



Chinook
CREDIT UNION LTD.

CHINOOK CREDIT UNION LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2008

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Chinook Credit Union Ltd.

The financial statements of Chinook 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 Canadian generally accepted accounting principles. The preparation of the statements necessarily involves the use of estimates which are made with careful judgment.

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 Committee, which is composed entirely of directors who are not officers or employees of Chinook Credit Union Ltd. The Committee reviews the financial statements and recommends them to the Board for approval.

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

The external auditor, appointed by the Board, conducted an audit of these financial statements in accordance with Canadian generally accepted auditing standards. The external auditor has full and unrestricted access to the Audit Committee to discuss their audit findings as to the integrity of Chinook Credit Union Ltd.'s financial reporting and adequacy of internal controls.

Kelly & Creaghan, Chartered Accountants has examined these financial statements and their report follows.

BROOKS, ALBERTA

TOM MOSSING
CHIEF EXECUTIVE OFFICER
January 15, 2009

AUDITORS' REPORT

To the Members of Chinook Credit Union Ltd.

We have audited the accompanying balance sheet of Chinook 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 its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CALGARY, ALBERTA
January 15, 2009

KELLY & CREAGHAN
CHARTERED ACCOUNTANTS

**CHINOOK CREDIT UNION LTD.
BALANCE SHEET
AS AT OCTOBER 31, 2008**

2008

2007

ASSETS

Cash	\$ 4,880,505	\$ 4,748,317
Investments and accrued interest (Note 3)	116,338,235	62,909,200
Other assets (Note 4)	667,337	1,010,647
Loans to members (Note 5)	410,172,922	338,377,146
Property and equipment (Note 6)	9,055,695	9,251,168
	<u>\$ 541,114,694</u>	<u>\$ 416,296,478</u>

LIABILITIES

Accounts payable (Note 8, 19)	\$ 2,497,561	\$ 2,288,076
Deposit accounts (Note 7)	503,567,679	384,967,887
	<u>506,065,240</u>	<u>387,255,963</u>

Commitments and contingencies (Note 8)

CAPITAL AND RETAINED EARNINGS

Allocation distributable (Note 9)	1,621,740	1,357,800
Common shares (Note 10)	19,689,627	15,177,047
Contributed surplus (Note 18)	466,574	466,574
Retained earnings	13,403,513	12,039,094
Accumulated other comprehensive income (Note 2)	(132,000)	-
	<u>35,049,454</u>	<u>29,040,515</u>
	<u>\$ 541,114,694</u>	<u>\$ 416,296,478</u>

Approved on behalf of the Board:

Original Signed by Robert Permann Director

Original Signed by Doug Erlandson Director

The accompanying notes are an integral part of these financial statements

CHINOOK CREDIT UNION LTD.
STATEMENT OF INCOME
FOR THE YEAR ENDED OCTOBER 31, 2008

	2008	2007
Financial income		
Interest on members' loans	\$ 21,478,005	\$ 19,255,297
Interest on investments	<u>3,192,347</u>	<u>2,895,613</u>
	<u>24,670,352</u>	<u>22,150,910</u>
Financial expenses		
Interest on deposit accounts	11,786,631	10,165,752
Interest on financing and service charges	<u>18,032</u>	<u>17,701</u>
	<u>11,804,663</u>	<u>10,183,453</u>
Financial margin	12,865,689	11,967,457
Charge for loan impairment (Note 5)	<u>-</u>	<u>240,000</u>
Financial margin after charge for loan impairment	12,865,689	11,727,457
Other income - service charges, rent and fees (Note 2)	<u>3,566,046</u>	<u>3,658,431</u>
Gross margin	<u>16,431,735</u>	<u>15,385,888</u>
Operating expenses - Schedule 1		
Personnel	7,410,283	6,943,166
Occupancy	690,521	706,356
Members security	851,853	729,014
Organization	228,773	206,274
General	<u>3,833,366</u>	<u>3,867,471</u>
	<u>13,014,796</u>	<u>12,452,281</u>
Income before patronage allocation and income taxes	3,416,939	2,933,607
Patronage allocation (Note 9)	<u>581,740</u>	<u>530,800</u>
Income before income taxes	2,835,199	2,402,807
Income taxes (Note 16)	<u>652,780</u>	<u>592,850</u>
Net income for the year	<u>\$ 2,182,419</u>	<u>\$ 1,809,957</u>

The accompanying notes are an integral part of these financial statements

**CHINOOK CREDIT UNION LTD.
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED OCTOBER 31, 2008**

	<u>2008</u>	<u>2007</u>
Retained earnings		
Retained earnings, beginning of year	\$ <u>12,039,094</u>	\$ <u>10,790,505</u>
Add:		
Net income for the year	<u>2,182,419</u>	<u>1,809,957</u>
Less:		
Dividends on common shares (net of income tax recovery of \$222,000 ; 2007 \$265,632) (Note 9)	<u>(818,000)</u>	<u>(561,368)</u>
Retained earnings, end of year	<u>\$ 13,403,513</u>	<u>\$ 12,039,094</u>

The accompanying notes are an integral part of these financial statements

**CHINOOK CREDIT UNION LTD.
STATEMENT OF COMPREHENSIVE INCOME &
ACCUMULATED OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED OCTOBER 31, 2008**

