of principal, matching liquidity and yield.

Canadian Central has established policies and related reporting processes to manage its exposure to fluctuating interest rates (interest rate risk) and exposure to financial loss resulting from the failure of a party to honour its financial or contractual obligations (credit risk). A source of Canadian Central's income for 2009 was financial margin, which is the difference between interest earned on investments and loans and interest paid on deposits and borrowings.

- (a) Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Canadian Central manages market risk by establishing investment policies detailing acceptable levels of risk, limits and investment quality. Compliance with the policies is monitored. Canadian Central does not generally enter into derivative agreements and its investment policy details under what limited circumstances the use of derivatives is acceptable.

Market risk comprises the following principal risks:

- (i) Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Canadian Central's interest-bearing investments are exposed to interest rate risk. On average, 50% of Canadian Central's "earning asset" portfolio, which excludes its Master Asset Vehicle ("MAV") holdings (note 5), consists of assets subject to interest rate changes. On November 30, 2009, an additional \$15,000 of shareholder capital was contributed by members (note 17); because on that date, Canadian Central's investment policy had not been revised to allow more than \$10,000 to be invested in maturities exceeding one year, the proceeds were invested in short-term securities. Consequently, at year end, interest-bearing instruments constituted only 26.7% of the "earning asset" portfolio. Based on the December 31, 2009 balance of assets in the portfolio subject to interest rate risk, a 1% increase (decrease) in interest rates (decreases) increases Canadian Central's investment earnings by (\$1,156) \$1,197. Subsequent to year end, the investment policy was amended to permit up to 50% of assets to be debt securities with terms in excess of one year.
- (ii) Price risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. Canadian Central is not exposed to significant price risk.
- (b) Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The principal source of credit risk for Canadian Central arises in the course of Canadian Central's clearing and settlement role. Canadian Central establishes credit limits in the course of its daily clearing activities and pledges collateral to the Bank of Canada. In addition, Canadian Central maintains a secured line of credit with the Bank of Canada. In order to mitigate its credit risk, credit limits have been established for Canadian Central's arrangements with counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All receivables are current and are due in 30 days (note 7).

Canadian Central has extended credit under a line of credit established for CUIIC. In addition, in 2009, Canadian Central had outstanding loans to its subsidiaries which are secured by assets in the two subsidiaries.

In 2008, Canadian Central's credit risk consisted of loans provided to AgriFinancial Canada Corporation (note 7). The loans were governed by a credit agreement which provided first position security, stipulated that certain lending margins must be maintained, and required monthly financial reporting to Canadian Central and its other lenders. On January 30, 2009, Canadian Central was repaid in full.

The carrying amounts of financial assets on the consolidated balance sheet represents Canadian Central's maximum credit exposure at the consolidated balance sheet date.

- (c) Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Canadian Central manages liquidity risk by restricting the level of investments in instruments with maturities exceeding one year and restricting such maturities to 63 months or less. It also requires that investments meet the investment guidelines. Canadian Central maintains the following specific liquidity risk management policies:
- (i) The term of any one investment shall not exceed one year except as allowed in section (ii) below.
 - (ii) Up to 50% of Canadian Central's portfolio may be invested for terms of greater than one year but less than five years and three months. For greater certainty, this restriction is exclusive of investments in shares of corporations which may only be made with the approval of the Board of Directors.
 - (iii) The average term of the portion of Canadian Central's portfolio that corresponds to deposits, shall closely match the term of these obligations.

On December 31, 2009, Canadian Central's liquidity position was in compliance with these policies.

All liabilities are current and are due within one year

4. CASH IN TRANSIT AND ASSETS PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS

Canadian Central acts as the Group Clearer for cash in transit that arises from the clearing settlement system for a group of its member provincial credit union centrals ("Provincial Centrals") (note 9).

Canadian Central has a line of credit facility with the Bank of Canada in respect of its function as direct clearer on behalf of five Provincial Centrals in the Canadian Payments Association. This line of credit is limited by, and secured with, government-guaranteed securities lodged by the Provincial Centrals.

