



ANNUAL REPORT 2008



People Helping People
The Credit Union Difference

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AGENDA

FOR THE 60th ANNUAL GENERAL MEETING

- 1..... Call Meeting to Order, Opening Comments and Introductions
- 2..... Report on Registration
- 3..... Adoption of the Agenda
- 4..... Motion to Accept the Minutes of the 59th Annual General Meeting
- 5..... Report of the Board of Directors
- 6..... Loan Activity Report
- 7..... Audit Committee Report
- 8..... External Auditor Report
- 9..... Presentation of the Financial Statements
- 10..... Appointment of the External Auditor
- 11..... Board Elections
- 12..... Report of the CEO
- 13..... Question Period
- 14..... Adjourn Meeting

MINUTES

From the 59th Annual General Meeting held on April 8, 2008 at the Best Western Lamplighter Inn, London

1. Call to Order

The meeting was called to order at 7:05 p.m. by Kim Darling, Board Chair. Kim welcomed those in attendance to the 2008 Annual Meeting and then introduced the Board, CEO and guests.

Moved/Seconded Jill Berg / Shirley Ross
Carried

2. Report on Registration

Tom Jolliffe, Corporate Secretary, reported that 30 members and 3 guests were present. Kim Darling declared that the meeting was duly constituted, as the minimum requirement of 20 members was present to establish a quorum.

3. Adoption of the Agenda

Motion: That the Agenda for the meeting as printed in the 2007 Annual Report be adopted.

Moved/Seconded: Larry Dilling / Jim Harwood
Carried

4. Minutes of the Previous Annual General Meeting

Kim Darling presented the minutes from the 58th Annual General Meeting.

Motion: That the minutes of the 58th Annual General Meeting for London Civic Employees' Credit Union held at the Best Western Lamplighter Inn, 591 Wellington Road South in London, on Tuesday April 10, 2007 be accepted as printed in the 2007 Annual Report.

Moved/Seconded: Lou Rivard / Jean Gillespie
Carried

5. Minutes from the Special Meeting of Class A Shareholders

Kim Darling presented the minutes from the Special Meeting of the Class A shareholders.

Motion: That the minutes of the Special Meeting of the Class A Shareholders of London Civic Employees' Credit Union held at the Best Western Lamplighter Inn, 591 Wellington Road South in London, on Tuesday April 10, 2007 be accepted as printed in the 2007 Annual Report.

6. Board of Directors' and Management Report

Kim Darling offered a few comments on London Civic's Mission Statement and our Vision of Success. London Civic strives to be the professional, personal and caring financial institution of choice for our members. The more successful London Civic becomes in meeting our mission, the more successful our members become. And our success is your success.

In planning for our future success, the Board will focus its efforts in 2008 on securing a successor CEO, developing a comprehensive marketing plan and strengthening the brand identity of London Civic. For London Civic to be successful in the future, we must be viewed by all in the bond as a viable and competitive financial service provider. The Board is committed to achieving this objective.

Kim concluded by thanking the CEO, Tom Jolliffe and retiring Board member, Lyle McLean for their vision and commitment to steering London Civic over the past several years. Their leadership, combined with the skills and dedication of the staff and Board have helped London Civic undergo significant evolution and to lay the foundation for our future success. And our success is comes your success.

7. Loan Activity Report

Jill Berg presented a brief summary of the loan activity that occurred in 2007. Ms. Berg stated that the credit union advanced \$10.5 million in loans during 2007. Loan advances were slightly down in 2007 as compared to 2006. In the last quarter of 2007, market conditions prompted the credit union to reduce planned mortgage and Meritline advances causing a slight decline in overall lending in 2007. Regardless, Jill indicated that Meritline loans and personal lines of credit continue to be an attractive and growing component of lending for the membership.

She concluded by encouraging members to seek out London Civic's financial services team of: Larry Dilling, Jean Gillespie, Bonnie Lupa and Jill Berg.

MINUTES From the 59th Annual General Meeting cont'd

Motion: That the Report on Loan Activity as printed in the 2007 Annual Report and as presented at the Annual General Meeting be accepted.

Moved/Seconded: Lynda Reinholt / Rick Welch
Carried

8. Audit Committee Report

Nancy Hindmarsh stated that the Audit Committee had met on five occasions during 2007. In the course of their duties, the audit committee reviews, evaluates and recommends credit union policies in order to ensure that the policies of London Civic Employees' were in compliance with DICO's Standards of Sound Business and Financial Practices.

Further, it is a responsibility of the Audit Committee to retain the auditor for the credit union. Correspondingly, this past year the Committee undertook an audit tender.

The Audit Committee also met with Ann Marie Perry C.A. and Laura DeVrieze C.A. from the firm of Kee, Perry and Lassam, to review the results of the annual external audit.

Motion: That the Audit Committee Report as printed in the 2007 Annual Report and as presented at the Annual General Meeting be adopted.

Moved/Seconded: Jim Harwood / Larry Dilling
Carried

9. Report of the External Auditor

Ann Marie Perry C.A. from the firm of Kee, Perry and Lassam presented the Report from the External Auditor.

Motion: That the External Auditor's Report as printed on page 1 in the 2007 Financial Statements and as presented at the Annual General Meeting be accepted.

Moved/Seconded: Patty Borthwick / Lynda Reinholt
Carried

10. Financial Statements

Nancy Hindmarsh provided a brief summary of highlights from the 2007 financial statements. With the merger of London Civic and Labatt Employees'

in May 2007, the credit union experienced excellent growth. Deposits increased by 17.0%, loans by 8.7% and membership by 11.4%. The credit union experienced some one time costs during the past year that reduced 2007 earnings; however, with an increase in the capital ratio to 7.22%, London Civic ended the year in an even stronger financial position.

Motion: That the Financial Statements and Notes to the Financial Statements as printed on pages 2 to 15 in the 2007 Financial Statements and as presented, be accepted.

