

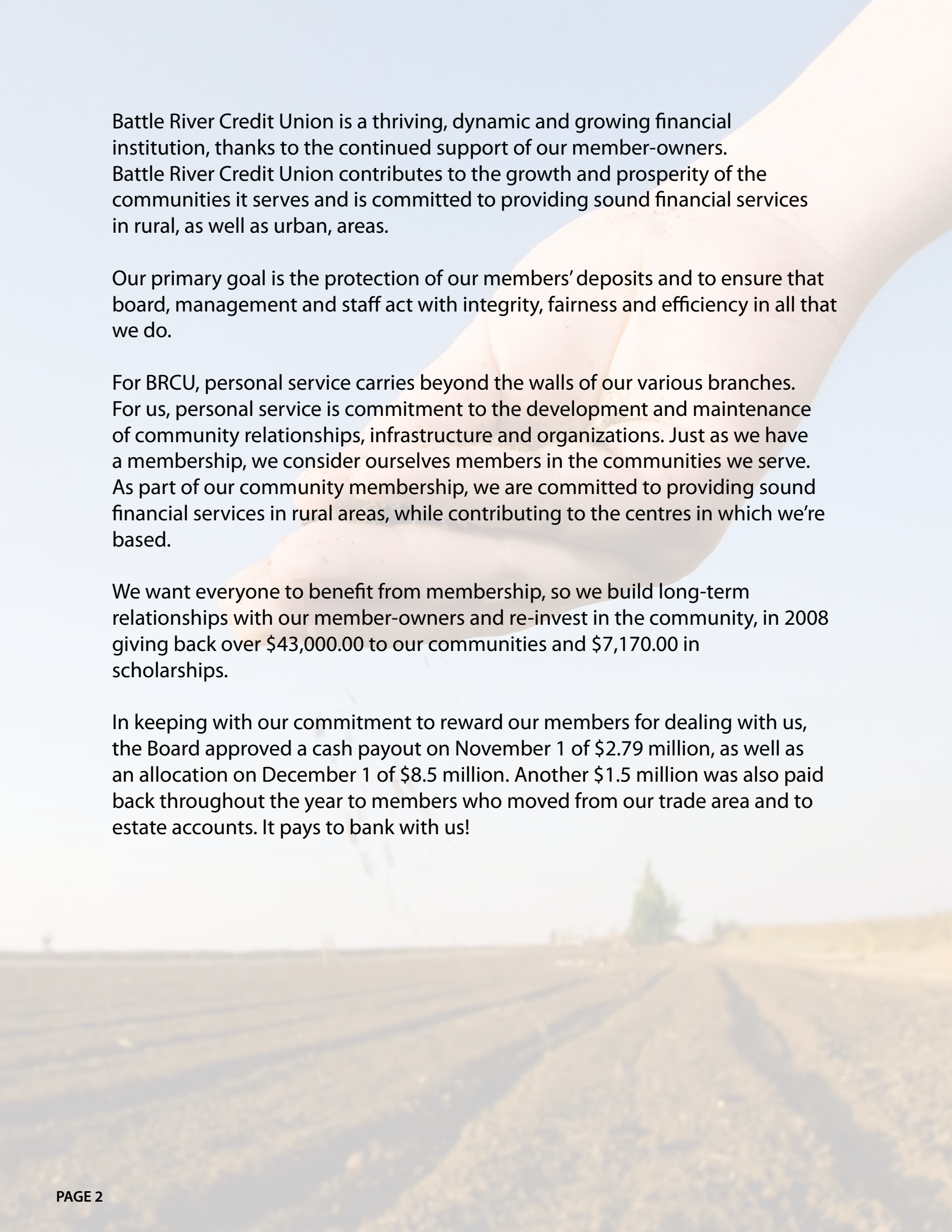
**Growing
better
communities
together**



Battle River Credit Union
2008 ANNUAL REPORT

“Our mission is to provide banking, investment and insurance products in both urban and rural areas and to support our member-owners daily through exceptional service, competitive rates, community support and local profit-sharing.”





Battle River Credit Union is a thriving, dynamic and growing financial institution, thanks to the continued support of our member-owners. Battle River Credit Union contributes to the growth and prosperity of the communities it serves and is committed to providing sound financial services in rural, as well as urban, areas.

Our primary goal is the protection of our members' deposits and to ensure that board, management and staff act with integrity, fairness and efficiency in all that we do.

For BRCU, personal service carries beyond the walls of our various branches. For us, personal service is commitment to the development and maintenance of community relationships, infrastructure and organizations. Just as we have a membership, we consider ourselves members in the communities we serve. As part of our community membership, we are committed to providing sound financial services in rural areas, while contributing to the centres in which we're based.

We want everyone to benefit from membership, so we build long-term relationships with our member-owners and re-invest in the community, in 2008 giving back over \$43,000.00 to our communities and \$7,170.00 in scholarships.

In keeping with our commitment to reward our members for dealing with us, the Board approved a cash payout on November 1 of \$2.79 million, as well as an allocation on December 1 of \$8.5 million. Another \$1.5 million was also paid back throughout the year to members who moved from our trade area and to estate accounts. It pays to bank with us!



Battle River Credit Union General Manager Terry Kelly accepts the Credit Union of the Year award for 2008 from Mr. Graham Wetter, President and CEO of Credit Union Central of Alberta. The award was presented at the Credit Union Central Annual Meeting on April 4, 2008.

Credit Union of the Year!

The year 2008 marks the second time this decade that Battle River Credit Union has won the coveted Credit Union of the Year award.

The award was also presented to Battle River Credit Union in 2000.

Battle River Credit Union also received awards for Best Return on Assets and Best Long Term Financial Performance. These awards serve as an indication that members' interests are being well-represented by Battle River Credit Union, and are definitely a reflection of a loyal membership and a very strong board of directors and management group.

In the 2007 Canadian Credit Union survey, Battle River Credit Union was also top in Canada for most profitable based on return on equity (ROE) at 28.0%, most profitable based on return on assets (ROA) at 2.67%, best productivity expense ratio at 41.0%. We were also number one in all of Canada for highest dollar amount returned to our members in dividends and patronage.



The last several months have witnessed unprecedented challenges to the world's financial institutions. As a result of the subprime mortgage and asset-backed commercial paper meltdown, some very large banks and insurance companies have gone into receivership, and many others have been forced to take extraordinary measures to shore up their financial reserves because of their enormous losses.

I am pleased to report that the Battle River Credit Union did not and will not invest a single dime in subprime mortgages or asset-backed commercial paper, and therefore our financial position and our reserves are stronger than ever.

Indeed, your credit union has achieved the highest earnings in its history, \$13.5 million before income taxes and common share allocations. You may be interested to know that the Battle River Credit Union as of December 31, 2007 [the latest date for which statistics are available] achieved the highest return on assets [2.67%] of any credit union in Canada.

But earnings are only one part of the picture. What is equally important is that we return the vast majority of our earnings [74.5%] to our members and the balance goes into reserves to build a stronger credit union. In fact, our reserves as of December 31, 2007 amounted to 10.16% of assets, the second-highest capital reserves of any credit union in Canada. We own all of our buildings, leasehold improvements and equipment, and we have no debt.