In September 2008, the Bank of Canada agreed to permit credit unions access to Purchase and Resale Agreements ("PRAs"). Under the PRAs, the Bank of Canada purchases marketable securities from Canadian Central which is then obligated to repurchase the securities from the Bank of Canada at a fixed short-term future date. Canadian Central, in its role as Group Clearer, has entered into PRAs with the Bank of Canada on behalf of Provincial Centrals, resulting in equally offsetting assets and liabilities on its consolidated balance sheet because all transactions are entered on a back-to-back basis supported by agreements between Canadian Central and the participating Provincial Centrals, and an agreement between Canadian Central and the Bank of Canada. Because of the offsetting nature of these transactions, they are exempted from Canadian Central's statutory capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. HELD-FOR-TRADING INVESTMENTS

						2009	2008
	Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Over 10 years	Total	Total
Canadian provincial and municipal governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,124
Corporate debt	30,636	8,850	1,534	-	-	41,020	18,822
MAV notes	-	-	-	-	1,516	1,516	-
	\$ 30,636	\$ 8,850	\$ 1,534	\$ -	\$ 1,516	\$ 42,536	\$ 20,946

Held-for-trading investments include money market instruments with maturities ranging up to 90 days and corporate debentures that mature within three years. The money market instruments typically pay interest at maturity while the corporate debentures typically pay interest on a semi annual basis. These instruments earn interest at a weighted average interest rate of 2.90% (2008 - 4.12%). With the exception of the MAV notes, fair value is determined based on quoted market prices.

Asset-backed commercial paper ("ABCP"):

Canadian Central had at cost \$2,508 of non-bank sponsored ABCP. These instruments did not settle at its scheduled maturity date and there has been limited active trading of ABCP since mid-August 2007.

On January 12, 2009, it was announced that the restructuring plan could be implemented and, on January 21, 2009, the plan implementation was certified. Under the terms of the restructuring, Canadian Central redeemed its ABCP holdings and received long-term notes matching the maturities of the underlying assets, which were allocated into one of three Master Asset Vehicles ("MAV 1, MAV 2 or MAV 3"). In addition, Canadian Central received unpaid interest on the ABCP less attributed restructuring fees, for the period from August 1, 2007 to the closing date.

Canadian Central's ABCP notes were converted to MAV notes as follows:

MAV NOTE SERIES	PRINCIPAL AMOUNT	INTEREST RATE	MATURITY DATE
Series A1	2,111	30 day Bankers' acceptance rate plus 50 BPS	July 15, 2056
Series C	65	20%	July 15, 2056
Series 13	331	N/A	March 20, 2014

At December 31, 2009, the fair value of the converted MAV notes was \$1,516 (2008 - \$1,610).

The valuation technique used by Canadian Central to estimate the fair value of its investment in MAV notes at December 31, 2009 incorporates probability weighted discounted cash flows considering the best data available. In forecasting the expected future cash flows, Canadian Central has made assumptions based on the terms and conditions of the restructured securities and market yield expectations on the restructured securities. Additionally, Canadian Central has valued its non-eligible ABCP holdings not subject to the restructuring at nil. Canadian Central tested the sensitivity of its MAV note valuation model and a 100 basis point variation in the discount rate would result in a 6.1% or \$92 pre-tax change in the fair value of these investments. It has considered the potential accrued interest in the determination of the fair value of the MAV notes.

Canadian Central has recognized a charge to income of \$78 (2008 - \$567) to reflect its forecast of the expected future cash flows on its restructured MAV note holdings. In the future, variations in market interest rates and expected yields could give rise to a material change in the value of Canadian Central's MAV notes which would impact earnings in future periods.

The total unrealized change in fair value recognized in net earnings for held-for-trading securities was a gain of \$53 (2008 - loss of \$513).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities include cooperative investments of \$4,350 (2008 - \$4,351), which are primarily equity securities and are recorded at cost because they are not securities quoted in an active market. These investments have indefinite terms. Management reviews available-for-sale securities on an annual basis to identify and evaluate investments that show indications of possible impairment. An investment is written down to fair value when its unrealized losses represent impairment that is considered to be other than temporary. In determining whether a loss is temporary, factors considered include the financial condition and near-term prospects of the issuer, and Canadian Central's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. If the decline is considered to be other than temporary, a write-down is recorded in the consolidated statement of earnings.

7. LOANS

	2009	2008
Provincial Centrals	\$ 83,485	\$ 37,356
AgriFinancial Canada Corporation	-	4,137
CUIC Inc.	177	-
Other members	10	10
	\$ 83,672	\$ 41,503

All loans to Provincial Centrals are due within one month. At December 31, 2009, Canadian Central has granted lines of credit to members for operating purposes in the aggregate amount of \$468,600 (2008 - \$418,600), including amounts loaned. Canadian Central has also granted a line of credit to CUIC for \$250 (2008 - \$250), and to AgriFinancial Canada Corporation for nil (2008 - \$31,385). The line of credit for CUIC, of which Canadian Central is the sole shareholder, is made available to finance its short-term operational needs, bridging gaps between collections and payments. The line of credit is supported by a loan agreement and is subject to annual review.