Moved/Seconded: Jill Berg / Jim Harwood
Carried

11. Appointment of the External Auditor

Nancy Hindmarsh thanked Ann Marie Perry C.A. and the firm of Kee, Perry and Lassam for their services offered to the credit union during the past five years. Audit engagements, standards and policies have significantly changed during the last five years and Anne Marie Perry and Laura DeVrieze have been instrumental in assisting London Civic in adapting and incorporating these new standards.

One of the roles of the Audit Committee is to retain the services of an external auditing firm. The Audit Committee undertook to request an audit tender from several auditing firms. The Committee reviewed several submissions and recommended the firm of Retford and Lane, Chartered Accounts for the 2008 external audit.

Motion: That the firm of Retford and Lane, Chartered Accountants be appointed as External Auditors for London Civic Employees' Credit Union for the year ended December 31, 2008.

Moved/Seconded: Lynda Reinholt / Larry Dilling
Carried

12. Board Elections

Terry Simpkin indicated that there are currently three vacant Board positions. During the past year, one Board member, Ron Robinson, resigned. In addition, the terms for two other members have expired: Lyle McLean and Jim Morton.

MINUTES From the 59th Annual General Meeting cont'd

In accordance with the by-laws of London Civic, the credit union undertakes a general call for nominees to the Board of Directors. The credit union seeks nominations by advertising in the London Free Press, publishing a notice in the credit union office, providing nomination information on the website and through personal contacts.

We received five nominations for the three current Board vacancies. Nominations were received from the following individuals: Jim Morton (TVDSB), Bernie MacDonald (London City Council), Mike Turner (City of London), Ken Walsh (London Hydro), Marty Woolings (TVDSB).

The Corporate Governance Committee receives Board nominations. A mandate of the Corporate Governance Committee is to seek a Board that is comprised of members with complementary skills and who represent different parts of the bond. The Committee interviewed each Nominee to determine their fit on the LCECU Board of Directors from the viewpoint of best achieving a diverse range of skills sets and bond member representation. Accordingly, the Corporate Governance Committee is recommending the following motion:

Motion: The Corporate Governance Committee recommends to the membership that Jim Morton, Mike Turner and Ken Walsh be elected to serve on the Board of London Civic Employees' Credit Union for a term of three years.

Moved/Seconded: Bill Thompson / George Brunton
Carried

Mike Turner and Ken Walsh each briefly addressed the meeting to introduce themselves and to thank the members for their support.

13. Presentation to Lyle McLean

Tom Jolliffe offered his thanks to retiring Board member, Lyle McLean. Lyle has been on the Board since 2002, as Audit Committee Chair, Vice Chair and then Chair for 3 years. Lyle has been a key architect and participant in the shaping of London Civic. He has been instrumental in conceptualizing, promoting and enabling change. He has been a strong advocate for

maintaining and enhancing the credit union; growing the membership, growing wallet share, adding services, enhancing member relationships, and making the credit union more relevant to all employees within the bond. His vision, energy and commitment have left their mark.

Simply stated, London Civic is a better credit union because Lyle was on the Board.

14. Address from the CEO

Tom Jolliffe extended his thanks and appreciation to the rest of the Board. 2007 was an extremely busy year for the Board. They facilitated the merger with Labatts last winter, undertook to update the strategic plan in the summer and launched a recruitment process for a new CEO in the fall. Each one of these Board tasks involved several meetings. These three projects were all in addition to the regular monthly Board and Committee meetings.

Your Board has shown an outstanding level of commitment to London Civic and has done an excellent job in positioning London Civic to be a sustainable and viable credit union for years to come.

Tom then offered some comments on how London Civic distinguishes itself from the banking sector. He outlined the benefits of credit union membership and contrasted these with those of bank shareholders.

Two short videos were then played that portrayed some humorous differences between a credit union and a bank.

Tom then thanked the staff for the excellent service they provide to the membership. He further stated that our success does not come easily. We have to earn it each and every day. And it is only with the efforts provided by your credit union staff that we can achieve these successes.

He concluded by encouraging everyone to be proud of your credit union, to use your credit union, and to tell your colleagues about London Civic.

15. Question Period

Tom Jolliffe and Kim Darling provided responses to questions raised at the meeting.

MINUTES From the 59th Annual General Meeting cont'd

Marty Woolings sought clarification on the resources allocated to marketing and if the credit union had an overall marketing plan. Tom replied that the credit union directed approximately \$50,000 in 2007 towards several marketing initiatives. The Board and management also recently received a proposal for a comprehensive marketing plan. Kim added that the new Family First night was very successful and that the credit union plans to sponsor two Family First events annually.

Marty Woolings asked if he could be provided with further information about the proposed marketing plan. Tom Jolliffe stated he would follow up with Mr. Woolings and provide him with a general outline of the credit union's proposed marketing plans.

Lou Rivard questioned how the loan portfolio could increase by 8.7% when lending was slightly lower in 2007 as compared to 2006.

Tom Jolliffe replied by stating that the combination of loans from Labatt Employees' + London Credit Union, new loan advances and loan retention allowed the credit union to grow the overall loan portfolio by 8.7% even though loan advances were marginally lower in 2007.

Kim Darling then thanked the members for their questions.

16. Adjourn Meeting

Kim Darling offered a few closing comments and then thanked the membership for attending this year's Annual General Meeting.

Motion: To adjourn the 2007 Annual General Meeting.

Moved/Seconded: Jim Ross / Rick Welch
Carried

STAFF LISTING Friendly people helping you with your financial needs.

Jill Berg
Senior Account Manager

Karen DeForest
Member Service Representative

Larry Dilling
Senior Account Manager

Lew Figol
Chief Executive Officer

Julie Gignac
Member Service Representative

Nancy Glendenning
Assistant Manager

Donald Green
Chief Financial Officer

Bonnie Lupa (on leave)
Senior Financial Services Officer

Leslie MacIntosh
Administrative Support

Zenalia Vetere
Senior Financial Services Officer

Rick Welch
Senior Member Service Representative

A MESSAGE FROM YOUR BOARD AND MANAGEMENT

People Helping People – The Credit Union Difference

From its humble beginnings 60 years ago, London Civic's primary focus and mission has been to serve the financial needs of all our members. This past year, was a year of change for the credit union. Your Board and management were keenly focused on ensuring that we were able to provide the members with the best services possible. We bid farewell to some senior staff that retired and hired several experienced staff to continue serving the members. Looking through a fresh set of eyes, we started a review of products and services in order to better serve you, the members. Instant ATM cards were implemented that now allows members to obtain new and replacement MemberCards immediately instead of having to wait one to two business days and a new hot card line (1-877-764-3693) was established giving members 24 hour access to cancelling their ATM cards if lost or stolen.