	2008	2007
Net Income	\$ 2,182,419	\$ 1,809,957
Other Comprehensive Income (net of tax)		
Net unrealized gains (losses) on available for sale financial instruments	(132,000)	-
Net unrealized gains (losses) on available for sale financial instruments realized during the year and reported in the statement of income	<u>-</u>	<u>-</u>
Comprehensive Income	<u>\$ 2,050,419</u>	<u>\$ 1,809,957</u>
Accumulated Other Comprehensive Income, beginning of year	-	-
Other Comprehensive Income	<u>(132,000)</u>	<u>-</u>
Accumulated Other Comprehensive Income, end of year	<u>\$ (132,000)</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

CHINOOK CREDIT UNION LTD.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2008

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES (CASH USED)		
Interest received	\$ 24,698,310	\$ 21,992,310
Other income received	3,553,945	3,656,734
Interest paid	(10,886,679)	(10,220,622)
Income taxes paid	(720,963)	(263,430)
Operating expenses paid	<u>(11,854,724)</u>	<u>(11,809,002)</u>
	<u>4,789,889</u>	<u>3,355,990</u>
CASH FLOWS FROM FINANCING ACTIVITIES (CASH USED)		
Common shares issued, net of redemptions	3,166,881	2,613,320
Net increase in deposits	<u>117,926,766</u>	<u>27,552,235</u>
	<u>121,093,647</u>	<u>30,165,555</u>
CASH FLOWS FROM INVESTING ACTIVITIES (CASH USED)		
Purchase of property and equipment, net of sale proceeds	(366,579)	(1,426,012)
Net increase in loans	(71,808,784)	(35,699,011)
Purchase of investments	<u>(53,575,985)</u>	<u>6,550,467</u>
	<u>(125,751,348)</u>	<u>(30,574,556)</u>
Increase in cash	132,188	2,946,989
Cash, beginning of year	<u>4,748,317</u>	<u>1,801,328</u>
Cash, end of year	<u>\$ 4,880,505</u>	<u>\$ 4,748,317</u>

The accompanying notes are an integral part of these financial statements

**CHINOOK CREDIT UNION LTD.
SCHEDULE OF OPERATING EXPENSES - SCHEDULE 1
FOR THE YEAR ENDED OCTOBER 31, 2008**

	2008	2007
Personnel expenses	<u>\$ 7,410,283</u>	<u>\$ 6,943,166</u>
Occupancy expenses		
Amortization	198,800	194,499
Property taxes	91,507	111,991
Rent	64,248	101,088
Repairs and maintenance	217,342	189,971
Utilities	<u>118,624</u>	<u>108,807</u>
	<u>690,521</u>	<u>706,356</u>
Members' security expenses		
Bonding	47,669	38,840
Deposit guarantee assessment	749,380	637,823
Insurance	<u>54,804</u>	<u>52,351</u>
	<u>851,853</u>	<u>729,014</u>
Organization expenses		
Annual meeting	11,777	26,028
Central dues	102,881	90,140
Directors' fees and mileage	35,155	39,954
Other directors' expenses	<u>78,960</u>	<u>50,152</u>
	<u>228,773</u>	<u>206,274</u>
General expenses		
Advertising	256,712	255,450
Amortization	363,252	340,278
Computer expenses	676,416	628,844
Courier and postage	110,195	122,252
Employee training seminars	69,432	190,001
Office	109,178	101,790
Other	129,294	136,102
Professional fees	167,289	188,836
Repairs and equipment lease	144,014	143,509
Service charges and clearing fees	879,637	793,631
Telephone	154,087	152,012
Travel and meetings	199,609	152,574
Wealth management expenses	<u>574,251</u>	<u>662,192</u>
	<u>3,833,366</u>	<u>3,867,471</u>
Total operating expenses	<u>\$13,014,796</u>	<u>\$12,452,281</u>

The accompanying notes are an integral part of these financial statements

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2008

1. NATURE OF OPERATIONS

- a) The credit union is incorporated under the Credit Union Act of the Province of Alberta and operates branches in Brooks, Hussar, Strathmore, Drumheller, Bassano, Lomond and Hanna. The credit union serves members in the trading area of its branches.
- b) 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 of Alberta (Province) will ensure that the Corporation carries out this obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared by Management in accordance with Canadian generally accepted accounting principles (GAAP).