These are indeed uncertain times, but the Battle River Credit Union is extremely well placed to meet the challenges of the future.

On behalf of the Board of Directors I extend congratulations and thanks to management and staff for their outstanding efforts. To you the members, we appreciate your loyalty and we look forward to working with you to help you achieve your financial goals.



A handwritten signature in black ink, appearing to read "Alan D. Fielding".

Alan D. Fielding, Q.C.
President



Battle River Credit Union exists to serve its members. Every member counts, including those of modest means. Whether our members are rich or poor, we are helping them to create new opportunities every day. With access to a safe, convenient place to save their money and affordable loans, members from all walks of life are able to create new opportunities for themselves, like starting small businesses, building homes, and educating their children.

A handwritten signature in black ink, appearing to read "Terry Kelly".

Terry Kelly
General Manager



Credit Unions

growing throughout the world

Khatuna Koplatazde and Sophia Kurdiani of the Mamona Credit Union in the Republic of Georgia were visitors to Battle River Credit Union on September 3 and 4, 2008.

The purpose of the visit was to provide Ms. Koplatazde with training in terms of the Canadian model of the establishment and management of Credit Unions. Koplatazde, who is a dentist in her home town of Ozurgeti, Guria, started a small credit union because of severe economic conditions in her area.

She was matched with Battle River Credit Union because both credit unions began with limited resources, so she could learn of the pitfalls and opportunities that faced Battle River Credit Union along the way and use this knowledge in the future development of Mamona Credit Union.

Learning from the Canadian experience, and the potential for continued partnerships is an opportunity for Mamona Credit Union that will secure its continued success and growth.



Trevor Davies (Canadian Executive Service Organization volunteer), with Sophia Kurdiani (interpreter), Khatuna Koplatazde (Director, Mamona Credit Union), Pauline Marcinkowski (Manager of Administration), and Joe Mohan (Vice President Operations).



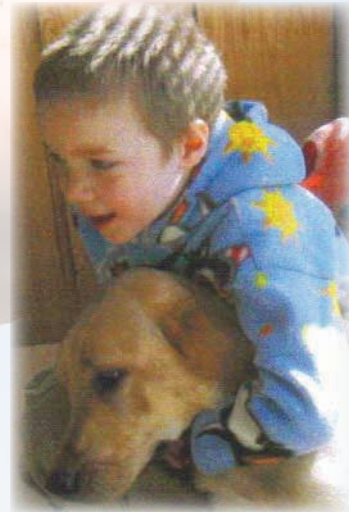
Sophia Kurdiani, Khatuna Koplatazde, and City Centre Branch Manager Matt Danko go over various banking procedures.





Battle River Credit Union Castor branch manager Kevin Johnson presents a cheque for \$10,000 to the Castor Hall Project Committee (L to R, Cindy James, Walter Pickles, Kevin Johnson, and Stacey Renschler).

giving back



Xander McTavish with his Autism Service dog, Texas, which Battle River Credit Union helped to provide funding for through Dogs With Wings Assistance Dog Society.



Alisha Sullivan wearing the Airway Clearance System vest which Battle River Credit Union assisted in providing for her. Alisha has cystic fibrosis.

giving back



Senior Vice President Steve Friend presents a donation to Centra Cam Vocational Training Association's Roxanne Skjonsberg to help with their building renovations. Centra Cam provides a multitude of services to people with disabilities.

Battle River Credit Union has been actively engaged in helping to build and strengthen communities for the past 58 years, and the spirit of giving continues. Donations and sponsorships are continually invested for youth, recreation and community facilities.

Over the course of the last year, we have provided support for the Huntington Society, Dogs With Wings, Camrose Minor Hockey Association, Camrose Association for Community Living, Centra Cam, The Open Door, and various other charitable organizations. We also provided funding to help the Town of Stettler with the development of new ball diamonds and soccer fields.

We are committed to sustaining strong communities. Our caring and involvement sets us apart from other financial institutions. We build long-term relationships with our member-owners, share our profits and give back to them in many important and helpful ways. We recognize the value of reinvesting in our communities and support activities that enhance our sense of family.

At Battle River Credit Union, we recognize our responsibility to invest in, and focus on, development of our youth. We invest in the future of our communities by supporting our youth and providing scholarships to our future leaders.

CONGRATULATIONS TO THE 2008-2009 RECIPIENTS

Augustana University College

\$450 to the Community Scholarship Endowment Fund and three bursaries for \$1,350 each (recipients to be named at a later date)

Camrose Composite High School

1st Standing Social Studies 30: Kevin Voon - \$250
2nd Standing Social Studies 30: Janna Deng - \$150

St. Mary's High School - Vegreville

Most Improved Student Grade 12: Chris Piat - \$300

Central High School (Sedgewick/Killam/Alliance)

Leif Osback Memorial

Highest Academic Achievement Gr. 12:
Marla Slavik - \$1,000

Gus Wetter School - Castor

Most Improved Student Grade 12:
Kelsey Wismer - \$300

Vegreville Composite High School

Top Grade 10 Student: Hannah Schieck - \$115
Top Grade 11 Student: Natasha Palichuk - \$115

Most Improved Grade 12 Student:
Dalton Durie - \$300

Viking High School

Highest Achievement Social 30:
Wyatt Loveseth - \$200

Daysland School

Applied Math 30: Graham Zimmer - \$150 and plaque
Social Studies 33: Cody Miller - \$150 and plaque

Stettler Composite High School

Academic: Tim Nelson - \$100
Academic: Zach Nelson - \$100
Career Transition Technology:
Heather Keith - \$100



Standing (L to R): Dennis Baird (Director), Dean Huolt (Director), Les Trach (Director), Joe Cameron (Director), Allen Rostad (Director), Ron Pilger (Director), and Ernest Duchscherer (Director).
Seated (L to R): Steve Friend (Senior Vice President), Glenn Friesen (Vice President), Alan Fielding (President), Terry Kelly (General Manager), and Lane Carrington (Director). Missing from the photo is Director Garry Schielke.

Board/Executive Management



Standing (L to R): Bruce Weinkauf (Vice President of Operations), Joe Mohan (Vice President of Operations), and Mickey Mohan (Vice President of Operations).
Seated (L to R): Steve Friend (Senior Vice President) and Terry Kelly (General Manager).