Economically, last year proved to be one of the most difficult years in recent memory. The financial markets suffered some of the largest drops in history as we entered what is today seen as the hardest recession in over a generation. The secondary credit markets remained seized for a second year, interest rates dropped dramatically, bank losses escalated requiring hundreds of billions in federal aide in the U.S. and the auto industry seized up requiring billions in aide in both Canada and the U.S. to stave off bankruptcy. During these volatile times, London Civic continued to serve our members and providing them with sound advice and readily accessible credit and favourably priced deposit products. In fact, we saw a dramatic increase in members during the second half of 2008.

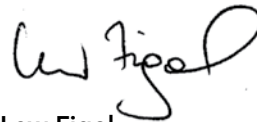
In 2009 we will face new challenges with the implementation of the new Credit Union Act, the introduction of International Financial Reporting Standards; preparations for the introduction of Chip Card technology as well as reviewing the way in which member electronic transactions are processed. Each of these changes will require that we develop new policies procedures and compliance processes to meet the requirements of each of these changes. Fortunately we have a strong and dedicated team of employees who are ready to take on these new challenges with a high degree of commitment!

In 2009, London Civic will continue serving our members needs. Enhancements are currently underway to add mobile banking as well as a state of the art loans origination system both to be implemented in May 2009.

This summer, we will be undertaking an extensive survey to help us stay on course with our members needs. We will continue to look for innovative ways of tailoring our products and services to meet the changing needs of our members. We are committed to reaching out to our bond and make the credit union the financial institution of choice for all of our members!

While the economic outlook remains grim for the next year, the outlook for the credit union is looking brighter as we look to gain our members trust in our abilities in looking out for their best interests and not those of a few bank shareholders. Our plan is a simple one. To ensure that we meet one main objective: to better serve our members.

***Our success is indeed your success!
Now that's unique!***



Lew Figol
CEO



Kim Darling
Chair

BOARD OF DIRECTORS

Kim Darling, Chair
Terry Simpkin, Vice Chair
Brenda Harwood *
Nancy Hindmarsh*
Jim Killin (resigned May 2009)
Margaret McNaughton (since June 2009)
Jim Morton
Mike Turner
Ken Walsh

AUDIT COMMITTEE

Nancy Hindmarsh, Chair
Brenda Harwood
Jim Morton
Mike Turner

CORPORATE GOVERNANCE COMMITTEE

Ken Walsh, Chair
Kim Darling
Nancy Hindmarsh
Terry Simpkin

* Term expires

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

THE ACCOMPANYING FINANCIAL STATEMENTS OF LONDON CIVIC EMPLOYEES' CREDIT UNION LIMITED ARE THE RESPONSIBILITY OF MANAGEMENT AND HAVE BEEN APPROVED BY THE BOARD OF DIRECTORS.

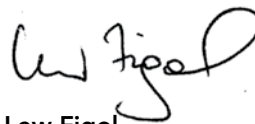
Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. Financial statements are not precise, as they include certain amounts based on estimates and judgments.

Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report, and has ensured that it is consistent with that in the financial statements. Management is responsible for maintaining systems of internal accounting and administrative controls to provide reasonable assurance as to the reliability of financial information, and to ensure that the Credit Union's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board carries out this responsibility principally through its Audit Committee. The Audit Committee meets periodically with Management and the external auditors throughout the year, and reports its findings to the Board for its consideration.

The financial statements have been audited by Retford Lane Bates LLP, the external auditors, in accordance with Canadian generally accepted auditing standards. The external auditors have free and independent access to the Audit Committee.



Lew Figol
CEO

LOAN ACTIVITY REPORT

In their meetings, the Board of Directors reviewed and approved the New Loan Activity Report. To ensure quality in loan underwriting, all lending officers have a specified lending limit. Personal loans in excess of their limit are reviewed and approved by the Senior Account Manager. In addition, all Mortgage and Meritline loans are reviewed and approved by the Senior Account Manager. Loans in

excess of the Senior Account Manager's lending limit are forwarded to the Chief Executive Officer for approval prior to their submission to the Board of Directors. The table below summarizes the lending activity for the year ended December 31, 2008.

	2008		2007	
Loans Approved				
Personal Loans	300	\$ 3,312,238	319	\$ 3,326,033
Line of Credit	200	1,106,226	216	1,230,900
Mortgages	25	1,984,642	31	3,543,567
Meritline	47	3,772,621	34	2,384,849
Total	572	\$ 10,175,727	600	\$ 10,485,349
Loans Declined	61		60	
Total Loan Applications	633		660	

REPORT OF THE AUDIT COMMITTEE

The Audit Committee consists of a standing committee of four members from the Board of Directors, as recommended by Section 125 of the Credit Union and Caisses Populaires Act, 1994. The mandate of this committee is to review, recommend and ensure adherence to the administrative and regulatory policies that have been developed for London Civic Employees' Credit Union.

In the course of their quarterly meetings, the Audit Committee reviewed policies and procedures to ensure that the Credit Union adhered to the Deposit Insurance Corporation of Ontario's Standards of Sound Business and Financial Practices. The Audit Committee also reviewed and discussed with Management, the results of any internal reports regarding the Credit Union's compliance to policies and procedures. In addition, the Audit Committee met with the external auditor to review the terms and results of the annual external audit.

Based on its findings, the Audit Committee issues reports and makes recommendations to the Board of Directors.

The Audit Committee receives the full support of Management and plays an effective role in monitoring and improving the control structure at London Civic.

Submitted on Behalf of the Audit Committee.