The credit union follows Canadian 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 are valued at cost or amortized cost, adjusted to recognize other than a temporary impairment in the underlying value. They are purchased with the intention to hold them to maturity. Gains and losses on disposal of securities are included in income in the year in which they occur. Mortgage pools are carried at amortized cost. Premiums on the mortgage pools are amortized on a straight line basis over the term of the mortgage, to reduce income recognized on the investments which is recorded on an accrual basis.

b) Loans to Members

Member loans are recorded net of any unearned income and an allowance for loan impairment. 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 collectibility of all interest and principal. When a loan is classified as impaired, recognition of interest income in accordance with the original loan agreement ceases. Loans, or portions of loans considered uncollectible are written off.

c) Allowance for loan impairment

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

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2008

- i) A specific provision 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.
- ii) A collective or non specific provision 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) Translation of foreign currencies

Foreign currency assets and liabilities are translated into Canadian dollars at rates prevailing at the date of the financial statements. Revenue and expenses are translated at the average exchange rate prevailing during the year. Realized and unrealized gains and losses on foreign currency are included in the Statement of Income.

e) Property and equipment

Land is recorded at cost. Other property and equipment are reported at cost less accumulated amortization. Amortization is recorded at the following annual rates:

Buildings	2.50%	straight line basis
Furniture & equipment	20.00% - 40.00%	straight line basis
Computer equipment/software	10.00% - 40.00%	straight line basis
Leaseholds improvements	10.00% - 20.00%	straight line basis
Vehicles	33.33%	straight line basis

The annual rates established are based on the estimated useful lives as determined by management.

Gains and losses on the disposal of property and equipment are recorded in the Statement of Income in the year of disposal.

f) Unauthorized overdrafts

At the end of each fiscal year, unauthorized overdrafts are reviewed and those considered to be uncollectible are written off.

g) Income taxes

The credit union follows the asset and liability method of accounting for income taxes. Under this method future tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the financial statement carrying value and their respective tax values. Future tax liabilities and assets are measured using enacted tax rates. The effect on future tax liabilities and assets of a change in tax rates is recognized in income in the period that the change occurs.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2008

h) Derivative instruments

From time to time the credit union offers deposit products which the return on investment to members is contingent upon certain events such as the percentage change in certain equity linked indexes. The deposit liability is restated at year end to reflect any changes in amounts due to members as a result of changes to the index. Gains or losses are reflected in net income unless the credit union has hedged its risk, whereby the gain or loss on the deposit product is offset to the gain or loss on hedging contract resulting in no change to current income or financial position. In the current year, no gains or losses were recognized as all derivative deposit products were hedged.

i) Other income - service charges, rent and fees

Other income is recorded as earned and collection is reasonably assured. Other income consists of the following:

	2008	2007
Service charges, commissions, fees	\$ 2,006,600	\$ 1,990,762
Wealth management revenue	672,071	931,597
Insurance commissions	135,915	176,877
Gain on sale of assets	1,760	155
Other	<u>749,700</u>	<u>559,040</u>
	<u>\$ 3,566,046</u>	<u>\$ 3,658,431</u>

j) Comprehensive income

Comprehensive income includes net income and other comprehensive income (OCI).

OCI is comprised of unrealized fair value gains and losses from available for sale financial instruments.

Accumulated OCI (AOCI) includes unrealized fair value gains and losses arising from available for sale financial instruments. When the underlying securities are subsequently sold or written down, the resulting realized gain or loss is released from AOCI into income in the statement of income.

k) Financial instruments

Effective November 1, 2006, the credit union adopted the following Canadian Institute of Chartered Accountants (CICA) accounting recommendations for the recognition, presentation and disclosure of financial instruments:

- CICA Handbook Section 3855 "Financial Instruments - Recognition and Measurement"
- CICA Handbook Section 3862 "Financial Instruments - Disclosures"
- CICA Handbook Section 3863 "Financial Instruments - Presentation"
- CICA Handbook Section 1530 "Comprehensive Income"
- CICA Handbook Section 3251 "Equity"

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2008

Under these standards, on acquisition, all financial assets must be classified as held-to-maturity, loans and receivables, held-for-trading or available-for-sale and at inception. All financial liabilities must be classified as held-for-trading or other. The credit union has classified cash and cash equivalents as held for trading; loans and account receivable have been classified as loans and receivables; accounts payable and member deposits have been classified as other liabilities. Investments have been classified as indicated below.

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 available-for-sale are initially recognized at acquisition cost and subsequently re-measured at fair value at each reporting date. Chinook Credit Union Ltd. utilizes the trade-date accounting (date when transactions are entered into rather than when they are settled) for all purchases and sales of financial assets in its investment portfolio. The fair value of publicly traded securities is based on their quoted market prices. All other securities' fair value is determined by discounting the expected future cash flows at current market rates.

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

Chinook Credit Union Ltd. recognizes interest income as earned, and investment gains and losses when realized. Unrealized gains and losses on available-for-sale securities are recorded in other comprehensive income and recognized in income when realized. For investments held for trading, realized and unrealized gains and losses are recorded in income.

1) New accounting pronouncements

Convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises. These include listed companies and other profit-oriented enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Credit Union is currently evaluating the impact of adopting IFRS.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2008