Matt Danko
City Centre
Branch Manager



Yvonne Schell
West End
Branch Manager



David Sheets
Stettler
Branch Manager



Kerry Hoyland
Sedgewick
Branch Manager



Lorrett Tatarin
Two Hills
Branch Manager



Rory Sperling
Vegreville
Branch Manager



Jason Terlesky
Viking
Branch Manager



Jason DeRuyck
Daysland
Branch Manager

Management Team



Melody Rott
Killam
Branch Manager



Kevin Johnson
Castor
Branch Manager



Chelsea Bromley
Alliance
Branch Manager



Pauline Marcinkowski
Manager of
Administration



Maureen Grove
Manager of
Finance



Paulette Robinson
Executive Assistant/
Marketing Manager



Darin Winder
Information
Technology Manager



Theo Schulz
Investment
Advisor

The Milestones

1950

- Incorporated: Camrose Savings and Credit Union Ltd. to serve East Central Alberta residents
- Membership: 21
- Assets: \$178

1961

- General Manager: Gerrit Oldekamp

1966

- Opened: Edberg Branch office
- Membership: 1,122
- Assets: \$790,940

1969

- Built new building on 51st Street

1972

- Building space doubled
- Staff: 18
- Membership: 4,412
- Assets: \$7.3 million

1973

- Converted to computerized service
- Membership: 4,905
- Assets: \$11.5 million

1974

- Amalgamated with J&L Credit Union of New Sarepta

1976

- Opened new branch in Stettler
- Opened head office in Central Agencies building
- Membership: 7,819
- Assets: \$31.6 million

1977

- Opened branch at Duggan Mall
- Amalgamated with Flagstaff Credit Union
- Opened branch in Coronation

1978

- Terry Kelly hired as Manager of Branch Operations

1979

- Relocated head office to 51st Street Branch
- New General Manager: Terry Kelly
- Assets: \$51.5 million

1982

- Installed ATM at 51st Street Branch in Camrose - the first in Camrose

Alberta's credit union movement appeared in 1927, when a group of farmers in Killam opened their own savings and lending co-operative. Because a provincial Credit Union Act was yet to be developed, the credit union was incorporated under the province's Co-operative Association Act. At right is the Killam Branch as it stands now.



1984

- Amalgamated with Vegreville & District Savings & Credit Union
- Installed ATM at Stettler
- Changed name to Battle River Credit Union Ltd.

1986

- Built new 3,250 sq. ft. office in Vegreville
- Connected ATMs with Circuit/Cirrus network
- Issued MasterCard credit cards

1987

- Renovated Duggan Mall Branch
- Relocated ATM from Stettler to Duggan Mall
- Closed Coronation office
- Assets: \$54.9 million

1988

- Built new 3,116 sq. ft. office in Viking
- Assets: \$56.5 million

1991

- Added second storey at head office
- Assets: \$70.4 million

1996

- Introduced Mutual Funds, Teleservice and Choice Rewards
- Assets: \$105.5 million

1997

- Introduced new personal accounts and MasterCard Gold credit card
- Assets: \$117.4 million

1998

- Introduced Internet Banking Service
- Moved Duggan Mall Branch to a new building to become the West End Branch
- Assets: \$132 million

1999

- Installed ATMs at Viking and Stettler branches
- Introduced Ethical Funds RESP
- Assets: \$143.8 million

2000

- **Awarded Credit Union of the Year**
- Became owners of seven Bank of Montreal branches with five new locations for a total of 11 branches
- Installed ATMs in Daysland, Castor and Sedgewick, and renovated City Centre Branch and Corporate Office
- Assets: \$303 million

2001

- Introduced Student Select and Business Essentials accounts including special lending features
- Launched website at www.battlerivercreditunion.com
- Assets: \$322 million

2002

- Launched Transaction Imaging
- Started construction on new City Centre Branch
- Assets: \$331 million

2003

- Introduced Global Payment MasterCard
- Opened City Centre Branch and renovated Corporate Office
- Assets: \$338 million

2004

- Installed ATM at the Vegreville Branch
- Renovated the Castor Branch
- Assets: \$358 million

2005

- \$50,000 donated for St. Mary's Hospital CT Scanner
- Assets: \$398 million
- Profit: \$6.57 million before taxes and allocation of profits

2006

- Renovated Stettler Branch
- Assets: \$433 million
- Profit: \$9.3 million before taxes and allocation of profits

2007

- Relocated Killam Branch and installed ATM
- Assets: \$456 million
- Profit: \$12.8 million before taxes and allocation of profits

2008

- **Awarded Credit Union of the Year**
- Assets: \$494 million
- Profit: \$13.5 million before taxes and allocation of profits

Our Branches

Corporate Office

5007-51 Street
Camrose, Alberta T4V 1S6
Telephone 780-672-1175
Edmonton Direct
780-424-1302
Fax 780-672-5996

Alliance Branch

Box 180
201 Main Street
Alliance, Alberta T0B 0A0
Telephone 780-879-3644
Fax 780-879-3838

Castor Branch

Box 60
5002-50 Avenue
Castor, Alberta T0C 0X0
Telephone 403-882-3950
Fax 403-882-3555

City Centre Branch

5030-51 Street
Camrose, Alberta T4V 1S5
Telephone 780-672-9221
Fax 780-672-9230

Daysland Branch

Box 130
5004-50 Street
Daysland, Alberta T0B 1A0
Telephone 780-374-3951
Fax 780-374-3736

Killam Branch

Box 39
5004-50 Street
Killam, Alberta T0B 2L0
Telephone 780-385-3731
Fax 780-385-2406

Sedgewick Branch

Box 127
4838-47 Street
Sedgewick, Alberta T0B 4C0
Telephone 780-384-3912
Fax 780-384-3938

Stettler Branch

Box 1357
4911-51 Street
Stettler, Alberta T0C 2L0
Telephone 403-742-2331
Fax 403-742-2255

Two Hills Branch

Box 388
4916-47 Avenue
Two Hills, Alberta T0B 4K0
Telephone 780-657-3321
Fax 780-657-2036

Vegreville Branch

Box 1315
4917-51 Avenue
Vegreville, Alberta T9C 1S5
Telephone 780-632-3998
Fax 780-632-4080

Viking Branch

Box 215
5302-50 Street
Viking, Alberta T0B 4N0
Telephone 780-336-4944
Fax 780-336-3181

West End Branch

4705-65 Street
Camrose, Alberta T4V 3M5
Telephone 780-672-8893
Fax 780-672-8895



A hand is shown from the top right, holding a small amount of dark soil. The hand is positioned over a vast, flat, brown field that stretches to the horizon. The background is a clear, light blue sky. The overall scene suggests a connection between agriculture and financial reporting.

Financial Statement

FOR THE FISCAL YEAR 2008

Management's Responsibility for Financial Statements

The financial statements of BATTLE RIVER CREDIT UNION LTD. and all other information contained in the annual report are prepared and presented by management, which is responsible for their accuracy, objectivity and completeness. This responsibility includes presenting the statements in accordance with generally accepted accounting principles. The preparation of the statements necessarily involves the use of estimates, which are made using careful judgement.

Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors has the ultimate responsibility for these financial statements. The Board oversees management's responsibilities for financial reporting through an Audit and Finance Committee, which is composed entirely of directors who are not officers or employees of BATTLE RIVER CREDIT UNION LTD. The Committee reviews the financial statements and recommends them to the Board for approval.

To carry out its duties, the Audit and Finance Committee reviews the annual financial statements, as well as issues related to them. The Audit and Finance Committee also assesses the effectiveness of internal controls over the accounting and financial reporting systems. The Audit and Finance Committee's review of financial reports includes an assessment of key management estimates and judgements material to the financial results.

The external auditor, appointed by the Board of Directors, conducted an audit of these financial statements in accordance with generally accepted auditing standards. The external auditor has full and unrestricted access to the Audit and Finance Committee to discuss their audit findings as to the integrity of BATTLE RIVER CREDIT UNION LTD.'s financial reporting and adequacy of internal controls.