Nancy Hindmarsh
Audit Committee Chair

FIVE YEAR REVIEW (UNAUDITED)

	2008	2007	2006	2005	2004
BALANCE SHEET					
Cash and investments	\$ 4,033,848	\$ 3,558,824	\$ 2,599,481	\$ 2,337,311	\$ 2,529,701
Loans to members	30,366,594	29,368,853	26,980,697	24,096,334	23,396,966
Less: Loan allowance	(112,504)	(138,153)	(112,186)	(101,889)	(115,402)
Fixed & other assets	707,552	966,866	793,120	793,207	887,988
Total Assets	34,995,490	33,756,390	30,261,112	27,124,963	26,699,253
Members' deposits	32,286,897	29,821,318	25,487,847	23,708,854	23,725,493
Other liabilities	306,774	1,542,312	2,627,398	1,385,688	1,078,815
Membership shares	183,310	185,175	166,450	166,760	297,114
Class A patronage shares	87,076	112,132	132,659	197,978	150,306
Retained earnings	2,131,433	2,095,453	1,846,758	1,665,683	1,447,525
Total Capital	\$ 2,401,819	\$ 2,392,760	\$ 2,145,867	\$ 2,030,421	\$ 1,894,945
Regulatory capital ratio	7.00%	7.22%	7.04%	7.43%	7.07%
INCOME STATEMENT					
Interest income	\$ 1,856,543	\$ 1,934,321	\$ 1,670,880	\$ 1,460,253	\$ 1,372,148
Investment and other income	330,313	281,582	234,282	222,732	205,164
Total revenue	2,186,856	2,215,903	1,905,162	1,682,985	1,577,312
Interest paid to members	892,937	816,774	617,334	519,625	509,756
Borrowing costs	35,264	135,035	72,907	16,194	27,838
Operating spread	1,258,655	1,264,094	1,214,921	1,147,166	1,039,718
Salaries and benefits	578,510	589,345	480,817	453,197	464,999
Other operating costs	539,754	549,940	472,661	464,211	366,217
Income before undernoted	140,391	124,809	261,443	229,758	208,502
Loss from write-down of investments	(71,999)	-	-	-	-
Gain (loss) on sale of capital assets	-	(3,447)	-	77,836	-
Patronage rebates and dividends	(24,000)	(25,490)	(38,889)	(50,488)	(46,779)
Income before income taxes	44,392	95,872	222,554	257,106	161,723
Income taxes	8,412	18,155	41,479	38,948	30,203
Net Income	\$ 35,980	\$ 77,717	\$ 181,075	\$ 218,158	\$ 131,520
Number of members	3,805	3,836	3,444	3,439	3,524
Growth in member deposits	8.3%	17.0%	7.5%	-0.1%	7.5%
Liquidity	11.2%	10.8%	8.9%	8.9%	9.2%
Asset growth	3.7%	13.0%	11.6%	1.6%	10.5%

AUDITORS' REPORT

To the Members of **London Civic Employees' Credit Union Limited:**

We have audited the balance sheet of London Civic Employees' Credit Union Limited as at December 31, 2008 and the statements of operations and 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 in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2008 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Retford Lane Bates LLP
Licensed Public Accountants
January 15, 2009

BALANCE SHEET AS AT DECEMBER 31, 2008

	2008	2007
ASSETS		
Cash resources (Note 3)	\$ 962,225	\$ 383,085
Investments (Note 4)	3,071,623	3,175,739
Loans to members (Note 5 and 6)	30,254,090	29,230,700
Other assets (Note 7)	358,581	573,494
Capital assets (Note 8)	348,971	393,372
	\$ 34,995,490	\$ 33,756,390
LIABILITIES AND RETAINED EARNINGS		
Liabilities		
Term loan	\$ -	\$ 1,000,000
Members' deposits (Note 9)	32,286,897	29,821,318
Other liabilities (Note 10)	306,774	542,312
Member shares (Note 11)	270,386	297,307
	32,864,057	31,660,937
Retained earnings	2,131,433	2,095,453
	\$ 34,995,490	\$ 33,756,390

Approved by the Board,



Director



Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
Interest income (Note 13)		
Member loans	\$ 1,856,543	\$ 1,934,321
Investment income	110,836	107,482
	1,967,379	2,041,803
Interest expense		
Member deposits (Note 14)	892,937	816,774
Distribution to members	24,000	25,489
External borrowings	35,264	135,035
	952,201	977,298
Net interest income	1,015,178	1,064,505
Provision for impaired loans (Note 6)	10,419	19,427
Net interest income after loan losses	1,004,759	1,045,078
Other income		
Unrealized gain on interest rate swap agreements (Note 15)	38,247	-
Other income	181,230	174,100
	219,477	174,100
Net interest and other income	1,224,236	1,219,178
Operating expenses		
Administration (Schedule)	383,507	387,959
Deposit insurance	28,605	22,005
Occupancy	117,223	120,550
Salaries and benefits	578,510	589,345
	1,107,845	1,119,859
Income before other adjustments	116,391	99,319
Other adjustments		
Write-down of ABCP 2008 Limited Partnership units (Note 4)	(56,700)	-
Write-down of CUCO shares (Note 4)	(15,299)	-
Loss on disposal of capital assets	-	(3,447)
	(71,999)	(3,447)
Income before income taxes	44,392	95,872
Income taxes		
Current	902	21,515
Future	7,510	(3,360)
	8,412	18,155
Net income for the year	35,980	77,717
Retained earnings, beginning of the year	2,095,453	1,846,758
Retained earnings of amalgamated credit union	-	170,978
Retained earnings, end of the year	\$ 2,131,433	\$ 2,095,453