3. INVESTMENTS AND ACCRUED INTEREST

			2008	2007
	Within 1 year	Maturities Over 1 to 5 years	Total Book Value	Total Book Value
HELD TO MATURITY				
Term deposits	\$ 80,592,277	\$ -	\$ 80,592,277	\$ 54,173,100
Mortgage pools				
- principal	-	29,289,612	29,289,612	2,578,846
- premiums (discount)	-	(110,506)	(110,506)	-
Accrued interest	<u>711,923</u>	<u>56,326</u>	<u>768,249</u>	<u>687,069</u>
Subtotal	81,304,200	29,235,432	110,539,632	57,439,015
AVAILABLE FOR SALE				
Credit Union Central				
Alberta Limited Shares(1a)	-	5,200,000	5,200,000	5,200,000
Asset Backed Commercial Paper	424,548	-	424,548	-
Accrued Interest	-	<u>174,055</u>	<u>174,055</u>	<u>270,185</u>
Subtotal	<u>424,548</u>	<u>5,374,055</u>	<u>5,798,603</u>	<u>5,470,185</u>
Total	<u>\$ 81,728,748</u>	<u>\$ 34,609,487</u>	<u>\$ 116,338,235</u>	<u>\$ 62,909,200</u>
Effective Book Yield(1b)	<u>3.27%</u>	<u>5.83%</u>	<u>3.73%</u>	<u>4.39%</u>
1(a) These securities have no specific maturity.				
1(b) The effective book yield does not include accrued interest.				

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

4. OTHER ASSETS

	2008	2007
Accounts receivable	\$ 88,191	\$ 25,144
Income taxes receivable	83,030	74,647
Prepaid expenses and other	368,116	615,856
Future income tax asset (Note 16)	<u>128,000</u>	<u>295,000</u>
	<u>\$ 667,337</u>	<u>\$1,010,647</u>

Prepaid expenses and other, includes a hold for trading embedded derivative asset representing interest on certain TSE performance based deposits to members. The hold for trading asset represents the fair value of payments due from Credit Union Central, who guarantees the payment of interest pursuant to a fixed fee contract entered into at the time the deposits were raised. The fair value adjustment of \$151,362 (2007; \$396,321) equals a fair value adjustment in accrued interest due to members in their deposit accounts (note 7). Consequently, there is no net effect on income.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2008

5. LOANS TO MEMBERS

	2008			2007		
	Recorded Loan	Allowance	Net Carrying Value	Recorded Loan	Allowance	Net Carrying Value
Consumer Loans	\$ 37,869,413	\$ (628,864)	\$ 37,240,549	\$ 33,028,327	\$ (661,846)	\$ 32,366,481
Residential Mortgages	175,247,483	(179,675)	175,067,808	149,497,758	(189,099)	149,308,659
Commercial Loans	35,196,361	(539,026)	34,657,335	31,014,720	(567,297)	30,447,423
Commercial Mortgages	111,496,912	-	111,496,912	64,589,970	-	64,589,970
Agricultural Loans	41,929,091	(449,189)	41,479,902	53,886,015	(472,747)	53,413,268
Agricultural Mortgages	8,216,239	-	8,216,239	6,224,160	-	6,224,160
	<u>409,955,499</u>	<u>(1,796,754)</u>	<u>408,158,745</u>	<u>338,240,950</u>	<u>(1,890,989)</u>	<u>336,349,961</u>
Accrued Interest	<u>2,018,414</u>	<u>(4,237)</u>	<u>2,014,177</u>	<u>2,028,496</u>	<u>(1,311)</u>	<u>2,027,185</u>
	<u>\$ 411,973,913</u>	<u>\$ (1,800,991)</u>	<u>\$ 410,172,922</u>	<u>\$ 340,269,446</u>	<u>\$ (1,892,300)</u>	<u>\$ 338,377,146</u>

Credit risk is the risk of loss due to borrowers failing to meet their financial obligations. Credit risk arises from both on and off balance sheet transactions. The credit union's credit risk is significantly influenced by movements in the Alberta economy which in recent years has shown strong growth and occasional sharp declines. The loan portfolio is managed to ensure diversification. Further, policies and procedures are established to promote sound lending practices and ensure prompt attention to problem loans.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2008

The allowance consists of:

	2008			2007		
	Specific Allowance	Non-specific Allowance	Total	Specific Allowance	Non-specific Allowance	Total
Consumer Loans	\$ 92,400	\$ 536,464	\$ 628,864	\$ 70,520	\$ 591,326	\$ 661,846
Residential Mortgages	-	179,675	179,675	-	189,099	189,099
Commercial Loans	53,100	385,926	439,026	84,800	482,497	567,297
Commercial Mortgages	100,000	-	100,000	-	-	-
Agricultural Loans	67,600	381,589	449,189	19,900	452,847	472,747
Agricultural Mortgages	-	-	-	-	-	-
Total	\$ 313,100	\$ 1,483,654	\$ 1,796,754	\$ 175,220	\$ 1,715,769	\$ 1,890,989

Impaired Loans (included in the preceding schedule) consists of the following:

	2008			2007	
	Recorded Loan	Specific Allowance	Net Carrying Value	Net Carrying Value	
Consumer Loans	\$ 117,165	\$ (92,400)	\$ 24,765	\$ 35,556	
Residential Mortgages	-	-	-	-	
Commercial Loans	52,878	(53,100)	(222)	-	
Commercial Mortgages	3,300,607	(100,000)	3,200,607	-	
Agricultural Loans	67,519	(67,600)	(81)	-	
Agricultural Mortgages	-	-	-	-	
Total	\$ 3,538,169	\$ (313,100)	\$ 3,225,069	\$ 35,556	

Loans to members mature as follows:

	Up to	13 to	25 to	37 to	49+	Total	Weighted Average Yield
	12 mos	24 mos	36 mos	48 mos	mos		
Consumer Loans	\$ 19,636,199	\$ 4,018,709	\$ 3,126,020	\$ 2,400,259	\$ 8,688,226	\$ 37,869,413	5.85 %
Res Mortgages	34,411,790	27,029,837	32,410,787	39,007,906	42,387,164	175,247,484	5.27 %
Commercial Loans	14,844,880	5,308,548	3,493,822	1,194,078	10,355,035	35,196,363	5.41 %
Commercial Mortgages	18,071,620	12,589,267	21,272,229	33,771,707	25,792,088	111,496,911	5.77 %
Agricultural Loans	21,690,561	8,004,662	6,181,844	3,138,517	2,554,397	41,569,981	5.78 %
Agricultural Mortgages	2,941,621	2,038,005	1,179,616	425,546	1,990,559	8,575,347	5.96 %
Totals	\$ 111,596,671	\$ 58,989,028	\$ 67,664,318	\$ 79,938,013	\$ 91,767,469	\$ 409,955,499	5.54 %

Effective book yield 5.57% 5.47% 5.60% 5.64% 6.50% 5.54%

The effective book yield does not include accrued interest.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2008

Details of the changes in the allowance for loan impairment are as follows:

	2008	2007
Allowance, beginning of year	<u>\$ 1,890,989</u>	<u>\$ 1,676,924</u>
Charge for loan impairment:		
Non-specific	<u>-</u>	<u>240,000</u>
Deduct:		
Amounts written off	<u>(94,235)</u>	<u>(25,935)</u>
Allowance, end of year	<u>\$ 1,796,754</u>	<u>\$ 1,890,989</u>

6. PROPERTY AND EQUIPMENT

	2008		2007	
	Cost	Accumulated Amortization	Net	Net
Land and Parking Lot	\$ 1,063,328	\$ -	\$ 1,063,328	\$ 1,063,328
Buildings				
- commercial	7,798,699	1,395,031	6,403,668	6,533,467
Furniture & equipment	1,197,866	903,745	294,121	293,644
Computer equipment	2,447,715	1,178,005	1,269,710	1,353,414
Leasehold improvements	101,538	94,073	7,465	7,315
Vehicles	<u>24,097</u>	<u>6,694</u>	<u>17,403</u>	<u>-</u>
	<u>\$ 12,633,243</u>	<u>\$ 3,577,548</u>	<u>\$ 9,055,695</u>	<u>\$ 9,251,168</u>

Amortization in respect of the above property and equipment for the year amounted to \$562,052 (2007 - \$534,777).

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
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7. DEPOSIT ACCOUNTS

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.

	2008	2007
Demand Deposits	\$ 221,546,576	\$ 184,679,547
Term Deposits	237,249,118	158,476,604
RRIF	6,534,760	6,134,897
RRSP	33,799,953	31,994,636
RESP	<u>724,584</u>	<u>642,541</u>
	499,854,991	381,928,225
Accrued interest	<u>3,712,688</u>	<u>3,039,662</u>
	<u>\$ 503,567,679</u>	<u>\$ 384,967,887</u>

Concentra Financial acts as the trustee of the Registered Plans offered to members. Under an agreement with Concentra Financial, contributions to the plans, as well as interest earned on them, are deposited in the credit union.

Deposit accounts, not including the related accrued interest, mature as follows:

	On demand	Up to 12 months	13 to 24 months	25 to 36 months	37 to 48 months	49+ months	Total	Weighted Average Yield
Demand Deposits	\$ 221,546,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 221,546,576	1.150 %
Term Deposits	-	110,496,352	37,599,370	37,041,785	22,753,301	29,358,310	237,249,117	3.430 %
RRIF	-	1,861,490	772,661	1,306,498	1,165,253	1,428,858	6,534,760	3.892 %
RRSP	-	12,884,632	8,450,993	3,866,638	3,684,922	4,912,768	33,799,954	3.892 %
RESP	-	<u>426,845</u>	<u>78,012</u>	<u>48,690</u>	<u>57,100</u>	<u>113,937</u>	<u>724,584</u>	<u>2.524 %</u>
Totals	<u>\$ 221,546,576</u>	<u>\$ 125,669,319</u>	<u>\$ 46,901,036</u>	<u>\$ 42,263,611</u>	<u>\$ 27,660,576</u>	<u>\$ 35,813,873</u>	<u>\$ 499,854,991</u>	<u>2.463 %</u>
Effective book yield	<u>1.150%</u>	<u>2.748%</u>	<u>4.047%</u>	<u>4.179%</u>	<u>4.211%</u>	<u>3.987%</u>	<u>2.463%</u>	

The effective book yield does not include accrued interest.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
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8. CONTINGENT LIABILITIES AND COMMITMENTS

a) Authorized Borrowings

The credit union has established an authorized overdraft of \$14,000,000 CDN and \$1,000,000 US with Credit Union Central (Central). In both cases, the authorized overdraft bears interest at Central prime plus or minus the applicable discount or margin of Central in effect from time to time and is secured by a security interest in all present and future accounts, book debts, instruments, deposits and all monies payable by Central to the Credit Union. No balance was outstanding at October 31, 2008.