Mowbrey Gil LLP Chartered Accountants has examined these financial statements and their report follows.



Terry Kelly, General Manager
Camrose, Alberta
November 14, 2008

Auditors' Report

We have audited the statement of financial position of BATTLE RIVER CREDIT UNION LTD. as at October 31, 2008, and the statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit of these financial statements in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the 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 financial statements present fairly, in all material respects, the financial position of the Credit Union as at October 31, 2008, and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta
November 14, 2008



Mowbrey Gil LLP, Chartered Accountants

Audit and Finance Committee Report

The Audit and Finance Committee met four times during the 2008 fiscal year. We reviewed the legislated financial reports as well as the financial results of each branch and compared their performance to budget. We received quarterly Asset Liability Management reports provided to ensure our portfolio was properly matched.

We reviewed and recommended the 2008 budget for approval. We received and reviewed the internal audits conducted during the fiscal year, our external auditors' management letter and the audited financial statements.

The purpose of the audits is to verify the Credit Union procedures are being followed in accordance with the Credit Union's policies and that the legislated requirements governed by the *Credit Union Act* and bylaws are adhered to.

My sincere thanks to the members of the committee and to the management who provided their assistance and information.

A handwritten signature in black ink, appearing to read 'Ron Pilger', is positioned above the printed name.

Ron Pilger, Committee Chairman

Credit Committee Report

We are pleased to report on the activities of the Credit Committee for the past year.

The Credit Committee continues to meet on a regular basis to ensure loan requests are processed on a timely basis.

During the 2008 fiscal year, Battle River Credit Union approved 2,921 loan applications totalling \$225,999,115.32. This compares to the previous fiscal year where 3,508 applications were approved totalling \$260,229,270.70.

The total amount of new money approved is \$127,330,804.60.

Financial Position

October 31, 2008

(\$ Thousands)	2008	2007	2006
Assets			
Cash	\$ 8,932	\$ 7,723	\$ 6,288
Investments (note 3)	90,477	57,013	65,894
Accounts receivable and prepaid expenses	48	89	51
Income taxes receivable	17	175	92
Future tax (note 4)	975	955	1,105
Member loans (note 5)	388,958	384,385	344,307
Foreclosed properties held for resale	-	102	-
Property, plant and equipment (note 6)	5,406	5,514	6,039
	\$ 494,813	\$ 455,956	\$ 423,776
Liabilities			
Accounts payable	703	527	667
Member deposits (note 7)	436,056	407,618	385,446
	\$ 436,759	\$ 408,145	\$ 386,113
Contingent liabilities (note 8)			
Capital, Reserves and Retained Earnings			
Share capital (note 9)	30,050	23,347	18,800
Dividends and allocation distributable (note 9)	8,504	8,964	6,363
Special reserve (note 10)	5,500	5,500	5,500
Retained earnings	14,000	10,000	7,000
	58,054	47,811	37,663
	\$ 494,813	\$ 455,956	\$ 423,776

Approved on behalf of the Board:



Alan D. Fielding, President



Ron Pilger, Director

Statement of Income

For the year ended October 31, 2008

(\$ Thousands)	2008	2007	2006
Interest Income			
Member loans	\$ 26,056	\$ 23,871	\$ 20,550
Investments	2,571	3,087	2,740
	28,627	26,958	23,290
Interest Expense			
Deposit accounts	9,101	8,901	7,933
Loan payable funds	5	1	7
	9,106	8,902	7,940
Net Interest Income			
	19,521	18,056	15,350
Provision for credit losses (note 5)	84	95	229
Net Interest Income After Provision for Credit Losses			
	19,437	17,961	15,121
Other Income	3,647	3,748	3,330
Net Interest Income and Other Income			
	23,084	21,709	18,451
Non-interest Expenses			
Personnel	4,681	4,440	4,355
General and administrative	3,235	2,900	3,214
Occupancy	687	719	724
Member security	755	710	671
Organization	197	166	205
	9,555	8,935	9,169
Income Before ProfitShare Allocation and Income Taxes			
	13,529	12,774	9,282
ProfitShare allocation (note 9)	8,380	8,765	6,363
Income Before Provision for Income Taxes			
	5,149	4,009	2,919
Provision for income taxes (note 4)	1,149	1,009	748
Net Income for the Year			
	\$ 4,000	\$ 3,000	\$ 2,171

Statement of Retained Earnings

For the year ended October 31, 2008

<i>(\$ Thousands)</i>	2008	2007	2006
Retained Earnings, Beginning of Year	\$ 10,000	\$ 7,000	\$ 5,000
Add:			
Net income for the year	4,000	3,000	2,171
	14,000	10,000	7,171
Deduct:			
Series A Investment share dividends	-	-	224
Less: Income tax recovery thereon	-	-	(53)
Allocation to special reserves	-	-	-
	-	-	171
Retained Earnings, End of Year	\$ 14,000	\$ 10,000	\$ 7,000

Statement of Cash Flows

For the year ended October 31, 2008

(\$ Thousands)	2008	2007	2006
Operating Activities			
Interest received	\$ 28,724	\$ 25,667	\$ 21,924
Dividends received	465	644	379
Other income received	3,647	3,748	3,330
Interest paid	(8,698)	(8,590)	(7,563)
Income taxes paid	(1,010)	(1,033)	(668)
Operating expenses paid	(8,851)	(8,816)	(8,793)
Cash Provided by Operating Activities	14,277	11,620	8,609
Investing Activities			
Purchase of property, plant and equipment	(305)	(311)	(491)
Net increase in loans	(4,734)	(39,504)	(25,809)
Additions to and proceeds of investment securities	(33,996)	8,951	(8,012)
Proceeds on disposal of property, plant and equipment	-	534	-
Proceeds on disposal of foreclosed properties	98	64	236
Purchase of foreclosed properties, net	(24)	(160)	(370)
Cash Flows from Investing Activities	(38,961)	(30,426)	(34,446)
Financing Activities			
(Repayment) Proceeds on borrowings	-	-	-
Share capital issued, net	1	13	2
Redemption of share capital	(2,137)	(1,632)	(6,905)
Net increase in deposits	28,029	21,860	23,730
Cash Flows from Financing Activities	25,893	20,241	16,827
Increase (Decrease) in Cash	1,209	1,435	(9,010)
Cash, beginning of year	7,723	6,288	15,298
Cash, End of Year*	8,932	\$ 7,723	\$ 6,288
*Consists of			
Cash and deposits with Credit Union Central	10,126	\$ 9,000	\$ 7,108
Cheques and other items in transit, net	(1,194)	(1,277)	(820)
Cash, End of Year	\$ 8,932	\$ 7,723	\$ 6,288

Notes to the Financial Statements

For the year ended October 31, 2008

1. Nature of Operations

The credit union is incorporated under the *Credit Union Act* of the Province of Alberta to serve members in Camrose and the surrounding area and operates eleven credit union branches.

The Credit Union Deposit Guarantee Corporation (Corporation), a Provincial Corporation, guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. The *Credit Union Act* provides that the Province will ensure that the Corporation carries out this obligation.