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
Cash flows from operating activities		
Net income for the year	\$ 35,980	\$ 77,717
Adjustments for:		
Amortization	54,916	59,077
Provision for impaired loans (Note 6)	10,419	19,427
Patronage rebates and dividends	24,000	25,489
Unrealized gain on interest rate swap agreements	(38,247)	-
Write-down of ABCP 2008 Limited Partnership units (Note 4)	56,700	-
Write-down of CUCO shares (Note 4)	15,299	-
Future income taxes	7,510	(3,360)
Loss on disposal of capital assets	-	3,447
	166,577	181,797
Changes in non-cash working capital balances:		
Other current assets	253,160	(459,169)
Other liabilities	(243,047)	416,194
	176,690	138,822
Cash flows from investing activities		
Purchase of capital assets	(10,515)	(18,894)
Loans to members - net	(1,033,810)	(1,596,777)
Investments	32,117	(282,132)
Cash resources acquired in amalgamation	-	170,932
	(1,012,208)	(1,726,871)
Cash flows from financing activities		
Decrease in term loan	(1,000,000)	(1,500,000)
Members' deposits	2,465,579	2,994,407
Membership shares	(50,921)	(37,116)
	1,414,658	1,457,291
Increase (decrease) in cash and cash equivalents	579,140	(130,758)
Cash and cash equivalents, beginning of the year	383,085	513,843
Cash and cash equivalents, end of the year	\$ 962,225	\$ 383,085
INTEREST AND INCOME TAXES PAID:		
Interest paid	\$ 903,870	\$ 1,045,105
Income taxes paid (net of refunds)	\$ (4,889)	\$ 22,764

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

Nature of Business

London Civic Employees' Credit Union Limited (the "Credit Union") is a financial institution incorporated under the Business Corporations Act of Ontario and operates in accordance with the Credit Unions and Caisses Populaires Act, 1994. The Credit Union provides financial products and services to members throughout Ontario.

1. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with the preceding year. Outlined below are the accounting policies considered to be significant.

The Credit Unions and Caisses Populaires Act, 1994 (the "Act")

Regulations to the Act specify that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. It is management's opinion that the disclosures in these financial statements and notes comply, in all material respects, with the requirements of the Act. Where necessary, estimates and interpretations have been made in presenting this information.

Use of estimates

The preparation of 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 and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

Investments

Investments designated as loans and receivables are accounted for at amortized cost and income thereon accrues using the effective interest method.

Investments designated as held for trading are carried at fair value based primarily on published market prices. Gains and losses are included in investment income for the period in which they arise.

Investments classified as available for sale are carried at fair value where such a value can be reliably measured, otherwise they are carried at cost. Unrealized gains and losses are recognized directly in other comprehensive income. In the period in which the asset is sold, or otherwise derecognized, the cumulative gain or loss, previously recorded in accumulated other comprehensive income, is recognized in net income.

Capital assets

Capital assets are stated at acquisition cost. Amortization is calculated using the methods set out below applied to the cost of the assets, at annual rates based on their estimated useful lives as follows:

Asset	Rate	Method
Furniture and equipment	20%	declining balance
Computer hardware	36 months	straight-line
Computer systems	60 months	straight-line
Computer software	100%	declining balance
Leasehold improvements	straight-line over remaining term of lease including the first renewal term	

Where the declining balance is used, one-half the annual rate is applied in the year of acquisition. Where the straight-line method is followed, amortization is recorded from month of acquisition.

Loans to members

Loans to members are stated at amortized cost. Interest income is recorded using the effective interest rate method over the terms of the loans. Loan fee income that contributes to the overall yield of a loan is incorporated into the effective interest rate and recognized in income over the term of the loan.

A loan is classified as impaired when a specific provision has been established or a write-off taken or when, in the opinion of management, there is reasonable doubt as to the ultimate collectibility of principal or interest. A loan is also classified as impaired when interest or principal is contractually 90 days past due, unless the loan is fully secured and in the process of collection. Fully secured loans are classified as impaired after a delinquency period of 180 days.

Once a loan is classified as impaired, all previously accrued interest is reversed and charged against current income unless the amount is fully secured. Loans are generally returned to accrual status when all delinquent principal and interest payments are brought current and the timely collection of both principal and interest is reasonably assured..

Allowance for impaired loans

The allowance for impaired loans is maintained in an amount considered adequate to absorb estimated credit related losses in the loan portfolio. The allowance for impaired loans reflects management's best estimate of the losses existing in the loan portfolio and their judgements about current economic conditions. If the circumstances under which these estimates and judgements were made change, there could be a significant change to the allowance for impaired loans which consists of specific provisions and a general provision, each of which is reviewed on a regular basis. The allowance is increased by provisions for impaired loans which are charged to earnings and reduced by write-offs net of recoveries.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery.

Members' deposits

Members' deposits are recorded at amortized cost. Interest expense is recorded using the effective interest rate method over the terms of the deposits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

Member shares

The Credit Union has adopted the recommendations of the Canadian Institute of Chartered Accountants relating to the financial statement presentation of members' share accounts and the related distributions paid on such financial instruments. In accordance with these recommendations, the Credit Union's shares are presented in the balance sheet as financial liabilities. These liabilities qualify as capital for regulatory purposes, notwithstanding their financial statement classification. Dividends or other payments related to member shareholdings are reported in the statement of operations as a financial expense.

Translation of foreign currencies

The monetary assets and liabilities of the Credit Union denominated in foreign currencies are translated at the rates of exchange at the balance sheet date. Revenues and expenses are translated at the average exchange rate prevailing during the year. Exchange gains or losses are included in operations.

Derivative financial instruments

The Credit Union enters into equity-linked purchase options to

manage exposure to stock market risk. The Credit Union does not enter into derivative financial instruments for trading or speculative purposes.

When derivatives are used to manage exposure, the Credit Union determines for each derivative whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a fair value hedge or a cash flow hedge of a specifically identified group of assets or liabilities. The Credit Union assesses, both at the inception and over the term of the hedge, whether these derivatives are highly effective in offsetting changes in fair value or cash flows of hedged assets and liabilities.

Derivatives that do not qualify for hedge accounting are carried at fair value on a gross basis in assets and liabilities with changes in fair value recorded in other income.

Equity-linked purchase options are used to reduce the exposure to stock market fluctuation in the returns associated with the index-linked term deposits issued to members. The premiums paid for these options are deferred in other assets and amortized to interest expense on members' deposits over the life of the options.