The credit union has established a term loan of \$55,000,000 CDN with Credit Union Central and bears interest at Central prime plus or minus the applicable discount or margin of Central in effect from time to time. No balance was outstanding at October 31, 2008. Security is the same as the authorized overdraft.

b) Credit Commitments

To meet the needs of its members and manage its own exposure to fluctuations in interest rates, the credit union participates in various off-balance sheet (not included on the Balance Sheet) financial instruments. It subjects all of these financial instruments to its normal credit standards, financial controls and risk management and monitoring procedures.

To ensure that its members receive funds when needed, the credit union issues financial instruments with contractual amounts representing credit risk which carry the same requirements for collateral security as loans. It makes the following instruments available to its members:

- i) Guarantees and standby letters of credit represent irrevocable assurances that the credit union will pay if a member cannot meet his obligations to a third party.
- ii) Documentary and commercial letters of credit require the credit union to honour drafts presented by third parties upon completion of specific activities.
- iii) 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.
- iv) 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 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 future cash requirements.

CHINOOK CREDIT UNION LTD.
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As at October 31, 2008 the credit union had the following amounts outstanding:

	2008	2007
Financial instruments whose amounts represent credit risk:		
Guarantees & standby letters of credit commitments to extend credit with a maturity of:	\$ 652,000	\$ 664,900
1 year or less	82,138,037	72,075,004
Beyond one year	9,176,671	14,410,177

c) Lease Commitments

- i) The credit union has leased space for its Drumheller branch commencing January 1, 2000 for ten years with an option to renew for a further five years. The lease will have future minimum lease payments for the next five years as follows:

2009 - 2010 \$41,987

- ii) The credit union is leasing space for its Hanna Branch commencing December 1, 2006 for a total of two years ending November 30, 2008 at a rate of \$1,300 per month. The credit union is responsible for all telephone and all business taxes and rates in connection with any business carried on upon the premise. Subsequent to year end the credit union is leasing this space on a month to month basis.

- iii) The credit union has signed a new lease for space for its sub branch in Brooks commencing July 1, 2008 for a total of eighteen months ending November 30, 2009 at a rate of \$700 per month. The credit union is responsible for all utilities and all business taxes and rates in connection with any business carried on upon the premise.

d) Card Loyalty

The credit union participates in a card loyalty program whereby members earn points redeemable for merchandise or travel. At October 31, 2008, the credit union's contingent liability if all points were redeemed would amount to \$241,874. Based on experience, management estimates that 50% of the total outstanding points are likely to be redeemed in the future and accordingly have accrued a liability of \$120,937 in these financial statements.

**CHINOOK CREDIT UNION LTD.
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e) Celero Solutions Inc.

The credit union has signed an agreement with Celero Solutions Inc., for a 10 year commitment effective April 1, 2007. The commitment involves a variable cost component for computer support and administration. Management estimates that the commitment to be \$444,000 per annum, adjusted for inflation.

9. ALLOCATION DISTRIBUTABLE

The Board of Directors declared a 5.75% dividend (2007 - 6.00%) in the amount of \$1,040,000 (2007 - \$827,000). The dividend consists of dividends on non-registered common shares in the amount of \$630,000 and dividends on registered common shares in the amount of \$410,000 to be paid subsequent to year end by way of issuance of additional registered and non registered common shares.

In addition the credit union declared a patronage rebate payable to members in the amount of \$581,740 (2007 - \$530,800) based on loan interest paid, interest on certain deposit accounts and service charges. The patronage rebate will be paid to members subsequent to year end in the form of additional common shares.

10. COMMON SHARES

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

- i) an unlimited number may be issued;
- ii) a par value of \$1, but fractional shares may be issued;
- iii) transferable only in restricted circumstances;
- iv) non-assessable;
- v) 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 and Credit Union By-Laws.

A membership in the credit union requires the purchase of a minimum of one share upon joining the credit union.

The Corporation does not guarantee common shares which represent "at risk" capital. Common share purchases can qualify for Registered Plan status under the Canadian Income Tax Act and such shares are identified as RRSP common shares.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
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Movements in common shares for the year are as follows;

	2008	2007
Balance non-registered, beginning of year	\$ 9,792,512	\$ 8,469,577
Members purchases	1,723,719	1,369,648
Previous years credit union contributions paid	1,045,722	990,250
Redemptions during the year	<u>(1,027,521)</u>	<u>(1,036,963)</u>
Total non registered common shares outstanding	11,534,432	9,792,512
RRSP common shares	<u>8,155,195</u>	<u>5,384,535</u>
Balance, end of year	<u>\$ 19,689,627</u>	<u>\$ 15,177,047</u>

RRSP common shares redeemed, including transfers to member RRIF's, net of purchases, were in the amount of \$2,470,683(2007 - \$2,280,684) and prior year credit union contributions paid on RRSP common shares were in the amount of \$299,977(2007 - \$178,581).