2. Significant Accounting Policies

The credit union follows accounting policies appropriate to its activities and governing legislation, which conform to Canadian generally accepted accounting principles. The significant accounting policies adopted by the credit union include:

a) Investments

Investments in securities that are classified as held-to-maturity or as loans and receivables are valued at cost or amortized cost, adjusted to recognize other than a temporary impairment in the underlying value.

Investments in securities that are classified as held for trading are recorded at fair value.

Investment income from securities classified as loans and receivables, including interest earned and investment gains and losses, are recorded in income for the year. Realized and unrealized gains and losses on securities classified as held-for-trading are included in income in the year in which they occur.

b) Member Loans

Member loans are recorded net of any unearned income and allowance for credit losses. Interest income from loans is recorded on an accrual basis.

A loan is classified as impaired when there is reasonable doubt as to the timely collection of some portion of principal or interest. A loan where payment of interest is contractually past due 90 days is classified as impaired unless there is no reasonable doubt as to the collectability of all interest and principal. Loans or portions of loans considered uncollectable are written-off.

c) Allowance for Credit Losses

The credit union maintains an allowance for credit losses in an amount considered adequate to absorb credit losses existing in its loan portfolio. The allowance is increased by a provision for credit losses, which is charged to income, and reduced by write offs, net of recoveries. The allowance for credit losses consists of the following:

A specific allowance is established on an individual loan basis, to reduce the carrying book values to estimated realizable values. Estimated realizable values are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans. When the amounts and timing of future cash flows cannot be reliably established, estimated realizable values are determined by reference to market prices for the loans or their underlying security.

A collective allowance is established when evidence of impairment within groups of loans exists but is not sufficient to allow identification of individual impaired loans. Impairment is estimated using a formula based on historical credit loss experience, known risks in the portfolio and current economic conditions and trends. As individual impaired loans are identified, a specific allowance is assigned to that loan and the collective allowance is adjusted accordingly.

d) Income Taxes

Income taxes are recorded on the tax liability method. Future income taxes are recognized based on the tax effects that will arise if an asset is realized or a liability is settled for its carrying amount. The credit union is taxed at an effective rate of 24.80%.

Notes to the Financial Statements

For the year ended October 31, 2008

e) Property, Plant and Equipment

Land is recorded at cost. Building, furniture, office equipment, computer hardware and computer software are reported at cost less accumulated amortization. Amortization is calculated primarily using the straight-line method over the estimated useful lives of the related assets as indicated below:

Buildings	2.5%
Parking lot	4.0%
Furniture	10%
Office equipment	10% and 20%
Computer hardware	20%, 33-1/3% and 50%
Computer software	20% and 33-1/3%

Full amortization is recorded in the year of acquisition and none in the year of disposal.

f) Use of Estimates

In preparing the financial statement, management must make estimates and assumptions considering values of certain assets, liabilities, and net income reported in these financial statements.

g) Adoption of New Accounting Standards

Capital Management

Section 1535: Capital Disclosures requires the Credit Union to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. This standard is effective November 1, 2007, and is applied prospectively.

Financial Instruments

The Canadian Institute of Chartered Accountants has issued Section 3862 - Financial Instruments: Disclosure and Section 3863 - Financial Instruments: Presentation, which implement changes to accounting standards for disclosure of financial instruments. The disclosure requires information to be presented on all categories of financial instruments, the risks associated with investments and how the Credit Union manages those risks. The standards are effective November 1, 2007, and are applied prospectively.

Notes to the Financial Statements

For the year ended October 31, 2008

3. Investments

(\$ Thousands)	2008	2007	2006
Credit Union Central Alberta Limited			
Shares	\$ 6,372	\$ 6,372	\$ 5,972
Term deposits	78,400	47,300	56,400
Other investments	5,000	2,233	2,484
	89,772	55,905	64,856
Accrued interest	705	1,108	1,038
	\$ 90,477	\$ 57,013	\$ 65,894

As required by the *Credit Union Act*, the credit union holds investments in Credit Union Central Alberta Limited to maintain its liquidity level.

The estimated market value of the investments is equal to book value. The shares have no specific date of maturity.

4. Future Tax

(\$ Thousands)	2008	2007	2006
Income tax expense is comprised of:			
Current income taxes	\$ 1,169	\$ 859	\$ 562
Future income taxes	(20)	150	186
Provision for income taxes	\$ 1,149	\$ 1,009	\$ 748

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 38.19% (2007 - 39.12%, 2006 - 39.74%) to income before income taxes. The reasons for the differences are as follows:

(\$ Thousands)	2008	2007	2006
Income taxes calculated at the statutory rate	\$ 1,966	\$ 1,568	\$ 1,160
Income tax adjusted for the effect of:			
Reduction for credit unions	(867)	(641)	(467)
Change in tax rates	73	-	-
Other	(23)	82	55
Income taxes as recorded	\$ 1,149	\$ 1,009	\$ 748

The tax effects of temporary differences that give rise to significant portions of the future tax assets are as follows:

(\$ Thousands)	2008	2007	2006
Property, plant and equipment	\$ (129)	\$ (130)	\$ (110)
Intangible assets	1,139	1,131	1,248
Allowance for credit losses	(35)	(46)	(33)
	\$ 975	\$ 955	\$ 1,105

Notes to the Financial Statements

For the year ended October 31, 2008

5. Member Loans

(\$ Thousands)

			2008	2007	2006
	Outstanding Balance	Allowance for Credit Losses*	Total	Total	Total
Mortgage	\$ 239,260	\$ 274	\$ 238,986	\$ 229,959	\$ 204,145
Non-mortgage	147,454	989	146,465	150,759	\$ 137,072
	386,714	1,263	385,451	380,718	341,217
Accrued interest	3,507	-	3,507	3,667	3,090
	\$ 390,221	\$ 1,263	\$ 388,958	\$ 384,385	\$ 344,307

* For presentation purposes, the allowance for credit losses has been allocated proportionately to the above loan categories. However, this allowance is available for the total loan portfolio.

The allowance for credit losses includes a general allowance of \$1,065,622 (2007 - \$837,972, 2006 - \$1,032,337). There were \$868,259 (2007 - \$2,246,624, 2006 - \$1,395,078) in impaired loans as at the year end included in the above amounts.

Impaired assets include foreclosed real estate assets held for sale with a gross amount of \$NIL (2007 - \$102,492, 2006 - \$NIL) and a related specific allowance of \$NIL (2007 - \$60,000, 2006 - \$NIL). Details of the changes in the allowance for credit losses are as follows:

(\$ Thousands)	2008	2007	2006
Balance, beginning of year	\$ 1,321	\$ 1,261	\$ 1,158
Less: Accounts written off, net of recoveries	(142)	(35)	(126)
	1,179	1,226	1,032
Charge for credit losses	84	95	229
Balance, end of year	\$ 1,263	\$ 1,321	\$ 1,261

Notes to the Financial Statements

For the year ended October 31, 2008

6. Property, Plant and Equipment

(\$ Thousands)

	2008			2007	2006
	Cost	Accumulated Amortization	Net Carrying Value	Net Carrying Value	Net Carrying Value
Land	\$ 514	\$ -	\$ 514	\$ 514	\$ 788
Buildings	6,199	2,271	3,928	3,947	4,181
Parking lot	242	76	166	175	185
Furniture	1,503	1,307	196	258	320
Office equipment	932	689	243	159	89
Computer hardware	1,416	1,343	73	129	91
Computer software	760	474	286	332	385
	\$ 11,566	\$ 6,160	\$ 5,406	\$ 5,514	\$ 6,039

Amortization in respect of the above depreciable assets for the year amounted to \$412,775 (2007 - \$477,251, 2006 - \$470,428).

