

CURRENT BOARD MEMBERS

Al Eden *Chair*
James Hopkins *Vice Chair*
Sandy Berry • **Roy Cansdale**
Tony Clare • **Basil Cogill**
Lorrie Forde • **Carsten Nielsen**
Bev Skinner

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS OF SUMMERLAND & DISTRICT CREDIT UNION

The accompanying condensed consolidated balance sheet as at December 31, 2008 and condensed consolidated statements of operations, comprehensive income, members' equity and cash flows for the year then ended are derived from the complete consolidated financial statements of Summerland & District Credit Union as at December 31, 2008 and for the year then ended on which we expressed an opinion without reservation in our report dated February 4, 2009. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the condensed financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These condensed financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the Credit Union's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.

BDO Dunwoodie LLP

Chartered Accountants

February 4, 2009

SUMMERLAND & DISTRICT CREDIT UNION CONSOLIDATED BALANCE SHEET

December 31	2008	2007
ASSETS		
Cash and term deposits	\$25,527,734	\$17,324,027
Members' loans	136,488,215	135,569,855
Other assets	84,843	141,274
Income taxes receivable	19,229	19,694
Investments	732,420	1,695,942
Property, plant and equipment	3,158,755	2,629,893
Interest rate swaps	670,687	—
	\$166,681,883	\$157,380,685

LIABILITIES AND MEMBERS' EQUITY

Accounts payable and accrued liabilities	\$442,295	\$428,196
Members' deposits	156,023,998	147,942,876
Equity shares	1,215,475	1,210,155
Dividends payable	786,550	804,985
Future income tax liability	168,980	65,987
Interest rate swaps	—	57,526
	\$158,637,298	\$150,509,725

Members' equity

Retained earnings	7,466,249	6,870,960
Accumulated other comprehensive income	578,336	—
	8,044,585	6,870,960
	\$166,681,883	\$157,380,685

Approved on behalf of the Board:

Al Eden

Al Eden, Board Chair

James Hopkins

James Hopkins, Chair of the Audit Committee

SUMMERLAND & DISTRICT CREDIT UNION CONSOLIDATED STATEMENT OF MEMBERS' EQUITY

For the year ended December 31	2008	2007
Retained earnings, as previously stated	\$6,870,960	\$6,248,274
Transition adjustment - financial instruments	—	(33,128)
Retained earnings, beginning of year	6,870,960	6,215,146
Net income for the year	595,289	655,814
Retained earnings, end of year	\$7,466,249	\$6,870,960
Accumulated other comprehensive income, beginning of year	\$ —	\$ —
Other comprehensive income	578,336	—
Accumulated other comprehensive income, end of year	\$ 578,336	\$ —
Total members' equity, end of year	\$8,044,585	\$6,870,960

SUMMERLAND & DISTRICT CREDIT UNION CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31	2008	2007
Interest earned		
Interest on members' loans	\$7,409,268	\$7,481,111
Interest on investments	901,673	769,230
	8,310,941	8,250,341
Interest expense		
Interest on members' deposits	3,922,297	3,915,430
Interest on borrowed funds	4,674	11,513
	3,926,971	3,926,943
Financial margin	4,383,970	4,323,398
Other income	913,613	978,238
Provision for losses on loans	(119,228)	(132,381)
	5,178,355	5,169,255
Operating expenses		
Salaries and employee benefits	2,206,931	2,095,038
Office, premises and supplies	825,528	792,622
Other administrative expenses	560,932	590,924
Amortization	175,831	164,208
	3,769,222	3,642,792
Income from operations	1,409,133	1,526,463
Patronage dividends	723,735	730,260
Dividends on equity, non-equity and investment shares	58,109	68,939
Equity income from subsidiary	(78,741)	(73,918)
Income before income taxes	706,030	801,182
Income taxes		
Current	98,008	119,216
Future	12,733	26,152
	110,741	145,368
Net income for the year	\$595,289	\$655,814