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Values

The amounts are designed to approximate the fair values of the credit union's financial instruments using the valuation methods and assumptions described below. The estimated fair values disclosed do not reflect the value of items that are not considered financial instruments, such as property & equipment or intangible assets. 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 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.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
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Estimated fair values of on-balance sheet financial instruments are summarized as follows (rounded to nearest thousands):

	2008			2007		
	Book Value	Fair Value	Fair Value Over Book Value	Book Value	Fair Value	Fair Value Over Book Value
Cash	\$ 4,881	\$ 4,881	\$ -	\$ 4,748	\$ 4,748	\$ -
Investments	116,338	116,826	488	62,909	62,820	(89)
Loans to members	410,173	416,531	6,358	338,377	328,078	(10,299)
Other financial assets	88	88	-	25	25	-
Subtotal	<u>\$ 531,480</u>	<u>538,326</u>	<u>6,846</u>	<u>406,059</u>	<u>395,671</u>	<u>(10,388)</u>
Less:						
Liabilities						
Deposit accounts	503,568	507,352	(3,784)	384,967	381,006	3,961
Other financial liabilities	<u>2,498</u>	<u>2,498</u>	<u>-</u>	<u>2,288</u>	<u>2,288</u>	<u>-</u>
	<u>\$ 25,414</u>	<u>\$ 28,476</u>	<u>\$ 3,062</u>	<u>\$ 18,804</u>	<u>\$ 12,377</u>	<u>\$ (6,427)</u>

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

- The fair value of cash, other assets and other liabilities are assumed to approximate book values, due to their short term nature.
- The estimated fair value for floating rate 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 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.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
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12. INTEREST RATE RISK

Interest rate risk refers to the potential impact of changes in interest rates on the credit union's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets. The interest rate risk is being managed within prudent guidelines. The table below summarizes amounts by maturity dates and effective interest rates, (rounded to nearest thousands).

2008	Floating Rate	Within 1 Year	1 to 5 Years	Non-rate Sensitive	Total
Assets					
Cash	\$ 4,480	\$ -	\$ -	\$ 401	\$ 4,881
Investments	6,700	86,865	21,956	817	116,338
<i>Effective Yield</i>	3.28 %	3.27 %	5.83 %		3.73 %
Member loans	95,743	63,349	250,864	217	410,173
<i>Effective Yield</i>	5.02 %	5.77 %	5.72 %		5.54 %
Other	-	-	-	88	88
	<u>\$ 106,923</u>	<u>\$ 150,214</u>	<u>\$ 272,820</u>	<u>\$ 1,523</u>	<u>\$ 531,480</u>
Member deposits	\$ 249,626	\$ 76,339	\$ 152,544	\$ 25,059	\$ 503,568
<i>Effective Yield</i>	1.32 %	3.47 %	4.10 %		2.46 %
Other				2,498	2,498
	<u>249,626</u>	<u>76,339</u>	<u>152,544</u>	<u>27,557</u>	<u>506,066</u>
Net gap	<u>\$ (142,703)</u>	<u>\$ 73,875</u>	<u>\$ 120,276</u>	<u>\$ (26,034)</u>	<u>\$ 25,414</u>
% of assets	(26.37) %	13.65 %	22.23 %	(4.81) %	4.70 %
2007					
Net gap	\$ (110,685)	\$ 26,885	\$ 137,588	\$ (34,984)	\$ 18,804
% of assets	(26.59) %	6.46 %	33.05 %	(8.40) %	4.52 %

13. RELATED PARTY TRANSACTIONS

- The credit union, in accordance with its policy, grants consumer loans to its management and staff at preferred rates. Mortgages and authorized overdrafts bear interest at the rate in effect when the loan is issued. Directors pay regular member rates on loans.
- Directors, management and staff of the credit union had \$17,349,912 (2007 - \$17,498,202) in loans outstanding authorized at October 31, 2008. All loans were in good standing at that date.
- Directors, management and staff had \$15,046,083 (2007 - \$3,860,931) in deposits and common shares with the credit union at October 31, 2008.

14. DIRECTORS' FEES AND MILAGE EXPENSE

	2008	2007
Directors' fees and committee remuneration	\$ 26,450	\$ 31,550
Directors' mileage	<u>8,705</u>	<u>8,404</u>
	<u>\$ 35,155</u>	<u>\$ 39,954</u>

Remuneration paid to directors range from \$4,650 (2007 - \$4,800) to \$1200 (2007 - \$750) with an average of \$2,645 (2007 - \$2,600).

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
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15. SEGMENTED INFORMATION

The credit union conducts its business through market segments that offer different products and services - investment business, mortgage lending and non-mortgage lending. The investment business market segment provides investment income to the credit union on cash balances in excess of the amount required to provide funds for lending activities and maintain operations at the credit union. The lending business market segments provide a variety of credit products and services designed specifically for each particular group of borrowers. As all lending activities at the credit union share similar economic characteristics, lending activities have been aggregated into a single market segment.

Results for these market segments are based on the credit union's internal financial reporting systems and are consistent with the accounting policies followed in preparation of the credit union's financial statements.

Other business is comprised of items such as rental, banking service charges, treasury operations and revenue and expenses not expressly attributed to the business units.