Pursuant to the terms of the National Liquidity Fund Agreement, Canadian Central has immediate access to the liquidity pool assets, segregated and held by Provincial Centrals, to enable it to fulfil its current responsibilities as a direct clearer of the Bank of Canada and a member of the Canadian Payments Association.

Loans are stated net of an allowance for credit losses, where applicable interest income is recorded on an accrual basis. A loan is impaired when, in management's opinion, there has been a deterioration in the credit quality to the extent that there is no longer reasonable assurance as to the timely collection of principal and interest.

8. PREMISES AND EQUIPMENT

	2009			2008
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Computer equipment	\$ 675	\$ 586	\$ 89	\$ 90
Computer software and licenses	41	41	-	14
Furniture and equipment	607	580	27	75
Leasehold improvements	579	341	238	240
	\$ 1,902	\$ 1,548	\$ 354	\$ 419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. CLEARING SYSTEM ACTIVITY

Canadian Central performs several important roles within the credit union clearing system. These include activities relating to Group Clearing Agreements with members. The following summarized consolidated balance sheet isolates the financial impact of these activities. All balances represent items with a settlement term of less than 90 days.

(IN THOUSANDS OF DOLLARS)	2009		
ASSETS	CONSOLIDATED BALANCE SHEET	CLEARING SYSTEM BALANCE	NON-CLEARING BALANCE SHEET
Cash	\$ 22,256	\$ 21,001	\$ 1,255
Held-for-trading investments	42,536	–	42,536
Available-for-sale securities	4,350	–	4,350
Deposits with the Bank of Canada	382,147	382,147	–
Cash in transit from financial institutions	56,746	56,746	–
Assets purchased under reverse repurchase agreements	1,168,585	1,168,585	–
Loans	83,672	83,485	187
Other	3,147	17	3,130
TOTAL ASSETS	\$ 1,763,439	\$ 1,711,981	\$ 51,458
LIABILITIES & MEMBERS' EQUITY			
Cash in transit to financial institutions	\$ 361,571	\$ 361,571	\$ –
Deposits by members	182,816	181,792	1,024
Obligations related to assets sold under repurchase agreements	1,168,585	1,168,585	–
Other	3,839	33	3,806
TOTAL LIABILITIES	1,716,811	1,711,981	4,830
MEMBERS' EQUITY	46,628	–	46,628
	\$ 1,763,439	\$ 1,711,981	\$ 51,458

(IN THOUSANDS OF DOLLARS)	2008		
ASSETS	CONSOLIDATED BALANCE SHEET	CLEARING SYSTEM BALANCE	NON-CLEARING BALANCE SHEET
Cash	\$ 17,980	\$ 17,968	\$ 12
Held-for-trading investments	20,946	–	20,946
Available-for-sale securities	4,351	–	4,351
Deposits with Bank of Canada	1,360	1,360	–
Cash in transit from financial institutions	445,304	445,304	–
Assets purchased under reverse repurchase agreements	448,000	448,000	–
Loans	41,503	37,356	4,147
Other	5,230	8	5,222
TOTAL ASSETS	\$ 984,674	\$ 949,996	\$ 34,678
LIABILITIES & MEMBERS' EQUITY			
Cash in transit to financial institutions	\$ 271,277	\$ 271,277	\$ –
Deposits by members	230,706	230,691	15
Obligations related to assets sold under repurchase agreements	448,000	448,000	–
Other	2,815	28	2,787
TOTAL LIABILITIES	952,798	949,996	2,802
MEMBERS' EQUITY	31,876	–	31,876
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 984,674	\$ 949,996	\$ 34,678

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. SHARE CAPITAL

	2009	2008
Authorized:		
2,500,000 shares without par value		
Issued:		
427,236 shares (2008 - 277,256)	\$ 42,725	\$ 27,725

On approval of the Board of Directors, shares are redeemable at the option of Canadian Central at the lower of fair market value and the amount paid thereon pursuant to provisions in Canadian Central's by-laws. As required by the Cooperative Credit Associations Act, such redemptions are limited in any fiscal year to 1% of the issued shares outstanding at the beginning of the fiscal year. Any redemption in share capital exceeding this amount requires regulatory approval. Canadian Central had also made a commitment to the Office of the Superintendent of Financial Institutions Canada ("OSFI") to maintain a consolidated capital level of \$31,700 for the eighteen-month period ended April 30, 2009, during which Canadian Central had agreed to provide a line of credit to AgriFinancial Canada Corporation. With the 2009 repayment of the AgriFinancial Canada Corporation's loans, this commitment to OSFI expired.