SUMMERLAND & DISTRICT CREDIT UNION CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31	2008	2007
Net income	\$595,289	\$655,814
Other comprehensive income, net of taxes		
Change in fair value of cash flow hedges	578,336	—
Comprehensive income	\$1,173,625	\$655,814

SUMMERLAND & DISTRICT CREDIT UNION CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31	2008	2007
Cash flows provided by (used in) operating activities		
Interest received on members' loans	\$7,516,805	\$7,415,059
Interest received on investments	928,888	768,475
Fees and commissions received	913,613	978,238
Cash paid to employees and suppliers	(3,550,299)	(3,500,718)
Interest paid on members' deposits and borrowed funds	(3,892,823)	(3,977,113)
Dividends paid in determination of net income	(800,279)	(664,537)
Income taxes paid	(97,543)	(145,820)
	1,018,362	873,584
Cash flows provided by (used in) investing activities		
Net change in members' loans	(1,145,125)	(8,918,339)
Purchase of property, plant and equipment	(704,474)	(1,036,222)
Net change in investments	1,042,262	628
	(807,337)	(9,953,933)
Cash flows provided by (used in) financing activities		
Net change in deposits from members	7,987,362	9,994,027
Loans and advances with related parties	—	50,000
Net change in equity shares	5,320	1,395
	7,992,682	10,045,422
Net change in cash and cash equivalents	8,203,707	965,073
Cash and term deposits, beginning of year	17,324,027	16,358,954
Cash and term deposits, end of year	\$25,527,734	\$17,324,027
Investing activities		
Change in investments from non-cash transactions	\$78,741	\$73,918

Members may obtain a free copy of the full financial statements from the Credit Union

2008 ANNUAL REPORT

 **SUMMERLAND**
CREDIT UNION

ANNUAL REPORT TO THE MEMBERSHIP

ON BEHALF OF THE BOARD OF DIRECTORS and management we are pleased to present the annual report to the members of Summerland Credit Union for the fiscal year ending December 31, 2008.

The biggest topic this past year has certainly been the global economic climate. Consumers witnessed the deterioration of economic conditions worldwide which were fueled by a rapid and dramatic meltdown of the U.S. economy. This was followed by unprecedented interest rate reductions by all central banks including the Bank of Canada in an attempt to stave off domestic recessions and stimulate economies. As dismal as that may seem, there is a silver lining. Today, Canadian financial institutions are recognized as the strongest in the world. Government oversight and regulation combined with prudent financial practices has served to minimize domestic exposure. For the consumer, new costs of borrowing and existing debt costs continue to go down, increasing affordability and positioning our economy, especially at the local level, to weather the affects of this economic downturn.

FINANCIAL RESULTS

Summerland Credit Union had an excellent year in 2008 despite the economic climate. On the balance sheet, assets grew by \$9.3 million to \$166,681,883. Loans were relatively stable rising by \$918 thousand for the year and deposits rose by \$8.1 million for the year. The credit union's capital position continues to grow and now is significantly higher than Canadian banking industry averages with retained earnings growing by \$595,289 to \$7,466,249. This level of capital provides the credit union with exceptional strength to withstand the challenges under the current economic conditions.

On the income side, financial results remained strong with consolidated income from operations prior to taxes, adjustments, dividends and other comprehensive income at \$1,409,133. As a result, patronage rebates and dividends were paid back to our members at an unprecedented 55% of gross income which totalled \$781,844 for the year.

OTHER ACTIVITIES

In keeping with our goal to reduce our environmental footprint we continue to participate in the community recycling program, save trees with our paper shredding initiative and purchase high recycle content products whenever possible. In a joint project with Shred-It BC, a truck was brought to the branch to offer free shredding of personal papers to residents of Summerland. We have embarked on a digital imaging program that will reduce our paper consumption as well as streamline service to

our members. Research is underway to implement new services that will support our commitment to being an environmentally responsible organization.