2008

	Investing Business	Lending Business	Other Business	Total
Revenues from members and outside parties	\$ 3,192,347	\$ 21,478,005	\$ 3,566,046	\$ 28,236,398
Financial expenses	(2,239,460)	(9,547,172)	(18,031)	(11,804,663)
Charge for loan impairment	-	-	-	-
Gross Margin	952,887	11,930,833	3,548,015	16,431,735
Patronage allocation		(290,870)	(290,870)	(581,740)
Amortization				(562,052)
Other operating expenses				(12,452,744)
Income taxes				(652,780)
Net Income				<u>\$ 2,182,419</u>
Assets	<u>\$ 116,338,235</u>	<u>\$ 410,172,922</u>	<u>\$ 14,603,537</u>	<u>\$ 541,114,694</u>

2007

	Investing Business	Lending Business	Other Business	Total
Revenues from members and outside parties	\$ 2,895,613	\$ 19,255,297	\$ 3,658,431	\$ 25,809,341
Financial expenses	(1,737,300)	(8,428,451)	(17,702)	(10,183,453)
Loan impairment		(240,000)		(240,000)
Gross Margin	1,158,313	10,586,846	3,375,329	15,385,888
Patronage allocation	-	(265,400)	(265,400)	(530,800)
Amortization				(534,777)
Other operating expenses				(11,917,504)
Income taxes				(592,850)
Net income				<u>\$ 1,809,957</u>
Assets	<u>\$ 62,909,200</u>	<u>\$ 338,377,146</u>	<u>\$ 15,010,132</u>	<u>\$ 416,296,478</u>

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
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16. INCOME TAXES

In accordance with its policy as described in Note 2(g), income taxes are as follows:

	2008	2007
Current income taxes	\$ 485,780	\$ 534,850
Future income taxes expense (benefit)	<u>167,000</u>	<u>58,000</u>
	<u>\$ 652,780</u>	<u>\$ 592,850</u>

The statutory rate is approximately equal to the effective tax rate on both taxable and accounting income. Future tax asset of \$128,000 (note 4) is related to the following tax effects of temporary timing differences:

	2008	2007
Property and equipment	\$ (200,000)	\$ (158,000)
Allowance for credit losses in excess of amounts deducted for income tax purposes	303,000	433,000
Future benefit costs accrued and unrealized exchange gain (loss)	<u>25,000</u>	<u>20,000</u>
	<u>\$ 128,000</u>	<u>\$ 295,000</u>

17. USE OF ESTIMATES

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the affect on the financial statement of changes in such estimates in future periods could be significant.

18. CONTRIBUTED SURPLUS

Contributed surplus consists of Stabilization Preferred shares cancelled at a cost less then face value of the shares, net of future income tax benefits previously recognized in relation to those shares.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
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19. EMPLOYEE FUTURE BENEFIT

The credit union has established a plan for providing retirement benefits to qualifying employees. The cost of these benefits is accrued over the estimated service life of employees. The benefits are based upon years of service and salary during the final years of employment with the credit union.

The credit union has recorded a cumulative liability of \$141,369 (2007 - \$111,585). The liability is included in accounts payable and the amounts were expensed to personnel expenses. Changes to the liability are as follows:

	2008	2007
Balance, beginning of year	\$ 111,585	\$ 66,865
Payments in year	(19,650)	(9,720)
Charged to expense	<u>49,434</u>	<u>54,440</u>
Balance, end of year	<u>\$ 141,369</u>	<u>\$ 111,585</u>

20. CAPITAL DISCLOSURES

The Capital in the Credit Union, as outlined below totals \$ 38,593,258 (2007 \$ 31,583,669). Capital is administered using a set of Policies that have been approved by the Board of Directors. These policies were developed to ensure the Credit Union will be compliant with all legislative requirements. Actions in these policies include but are not limited to:

- (i) Establishing limits in which Patronage rebates and dividends are to be paid to ensure Capital Adequacy requirements adhere to legislation;
- (ii) establishing guidelines for the redemption of common shares; and
- (iii) setting reporting periods to ensure the Board of Directors are aware of the status of the credit union's capital.

Externally imposed regulations by the Credit Union Act require the credit union to maintain capital equal to the greater of:

- (i) 4% of total assets; and
- (ii) 8% of risk weighted assets.

At October 31, 2008 the Credit Union has met this requirement as their Capital Adequacy position is:

1. Capital as a % of risk weighted assets is 11.29% (2007 12.31%)
2. Capital as a % of assets is 7.13% (2007 7.59%).

Summary of quantitative data for the Credit Union's Capital:

	<u>2008</u>	<u>2007</u>
Common shares/contributed surplus	20,156,201	15,643,621
Retained earnings	13,403,513	12,039,094
Share of Central's retained earnings	2,056,150	1,122,385
Allocation distributable	1,621,740	1,357,800
Deferred income tax payable (recoverable)	(128,000)	(295,000)
General allowance for credit risk	<u>1,483,654</u>	<u>1,715,769</u>
Total Capital	<u>\$38,593,258</u>	<u>\$31,583,669</u>

**CHINOOK CREDIT UNION LTD.
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21. PRIOR PERIOD COMPARATIVES

In the current year the Credit Union adjusts accrued deposit interest on embedded derivatives to market. As a result of this adjustment the Credit Union has restated prior period figures. The impact of this adjustment did not affect prior period income or retained earnings. The restatement increased accrued deposit interest and prepaid expenses (see note 4).