2. Change in Accounting Policy

On January 1, 2008 the Credit Union adopted the following recommendations of Canadian Institute of Chartered Accountants (CICA) Handbook:

- a) Section 3862, Financial instruments - Disclosures. This Section requires the disclosure of information about: a) the significance of financial instruments for the Credit Union's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the Credit Union is exposed during the year and as at the balance sheet date, and how the Credit Union manages those risks. The required disclosures are in Notes 3, 4, 6 and 20.
- b) Section 3863, Financial instruments - Presentation. This Section is unchanged from the presentation requirements previously included in Section 3861.

- c) Section 1535, Capital Disclosures. This Section requires the disclosure of information about the Credit Union's objectives, policies and processes for managing capital. The required disclosures are in Note 12.

Future changes in accounting policy

In February 2008, the Canadian Accounting Standards Board announced that Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011, including the restatement of comparative period financial statements on the same basis. The transition from Canadian GAAP to IFRS will be applicable to the Credit Union for the year ended December 31, 2011. The Credit Union is currently evaluating the impact of adopting IFRS.

3. Cash and Liquidity Risk

Cash consists of cash on hand and payroll deductions which have been made and which are in the course of being remitted. The Credit Union has an available credit facility of \$4,510,000 to cover a shortfall in cash resources due to unanticipated volume in clearings. This facility includes a line of credit of CDN \$500,000, US \$10,000, a term loan of \$3,000,000 and an extraordinary term loan of \$1,000,000. This facility is secured by a general security agreement and an assignment of book debts and bears interest at 2.2%. At December 31, 2008, the facility was not utilized.

The business of the Credit Union necessitates the management of liquidity risk. Liquidity risk is the risk of being unable to meet financial

commitments, under all circumstances, without having to raise funds at unreasonable prices or sell assets on a forced basis. The liquidity ratio represents the ratio of assets qualifying as liquid assets under the Act to the sum of members' deposits and borrowings. The Credit Union is subject to a statutory requirement of maintaining a liquidity ratio of no less than 8.0% and has established an internal policy of maintaining a ratio between 8% and 12%. The Credit Union monitors its liquidity ratio on a regular basis and at December 31, 2008, the liquidity ratio was 11.2%. The Credit Union continually monitors the significance of large deposits and loan commitments relative to its liquidity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

4. Investments

	2008	2007
Loans and receivables		
Central 1 Credit Union Liquidity reserve deposit	\$ 2,467,649	\$ 1,988,056
Accrued interest	36,503	36,467
	2,504,152	2,024,523
Held for trading		
Short-term deposits	115,352	909,127
ABCP 2008 Limited Partnership	167,439	-
	282,791	909,127
Available for Sale		
Credit Union Central of Ontario shares	284,679	242,089
Central 1 Credit Union Class A shares	1	-
	284,680	242,089
	\$ 3,071,623	\$ 3,175,739
Market Value	\$ 3,115,185	\$ 3,175,739

Central 1 Credit Union Liquidity Reserve Deposit

As a condition of maintaining membership in Central 1 Credit Union ("Central 1") in good standing, the Credit Union is required to maintain on deposit in Central 1 an amount equal to 7% of the Credit Union's total assets updated at each calendar quarter end. The liquidity reserve deposit bears interest at a rate which is fixed periodically and is callable by the Credit Union on ninety days notice.

Central 1 Credit Union Shares

As a condition of maintaining membership in Central 1, the Credit Union is required to keep an investment in shares of Central 1 equal to 0.60% of the Credit Union's total assets as at the preceding calendar year end, updated in February of each year. On November 15, 2007, Credit Union Central of Ontario (CUCO) made a capital call on their members equal to an additional 0.20% of the Credit Union's total assets as at December 31, 2006. On June 26, 2008 another capital call was made on their members equal to an additional 0.10% of the Credit Union's total assets as at December 31, 2007.

Effective July 1, 2008, CUCO merged with Credit Union Central of British Columbia to form a new entity, Central 1 Credit Union ("Central 1"). Central 1 assumes the responsibility of being the credit union central in both provinces.

The merger was affected through the acquisition of CUCO's net assets in exchange for Class A and E shares in Central 1. On July 1, 2008, the Credit Union received one share of Central 1. It is anticipated that the Credit Union will receive its remaining Class A shares of Central 1 from CUCO in 2009. The Credit Union expects to receive its portion of the Central 1 Class E shares and any remaining surplus cash from CUCO at the end of February, 2009.

The shares in Central 1, however, will bear a value and redemption amount estimated to be \$15,299 less than the carrying amount of the CUCO shares prior to the merger. At year end the carrying amount of the shares have been reduced to reflect the expected shortfall.

No market exists for the shares of CUCO and Central 1. The shares may be surrendered on withdrawal from membership for proceeds equal to the carrying value.

ABCP 2008 Limited Partnership

As a pre-condition of the merger to form Central 1, CUCO was required to divest itself of investments in certain third-party asset-backed commercial paper (ABCP). The resolution approved the creation of a limited partnership, ABCP 2008 Limited Partnership ("ABCP LP"), to acquire these investments funded by member credit unions in proportion to their share investment in CUCO.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

As a result, in June 2008, ABCP with a total par value of \$187 million was acquired by the ABCP LP at a cost of \$130 million, plus accrued interest of \$4 million. The Credit Union owns ABCP LP units equal to 0.1814% of the partnership. The ABCP LP is governed by a board of directors that was elected by the unit holders.

The Credit Union carries its investment in the ABCP LP at its share of the fair value of the partnership as estimated by the general partner. Approximately 80% of the ABCP held in the partnership is subject to a court-sanctioned restructuring process known as the "Montreal Accord". The remaining investment is in Apex Trust which has been restructured by the sponsor. Both restructurings involved replacing the original short-term ABCP with various classes of long-term notes. The notes bear a variety of interest rates between 0% and 5% with most floating with a premium or discount to the Bankers' Acceptance rate.

As at December 30, 2008, the ABCP LP determined or estimated the principal characteristics of its notes, including the interest rate, maturity date and credit rating. It then

estimated the yield that a potential investor would require to purchase each class of notes. The ABCP LP used this information to calculate a net present value for each class of notes.