7. Member Deposits

The repayment of all deposits, including accrued interest, is guaranteed by Credit Union Deposit Guarantee Corporation, for which the credit union pays a deposit guarantee assessment fee.

(\$ Thousands)

	2008	2007	2006
Demand deposits	\$ 212,287	\$ 195,270	\$ 180,986
Term deposits	170,471	162,082	153,547
Registered plans	48,938	46,315	47,274
	431,696	403,667	381,807
Accrued interest	4,360	3,951	3,639
	\$ 436,056	\$ 407,618	\$ 385,446

Notes to the Financial Statements

For the year ended October 31, 2008

8. Contingent Liabilities and Commitments

Credit Commitments

In the normal course of business, the credit union enters into various commitments to meet the credit requirements of its members. These include credit commitments, letters of credit, letters of guarantee and loan guarantees, which are not included in the Statement of Financial Position.

Guarantees and standby letters of credit represent an irrevocable obligation to make payments to a third party in the event that the member is unable to meet its contractual financial or performance obligations. In the event of a call on such commitments, the credit union has recourse against the members.

Commitments to extend credit represent undertakings to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions and include recently authorized credit not yet drawn down and credit facilities available on a revolving basis.

These credit arrangements are subject to the credit union's normal credit standards and collateral may be obtained where appropriate. The contract amounts set out below represent the maximum credit risk exposure to the credit union should the contracts be fully drawn, and any collateral held proves to be of no value. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts do not necessarily represent the future cash requirements.

As at October 31, 2008, the credit union had the following amounts outstanding:

<i>(\$ Thousands)</i>	2008	2007	2006
Guarantee and standby letters of credit	\$ 1,146	\$ 1,583	\$ 676
Commitments to extend credit:			
Original term to maturity of one year or less	5,758	5,405	4,352
Original term to maturity of more than one year	44,018	43,490	40,540
	\$ 50,922	\$ 50,478	\$ 45,568

Line of Credit

To finance short-term cash needs, the Credit Union has an operating line of credit with Credit Union Central. The operating line of credit has a ceiling of \$20,000,000, is payable on demand, bears interest at Credit Union Central's prime rate and is secured by a demand promissory note, a general assignment of book debts and a hypothecation of the Credit Union's shares, investments and deposits with Credit Union Central. The operating line of credit avoids the need to maintain on hand large sums of cash for short-term purposes. The operating line of credit is used generally on a day-to-day basis. The current outstanding amount as at October 31, 2008, is \$NIL (2007 - \$NIL, 2006 - \$NIL).

Notes to the Financial Statements

For the year ended October 31, 2008

9. Share Capital

(\$ Thousands)

			2008	2007	2006
	Common Shares - Credit Union Contributed	Common Shares - Member Contributed	Total	Total	Total
Balance, beginning of year	\$ 23,254	\$ 93	\$ 23,347	\$ 18,800	\$ 21,439
Previous year's allocation paid	8,839	-	8,839	6,165	4,267
Net purchases	-	1	1	14	2
Redemptions:					
Section 111(3)b	(1,579)	(7)	(1,586)	(1,210)	(929)
Section 111(4)a+b	(551)	-	(551)	(422)	(304)
Section 107(6)	-	-	-	-	(5,675)
Balance, end of year	\$ 29,963	\$ 87	\$ 30,050	\$ 23,347	\$ 18,800

Common Shares

The *Credit Union Act* created a class of equity shares known as Common Shares, having the following characteristics:

- An unlimited number may be issued;
- A par value of \$1, but fractional shares may be issued;
- Transferable only in restricted circumstances;
- Non-assessable; and
- Redemption of common shares is at par value and is at the discretion of the credit union, subject to the restrictions contained in the *Credit Union Act* and Regulations.

A member must purchase at least one (1) share to retain membership in the credit union.

The Board of Directors declared a \$8,380,000 ProfitShare Dividend. ProfitShare dividends are paid to members by the issuance of common shares and are allocated to members' accounts as determined by the Board of Directors.

The credit union has met the Capital Adequacy requirements as prescribed by the *Credit Union Act*.

Notes to the Financial Statements

For the year ended October 31, 2008

10. Special Reserves

(\$ Thousands)	2008	2007	2006
Balance, beginning of year	\$ 5,500	\$ 5,500	\$ 5,500
Allocation for the year	-	-	-
Balance, end of year	\$ 5,500	\$ 5,500	\$ 5,500

The special reserve was established to build greater reserves and to provide a fund to draw on for extraordinary occurrences, capital expenditures and acquisitions. Allocations to the special reserve are made from retained earnings as determined by the Board of Directors.

11. Fair Value of Financial Instruments

The amounts are designed to approximate the fair values of the credit union's financial instruments using the valuation methods and assumptions described below. Since many of the credit union's financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in market rates that have occurred since their origination. Due to the estimation process and the need to use judgement, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The carrying value of most of the credit union's financial instruments is not adjusted to reflect changes in interest rates, as it is the credit union's intention to hold the instruments to maturity.

Estimated fair values of on-balance sheet financial instruments are summarized as follows:

(\$ Thousands)			2008	2007	2006
	Book Value	Fair Value	Book Value Over Fair Value	Book Value Over Fair Value	Book Value Over Fair Value
Assets					
Cash	\$ 8,932	\$ 8,932	\$ -	\$ -	\$ -
Investments	90,477	90,639	162	82	185
Loans	388,958	387,405	(1,553)	(5,261)	(3,822)
Other assets	6,446	6,446	-	-	-
Less:					
Liabilities					
Deposits	436,056	430,728	(5,328)	(1,005)	(2,235)
Other liabilities	703	703	-	-	-
	\$ 58,054	\$ 61,991	\$ 3,937	\$ (4,174)	\$ (1,402)

The following methods and assumptions were used to estimate the fair value of financial instruments:

- The fair values of cash, other assets and other liabilities are assumed to approximate book values, due to their short-term nature.
- The estimated fair value of floating rate investments, member loans and member deposits are assumed to equal book value as the interest rates automatically reprice to market.
- The estimated fair value of fixed rate investments, member loans and fixed rate member deposits is determined by discounting the expected future cash flows of these loans and deposits at current market rates for products with similar terms and credit risks.