During 2009, 20 shares were redeemed (2008 - nil) for \$2 (2008 - nil). In 2009, 150,000 shares were issued (2008 - nil) for \$15,000 (2008 - nil).

Dividends are payable at the discretion of the Board of Directors. The Board of Directors approved a dividend payment of 4.0% to shareholders of record on December 19, 2009 in the amount of \$1,150 payable on February 26, 2010 (2008 - \$592).

Dividends payable in respect of share capital are deductible in the determination of taxable income and the resulting tax savings of \$299 (2008 - \$199) are netted from the dividends in the consolidated statement of earnings, comprehensive income and retained earnings.

11. SPECIAL STRATEGY COMMITTEE

The Special Strategy Committee was formed by the Board of Directors for the purpose of planning the credit union system's response to both the opportunities and challenges that are presented by potential bank mergers. In addition, a strategy was developed to improve the positioning of the credit union system and the small- and medium-sized enterprise market and a project was established. Costs incurred in 2009 for this project amounted to \$2,569 (2008 - \$2,987) and were allocated to the Provincial Centrals under a cost-sharing formula.

12. INCOME TAXES

The components of the future income tax balances are as follows:

	2009	2008
Premises and equipment	\$ 49	\$ 75
Intangible assets capitalized for tax	146	182
Reserves	30	35
Non-capital loss carryforwards	304	84
	529	376
Less valuation allowance	529	376
Future income tax asset	\$ -	\$ -

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Non-capital loss carryforwards expire as follows:

2027	\$	718
2028		239
2029		255

Set out below is a reconciliation of statutory tax rates and income tax payable that would be payable at these rates to the effective income tax rates and provisions for (recovery of) income taxes recorded in the non-consolidated statement of earnings, comprehensive income and retained earnings:

	2009		2008		
Earnings before income taxes	\$	902	\$	468	
Combined Canadian federal and provincial income taxes at the statutory tax rate	\$	298	33.0 %	\$ 157	33.5 %
Increase (decrease) resulting from:					
Non-deductible expenses		15	1.7 %	12	2.6 %
Taxes related to previous years		–	–	(84)	(17.9)%
Other		(14)	(1.6)%	30	6.4 %
Provision for income taxes and effective rates	\$	299	33.1 %	\$ 115	24.6 %

13. COMMITMENTS AND GUARANTEES

Canadian Central is a Group Clearer under the rules of the Canadian Payments Association (the “CPA”). In addition to Canadian Central, the Provincial Central members of the Canadian Central Group are Central 1 Credit Union, Credit Union Central of Alberta, Credit Union Central of Saskatchewan, and Credit Union Central of Manitoba. Under the rules of the CPA, Canadian Central:

- (a) guarantees payment of payment items drawn on or payable by the Provincial Centrals and their member credit unions; and
- (b) must give the CPA at least 30-days’ prior notice before it can make a change in the composition of the Canadian Central Group and cease acting as Group Clearer for a Provincial Central.

Canadian Central is committed to this contingent guarantee under the Canadian Central Group Clearing Agreement (the “Group Clearing Agreement”). Pursuant to the Group Clearing Agreement, the Provincial Centrals, severally, indemnify Canadian Central for all payment items drawn on or payable by the Provincial Central or its member credit unions and, in the event of the failure of a Provincial Central to honour its guarantee, the remaining Provincial Centrals, jointly and severally, indemnify Canadian Central for all payment items drawn on or payable by any Provincial Central or its member credit unions.

Canadian Central is committed to annual rental payments for leased premises as follows:

2010	\$	733
2011		810
2012		836
2013		82
2014		35

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. LINES OF CREDIT

Canadian Central has available lines of credit for borrowing in the amount of \$6,000, (2008 - \$6,000).

15. RELATED PARTY TRANSACTIONS

Canadian Central, as a financial cooperative, conducts essentially all of its transactions, except security transactions and external borrowings, with its members and, under agreement, provides administrative and financial services and support to Canadian Cooperative Agricultural Financial Services and Canadian Cooperative Leasing Services, both members and subsidiaries of Canadian Central. Canadian Central also provides services to and receives services from CUIC Inc., a wholly owned subsidiary. Canadian Central also undertakes various cost-sharing programs, which are member-funded based on accepted formulae, for the benefit of its members.