Based upon a sensitivity analysis of the assumptions used, the expected yield required by a potential investor remains the most significant assumption included in the fair value estimate. Based on this exercise, the ABCP LP estimated that as at December 30, 2008 the range of potential values was between \$76 million and \$99 million. The Credit Union has accepted the ABCP LP's estimate of value of \$90 million plus other assets, net of liabilities, of \$6 million as the value of the partnership at year end. There can be no assurance that this estimate will be realized. Subsequent adjustments, which could be material, may be required in the future.

The ABCP LP units with an original cost to the Credit Union of \$242,278 have an estimated fair value of \$167,439. This includes a distribution of \$18,139 and a \$56,700 fair value write-down adjustment.

5. Loans to Members

	2008	2007
Mortgages	\$ 22,742,539	\$ 21,200,995
Personal	7,598,078	8,135,012
Accrued interest	25,977	32,846
	30,366,594	29,368,853
Less allowance for impaired loans (Note 6)	112,504	138,153
	\$ 30,254,090	\$ 29,230,700

The loan classifications set out above are as defined in the Regulations to the Credit Unions and Caisses Populaires Act, 1994.

Residential mortgage loans are repayable in monthly blended principal and interest instalments over a maximum term of five years based on a maximum amortization period of thirty-five years.

Personal loans, including line of credit loans, are repayable to the Credit Union in monthly blended principal and interest instalments over a maximum term of five years,

except for secured line of credit loans which are repayable on a revolving credit basis and require minimum monthly payments. All loans, except for residential mortgage loans, are open and, at the option of the borrower, may be paid off at any time without notice.

As at December 31, 2008, the Credit Union was committed to the issuance of mortgage loans to members in the aggregate amount of \$526,720 (2007 - \$95,000).

As at December 31, 2008, the approved and unused line of credit limits amount to \$3,976,731 (2007 - \$4,812,685).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

6. Allowance for Impaired Loans

		2008		2007
Balance at beginning of year	\$	138,153	\$	112,186
Loans written off		(49,649)		(18,268)
Loans recovered		13,581		4,573
		102,085		98,491
Provision charged to operations		10,419		19,427
Amalgamation		-		20,235
Balance at end of year	\$	112,504	\$	138,153

The business of the Credit Union necessitates the management of credit risk. Credit risk is the potential for loss due to the failure of a borrower to meet its financial obligations. The Board of Directors of the Credit Union oversees the risk management process. Senior management coordinates policy setting on risk management issues, assesses the risk

exposure of the Credit Union and reviews the effectiveness of internal control processes.

The Credit Union has established loan concentration policies to ensure a prudent diversification of the types of loans in its portfolio. Additionally, the Credit Union has a maximum limit on the value of loans to an individual

and connected parties. The maximum amount varies depending on the type of loan.

The allowance for impaired loans provided for in the accounts of the Credit Union is in accordance, in all material respects, with the by-law of the Deposit Insurance Corporation of Ontario governing such allowances.

	Allowance for impaired loans balance		Aggregate impaired loans	
	2008	2007	2008	2007
Mortgages	\$ 16,211	\$ 22,685	\$ 58,498	\$ -
Personal	96,293	115,468	58,490	48,341
	\$ 112,504	\$ 138,153	\$ 116,988	\$ 48,341

7. Other Assets

		2008		2007
Other receivables	\$	47,935	\$	71,126
Prepaid expenses		35,486		37,752
Future income taxes		13,100		20,610
Income taxes receivable		10,846		18,086
Index-linked derivative contract		207,723		425,920
Interest rate swaps		41,322		-
Forward contracts		2,169		-
	\$	358,581	\$	573,494

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

8. Capital assets

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Furniture and equipment	\$ 96,319	\$ 63,195	\$ 33,124	\$ 35,337
Computer equipment	272,598	237,397	35,201	56,600
Leasehold improvements	353,254	72,608	280,646	301,435
	\$ 722,171	\$ 373,200	\$ 348,971	\$ 393,372

Amortization expense for the year amounted to \$54,916 (2007 - \$59,077).

9. Members' deposits

	2008	2007
Chequing accounts	\$ 1,599,836	\$ 1,330,590
Savings accounts	9,735,411	9,981,623
Term deposits	7,578,326	6,187,513
Registered savings plans	11,610,018	10,510,088
Registered income funds	1,238,890	1,337,020
Accrued interest	524,416	474,484
	\$ 32,286,897	\$ 29,821,318

Registered plans

Concentra Trust is the trustee of the registered plans offered to the members. Under an agreement with the trust company, members' contributions to these plans, as well as income earned on them, are deposited in the Credit Union. On withdrawal, payment of the plan proceeds is made to the members or their designates, by the Credit Union on behalf of the trust company.

Index-linked deposits

The Credit Union has issued and outstanding \$4,369,353 (2007 - \$3,888,062) of an Index-Linked Registered Savings Plan product to its members. These term deposits

have maturities of 3 and 5 years and pay interest to the depositors, at the end of the respective terms, based on the performance of the S&P / TSX 60 Index.

The Credit Union has entered into hedge agreements with Central 1 to offset the exposure to the S&P / TSX 60 Index associated with these products. The Credit Union has paid Central 1 an amount discounted over the term of the deposit to fully fund the Credit Union's liability to Central 1. At the end of the term of the deposit, Central 1 pays to the Credit Union an amount equal to the amount that will be paid to the depositors based on the performance of the S&P / TSX 60 Index.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

10. Other Liabilities

	2008	2007
Accounts payable and accrued charges	\$ 99,051	\$ 116,392
Index-linked derivative contract	207,723	425,920
	\$ 306,774	\$ 542,312

11. Member Shares

	2008	2007
Membership shares	\$ 183,310	\$ 185,175
Patronage shares	63,076	86,642
Accrued dividends on patronage shares and rebates	24,000	25,490
	\$ 270,386	\$ 297,307

The Credit Union has 3,805 (2007 - 3,836) members. As a condition of membership, each adult member and business must hold 10 shares and youths (under 18 years of age) must hold 5 shares at the issue price of \$5 each. Shares may be withdrawn on demand or withdrawal from membership, subject to the Credit Union meeting capital adequacy requirements and the discretion of the directors who may require notice.