For ten days in October the credit union participated in the Canadian Cooperative Association's "Giving Credit Where Credit is Due" women's mentoring program and welcomed Dora Korleke Lowortey of Ghana to the credit union. Dora was able to take with her, knowledge of credit union procedures and policies, enjoy our wonderful community and make lasting friendships while providing us with a better understanding of work and home life in the small community of Begor, Ghana.

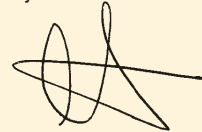
2008 marked the retirement of a long standing member of our Board of Directors. Len Grant served as Director for 18 years, six of those as Chairman of the Board. His guidance, commitment and knowledge have helped to make us the strong, viable organization we are today. The Board, management and staff wish Len and his wife Donna a wonderful retirement.

Summerland Credit Union was proud to be named one of the "Best Companies to Work for in BC" by BC Business Magazine for the second consecutive year. We were also recognized as a finalist in the Best Bank/Credit Union category by readers of Okanagan Life Magazine's "Best of the Okanagan Readers' Choice Awards."

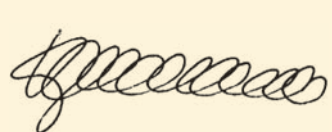
Supporting the local community continues to be one of our leading corporate values and we were pleased to support many local events and initiatives this past year. The Okanagan College Home for Learning, Agur Lake Camp, local schools and the South Okanagan Similkameen Medical Foundation are a few of the organizations that were supported in 2008. Others are highlighted further in this report.

We would not be where we are today without the commitment and outstanding leadership of our board of directors, the dedication of our tremendous staff and the support and patronage of our members. As we begin our 65th year of service we know these strengths will carry us through any upcoming challenges and look forward to our collective future.

Thank you.



Al Eden, Board Chair



Kelly Marshall, CEO

SUMMERLAND & DISTRICT CREDIT UNION

Notice of 65th ANNUAL GENERAL MEETING

Summerland Recreation Centre
Banquet Room
8820 Jubilee Road East

Thursday April 30, 2009 at 5:30 p.m.

Refreshments will be served.

Overall, our Member Rewards Program has returned more than **\$6 Million** to our members!

- 10% bonus on deposit interest
- 10% rebate on service charges
- 5% rebate on loan interest
- 5% dividends on Voluntary Equity Shares
- 5% dividends on Membership Shares

Over **\$780,000** of 2008 earnings were shared with our members.



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Your Credit Union in the community

Watch for our staff Community Team at events throughout the year, from the Friends of the Garden plant sale in the spring to winter's Festival of Lights tradition. As well, look for the Summerland Credit Union tent which is used at sponsored events or donated to local groups and organizations for their use.

In 2008 we proudly supported...

- 911 and Friends • Action Festival • Adult Bursary Program • Agur Lake Camp • Apple Valley Cruisers • Art Gallery • BC Children's Hospital • BC Schizophrenia Society • Blossom Pageant • Blossom Rod Run • Canadian Cooperative Association • Cancer Society • Children's Festival • Christmas Adopt a Family • Community Foundation of the South Okanagan • Cooperative Association of BC • Crime Stoppers • Curling • Elementary & Middle Schools • Elvis Festival Society • Fall Fair • Festival of Lights • Friends of the Gardens • Giant's Head Run • Golf • Home For Learning • Kinettes and Kinsmen • Kiwanis • KVSR • Lakeshore Racquets Club • Master Gardeners Program • Minor Baseball Assoc. • Muscular Dystrophy Canada • Museum • Neighbourhood Link • One Person Project • Orca Swim Club • Quest Society • Read to Me Program • Regional Science Fair • Royal Canadian Legion • SADI • SCEDT • SO Horse Association • SOSMF (Medical Foundation) • Special Olympics • Sportman's Association • Street Talk • Success by Six • Summerland Food Bank • Summerland Minor Hockey Association • Summerland Secondary School • Summerland Yacht Club • SUN FM Miracle Fund • Variety Club • WOSO • Youth and Senior Softball • Youth Soccer