Notes to the Financial Statements

For the year ended October 31, 2008

12. Interest Rate Risk

(\$ Thousands)	Floating Rate	Within 1 Year	1 to 5 Years	Non-rate Sensitive	Total
2008					
Assets					
Cash	\$ -	\$ -	\$ -	\$ 8,932	\$ 8,932
Investments	6,372	83,400	-	705	90,477
<i>Effective Yield</i>	3.61%	2.66%	0.00%	0.00%	2.71%
Member loans	121,307	92,314	173,470	1,867	388,958
<i>Effective Yield</i>	5.69%	6.86%	7.00%	0.00%	6.52%
Other	-	-	-	6,446	6,446
	\$ 127,679	\$ 175,714	\$ 173,470	\$ 17,950	\$ 494,813
Liabilities and Equity					
Member deposits	\$ 109,624	\$ 86,595	\$ 127,938	\$ 111,899	\$ 436,056
<i>Effective Yield</i>	0.76%	3.58%	3.35%	0.00%	1.88%
Capital and retained earnings	-	-	-	58,054	58,054
Other	-	-	-	703	703
	\$ 109,624	\$ 86,595	\$ 127,938	\$ 170,656	\$ 494,813
Net gap	\$ 18,055	\$ 89,119	\$ 45,532	\$ (152,706)	\$ -
% of assets	3.65%	18.01%	9.20%	-30.86%	0.00%
2007					
Net gap	\$ 16,397	\$ 51,129	\$ 62,878	\$ (130,404)	\$ -
% of assets	3.60%	11.21%	13.79%	-28.60%	0.00%

13. Related Party Transactions

Directors and staff of the credit union have loans from the credit union totalling \$8,171,735 (2007 - \$7,685,031, 2006 - \$7,335,107) at interest rates ranging from 3.50% to 9.65%. Loan rates are specified by Credit Union policy. Directors pay regular member rates. All loans were in good standing as at October 31, 2008.

Directors and staff of the credit union have deposits with the credit union totalling \$2,834,945 (2007 - \$2,135,701, 2006 - \$2,030,058), and lines of credit with the credit union totalling \$622,272 (2007 - \$540,151, 2006 - \$313,855). Staff also have access to personal chequing accounts which do not incur service charges.

14. Directors' Fees and Expenses

(\$ Thousands)	2008	2007	2006
Directors' expenses	3	2	2
Directors' remuneration	14	16	14
Total	\$ 17	\$ 18	\$ 16

Amounts paid to directors range from \$400 to \$2,650 with an average of \$1,405.

Notes to the Financial Statements

For the year ended October 31, 2008

15. Capital Disclosures

The Credit Union's objectives when managing capital are:

- To ensure the long-term viability of the Credit Union and the security of member deposits by holding a level of capital deemed sufficient to protect against unanticipated losses.
- To comply at all times with the capital requirements set out in the Credit Union Act of Alberta ("the Act"). The Credit Union complied with these capital requirements throughout the year ending October 31, 2008.

The Credit Union management ensures compliance with capital adequacy by setting policies for capital management, monitoring and reporting; reporting to the Board of Directors and Audit and Finance Committee on financial results and capital adequacy; reporting to the Credit Union Deposit Guarantee Corporation on its capital adequacy; and, setting budgets and reporting variances to those budgets.

The Credit Union is required under the Act to hold total capital equal to or exceeding the greater of:

- 4% of total assets. As at October 31, 2008, this amounted to \$19,792,528;
- 8% of risk weighted assets. Under this method the Credit Union reviews each loan and other assets and assigns a risk weighting using definitions and formulas set out in the Act and by the Credit Union Deposit Guarantee Corporation. The more risk associated with an asset, a higher weighting is assigned. The balance of each asset is multiplied by the risk weighting with the result then added together. This method allows the Credit Union to measure capital relative to the possibility of loss with more capital required to support assets that are seen as being higher risk. As at October 31, 2008, this amounted to \$24,346,196.

Under the Act, total capital as at October 31, 2008 includes:

(\$ Thousands)	2008
Retained earnings	\$ 14,000
Special reserve	5,500
Common shares	30,050
Dividends and allocation distributable	8,504
General allowance of credit losses	1,104
The Credit Union's portion of qualifying retained earnings of Credit Union Central of Alberta as provided by Central	2,520
Less: Future income taxes recoverable	(975)
	<hr/>
	\$ 60,703

Therefore, the Credit Union has exceeded its minimum capital requirements at October 31, 2008.

16. Risks Arising from Financial Instruments

The Credit Union is exposed to the following risks as a result of holding financial instruments: credit risk, market risk and liquidity risk. The following is a description of those risks and how the Credit Union manages the exposure to them.

Market Risk

Market risk is the risk that the Credit Union may incur a loss due to changes in interest rates. Exposure to this risk directly impacts the Credit Union's income from its loan and deposit portfolios. The Credit Union's objective is to earn an acceptable return on these portfolios, without taking unreasonable risk, while meeting member-owned needs.

The Credit Union manages day-to-day market risk within approved policies. Management sets budgets that include the effect of a reduction in interest rates. Based on experience, management estimates that an immediate and sustained 1% change in interest rates would have a \$1,200,000 effect in net income before taxes for the Credit Union.

Notes to the Financial Statements

For the year ended October 31, 2008

16. Risks Arising from Financial Instruments (continued)

Credit Risk

Credit risk is the risk of a financial loss in the event of failure by a borrower to completely honor its financial obligation to the Credit Union, such as interest and/or principal payments due on member loans.

The Credit Union employs a risk measurement process for its loan portfolio. The risk is measured by reviewing exposure to individual borrowers, and by reviewing qualitative and quantitative factors that impact the loan portfolios. Qualitative and quantitative analysis of a borrower's financial information are important factors used in determining the financial state of counterparty.

Loan exposures are managed and monitored through facility limits for individual borrowers and a credit review process. In the event of a default on the loan, the Credit Union relies on collateral security typically in the form of a fixed and floating charge over the assets to reduce credit risk. Credit risk is also managed through regular analysis of the ability of members and potential members to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Refer to Note 5 for additional information on the credit quality performance of member loans.

Liquidity Risk

Liquidity risk is the risk of having insufficient financial resources to meet either the Credit Union's cash and funding requirements, statutory liquidity requirements, or both. It is the Credit Union's policy to ensure that sufficient liquid assets are available to meet its financial commitments.

Management of the Credit Union manages its liquidity position by monitoring, forecasting and managing cash flows and maintaining a specific level of liquid investments to meet expected requirements.

17. Segmented Information

The credit union operates principally in personal and commercial/agricultural banking in Alberta.

18. Future Accounting Changes

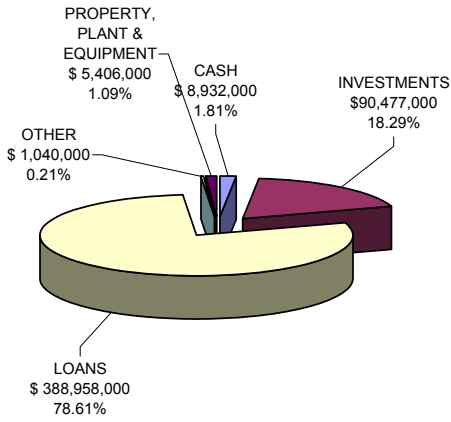
The Canadian Institute of Chartered Accountants has indicated that the basis for financial reporting by publicly accountable enterprises will move from Canadian Generally Accepted Accounting Principles to International Financial Reporting Standards ("IFRS"). The Credit Union's financial statements will be prepared in accordance with IFRS for the fiscal year commencing November 1, 2011. The impact of the IFRS on the Credit Union's financial statements has not yet been determined.