The Board of Directors approved a rebate of cost-sharing assessments of \$101 (2008 - \$235), which will be paid to participants based on the assessment support formula for specific products and services. The payment of the rebate is a result of income and cost sharing recoveries exceeding the costs of services provided to members.

16. PENSION PLAN

Canadian Central and its employees contribute to a defined contribution pension plan. The pension expense for the year ended December 31, 2009 was \$186 (2008 - \$169).

17. CAPITAL MANAGEMENT

Canadian Central's objectives when managing capital are:

- (a) to employ capital to achieve Canadian Central's strategic objectives within the risk parameters authorized by its Board of Directors;
- (b) to invest in financial assets prudently, earning a reasonable return within its established market and credit risk and liquidity criteria; and
- (c) to protect the investment by its members in Canadian Central and ensure that regulatory capital requirements are satisfied.

The Cooperative Credit Associations Act, Canada requires Canadian Central to maintain adequate capital. OSFI assesses and monitors Canadian Central to ensure it maintains adequate capital. Canadian Central is required to meet a borrowing multiple test. The borrowing multiple is calculated by dividing Canadian Central's total borrowings (excluding liabilities related to PRA auctions) by its total consolidated capital. Capital includes members' equity and retained earnings. Goodwill and other items prescribed by OSFI are deducted from capital. Borrowings comprise total deposit liabilities and other loans payable. Total borrowings should be no greater than 20 times capital. This multiple can be exceeded only with OSFI's prior approval. Aggregate borrowings, deposits accepted and debt guarantees granted may not exceed 20 times total consolidated members' equity.

On June 15, 2009, Canadian Central's capital level was below the capital requirement imposed by OSFI by \$4,893 for a period of one day as a result of unforecasted volatility in trading volumes that day. Although this was an isolated event (it is the only time it has occurred), Canadian Central's Board of Directors decided to increase its members' equity by \$15,000 to significantly reduce the risk of a recurrence of a borrowing multiple breach. Accordingly, a capital call was issued to all Class A shareholders on September 29, 2009. The new issue of share capital was fully subscribed and additional funds were received on November 30, 2009. This increase in capital was the first such increase in the last 10 years at Canadian Central.

At December 31, 2009, such obligations outstanding were approximately 11.68 (2008 -15.75) times total consolidated members' equity. Canadian Central's total capital levels as at December 31, 2009 was \$46,172 (2008 - \$31,876) and its total borrowings were \$544,389 (2008 - \$501,985).

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

SHAREHOLDER MEMBERS

AS OF DECEMBER 31, 2009

Class A: Credit Union Central and Federation Class

Central 1 Credit Union
Credit Union Central Alberta Limited
Credit Union Central of Manitoba
Credit Union Central of New Brunswick
Credit Union Central of Nova Scotia
Credit Union Central of Prince Edward Island
Credit Union Central of Saskatchewan
L'Alliance des caisses populaires de l'Ontario limitée

Class B: Trade Associations

Central Alliance for Newfoundland and Labrador Credit Unions Limited
Credit Union Central of Newfoundland & Labrador

Class C: Corporation Class

Canadian Alternative Investment Co-op
Canadian Co-operative Association
Canadian Cooperative Agricultural Financial Services
Canadian Cooperative Leasing Services
COLAC (Confederación Latinoamericana de Cooperativas de Ahorro Y Crédito)
Concentra Financial Services Association
Co-op Atlantic
Cooperative EFT Development Association (CEDA)
Co-operative Housing Federation of Canada
Co-operators General Insurance Company
Co-operators Life Insurance Company
CUMIS General Insurance Company
CUMIS Life Insurance Company
CUNA Mutual Insurance Society
Farmers Co-operative Dairy Limited
Fogo Island Co-operative Society
Gay Lea Foods Co-operative Limited
National Association of Canadian Credit Unions (NACCU)
North Carolina Credit Union League
Scotian Gold Co-operative Limited
U.S. Central Credit Union



**Credit Union
Central of Canada**

300 The East Mall, Suite 500 Toronto, ON M9B 6B7

Tel: (416) 232-1262 Fax: (416) 232-9196

www.cucentral.ca

® HANDS & GLOBE Design is a registered certification mark owned by the World Council of Credit Unions, used under license.