Financial Position

October 31, 2008 (unaudited)

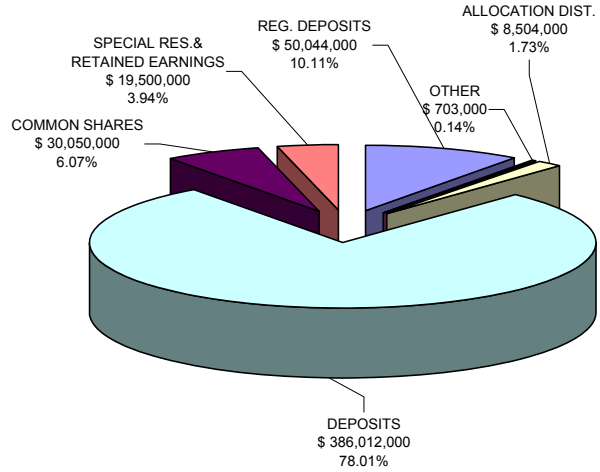
Assets

Total \$494,813,000



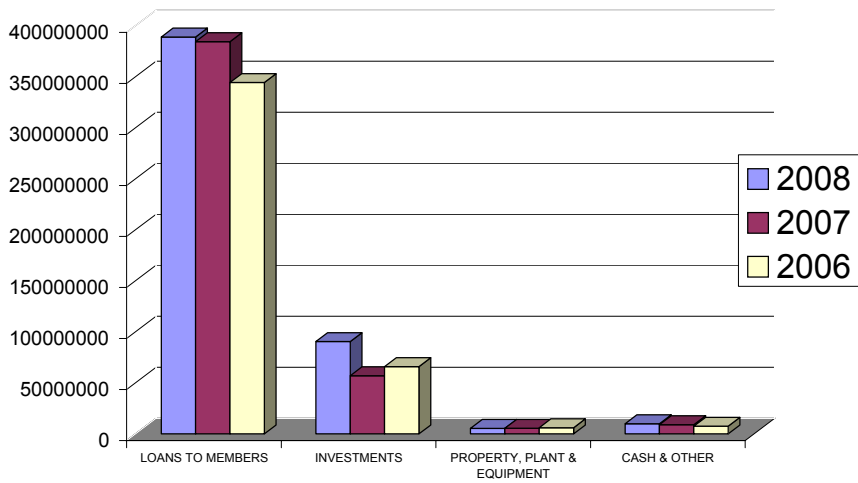
Liabilities

Total \$494,813,000



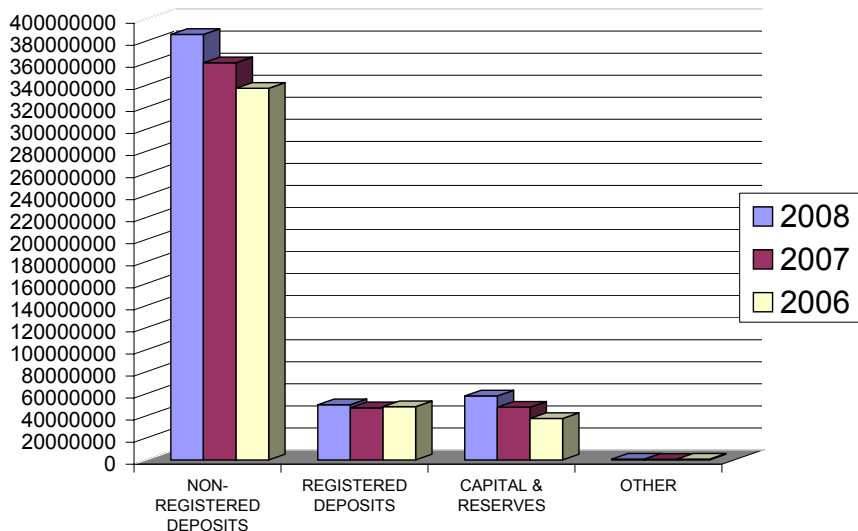
Assets

October 31, 2008 (unaudited)



Liabilities, Capital and Reserves

October 31, 2008 (unaudited)

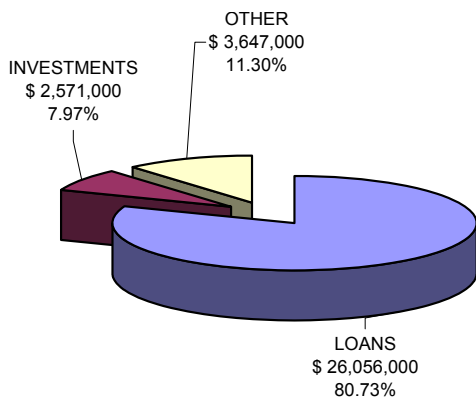


Operations

October 31, 2008 (unaudited)

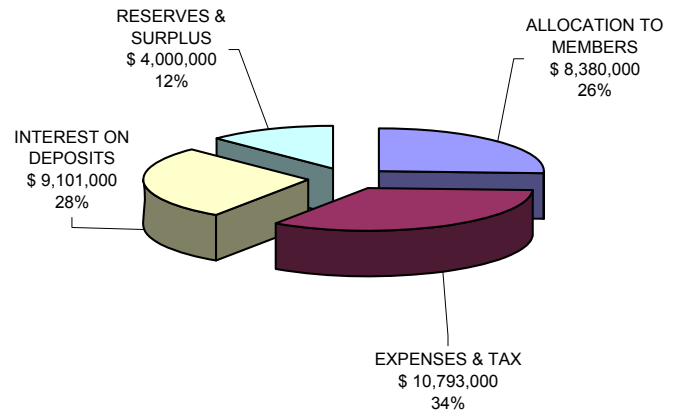
Financial and Operating Income

Total \$32,274,000



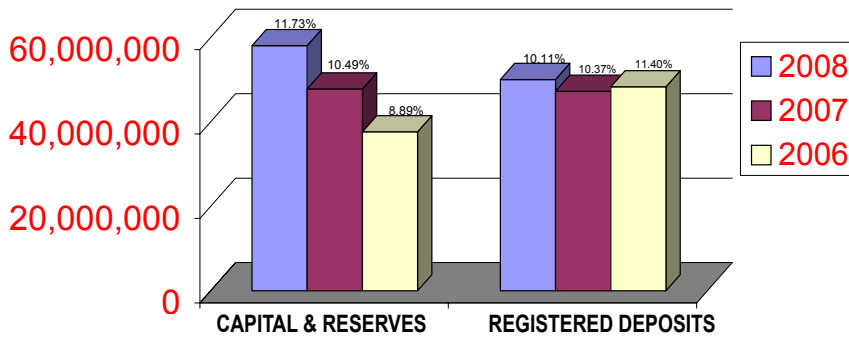
Income Expended or Allocated

Total \$32,274,000



Capital, Reserves and Registered Deposits

October 31, 2008 (unaudited)





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