Patronage Rebates and Dividends

Although members' shares are regarded as capital for regulatory purposes, they impose a contractual obligation

on the Credit Union to pay cash in certain defined future circumstances. They have, therefore, been classified as liabilities for purposes of these financial statements. Correspondingly, dividends paid on these shares have been classified as an expense in the statement of operations.

Members are eligible to receive patronage rebates based on annual interest paid on their borrowings and on annual interest received on certain of their deposits. Members are also eligible to receive dividends on patronage shares.

2008 patronage rebates and dividend expense is comprised of the following:

	2008	2007
1.00% (2007 - 1.00%) bonus interest on interest earned on savings, chequing and non-registered term deposits (minimum bonus \$5)	\$ 3,545	\$ 4,005
1.00% (2007 - 1.00%) rebate of loan interest paid	17,143	17,487
5.25% (2007 - 3.70%) dividend on patronage shares held December 31, 2008	3,312	3,998
	\$ 24,000	\$ 25,490

The bonus interest, loan interest rebate and dividends are payable on January 13, 2009 in the form of patronage shares.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

12. Capital Adequacy

In accordance with the requirements of the Credit Unions and Caisses Populaires Act, 1994 and accompanying Regulations, credit unions are required to maintain sufficient capital to meet two tests:

Leverage test:

Regulatory capital, comprising membership shares, any other class of qualifying capital that may be issued, retained earnings and any non-specific allowance for impaired loans, must amount to at least 5% of total assets. The Credit Union has established an internal policy to maintain regulatory capital at no less than 6.25% of total assets.

	2008	2007
Regulatory capital at December 31:	\$ 2,447,957	\$ 2,467,173
Leverage test ratio:	7.00%	7.22%

13. Interest Income

Interest income is generated as follows:

	2008	2007
Mortgage loans	\$ 1,190,934	\$ 1,221,650
Personal loans	665,609	712,671
Member loans	1,856,543	1,934,321
Investments classified as loans and receivables	92,371	86,707
Financial assets other than those held for trading	1,948,914	2,021,028
Investments classified as held for trading	18,465	20,775
	\$ 1,967,379	\$ 2,041,803

14. Interest Expense on Member Deposits

Interest expense on member deposits is generated as follows:

	2008	2007
Demand	\$ 175,255	\$ 198,575
Term	265,021	221,171
Registered savings plans	400,651	342,961
Registered income funds	52,010	54,067
	\$ 892,937	\$ 816,774

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

15. Derivative Instruments

Asset Liability Management

In the ordinary course of business, the Credit Union purchases derivative instruments from CUCO in order to hedge against exposure to interest rate fluctuations.

Derivative instruments have a fair value that varies based on the particular instrument and changes in interest rates. The

purpose of these instruments is to provide a hedge against interest rate fluctuations by improving the Credit Union's matching of its asset and liability position.

As at December 31, 2008, the Credit Union has two interest rate swap agreements outstanding, with a total notional principal of \$2,000,000. The details are provided below.

Notional amount	Paying rate	Receiving rate	Maturity date
<u>Credit Union pays variable rate and receives fixed rate</u>			
\$ 1,000,000	1.68571 %	3.230 %	April, 2009
1,000,000	1.68571 %	3.340 %	April, 2010
<u>\$ 2,000,000</u>			

These interest rate swaps have a fair value of \$41,322 (2007 - \$nil), which includes accrued interest of \$3,075 (2007 - \$nil) and reflect unrealized gains on the swap contracts of \$38,247 (2007 - \$nil).

The net interest income from interest rate swap contracts is included in interest on mortgage loans and amounted to \$3,557 (2007 - \$nil).

16. Income taxes

The Credit Union's basic statutory tax rate is approximately 17%. Any future income taxes included in other assets is the cumulative amount of tax applicable to temporary

differences between the carrying amount of the assets and liabilities and their values for tax purposes.

17. Commitments

The Credit Union has entered into an agreement to lease office space for a ten year term expiring March 31, 2015. The Credit Union has the option to renew the lease for two further seven year terms. The lease requires minimum lease payments plus operating and maintenance costs estimated as follows:

2009	\$ 89,460
2010	95,366
2011	97,335
2012	97,335
2013	99,698
thereafter	<u>125,606</u>
	<u>\$ 604,800</u>

18. Restricted Party Transactions

As at December 31, 2008, the aggregate value of interest-bearing personal and mortgage loans approved to directors, officers and their related parties totalled \$775,175 (2007 - \$720,723). There was no allowance for impaired loans required in respect of these loans as at December 31, 2008.

The Regulations require the financial statements to disclose a general description of the nature, number and aggregate

value of Restricted Party transactions, as defined, and the allowance for loan losses related to such transactions.

Restricted Party has been defined to include a person, and the person's relative, spouse, or relative of the spouse, who has been a director, officer or committee member in the preceding twelve months, and corporations in which the person owns more than 10% of the voting shares.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

19. Additional Disclosures Required by the Act

The only remuneration paid to directors and committee members was for travel allowance and expenses for attendance at meetings.

20. Financial Instruments**Fair value**

The estimated fair value amounts approximate the amounts at which instruments could be exchanged in a current transaction between willing partners who are under no compulsion to act. The estimated fair values of the Credit Union's financial instruments and the valuation techniques and assumptions are set out below. The valuations may vary

significantly based on the judgement used in estimating the amount and timing of future cash flows. As a result, the estimated fair values are not necessarily comparable across different organizations and may not be realizable. The estimation of fair values are based on market conditions at a specific point in time and may not be reflective of future fair values.

	Book Value	Estimated Fair Value	2008 Difference
Assets			
Cash resources	\$ 962,225	\$ 962,225	\$ -
Investments	3,071,623	3,115,185	43,562
Loans to members	30,254,090	30,252,887	(1,203)
Other	207,723	207,723	-
Liabilities			
Members' deposits	(32,286,897)	(32,488,900)	(202,003)
Other	(207,723)	(207,723)	-

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

- The fair value of cash resources are assumed to approximate their book value due to their short-term nature.
- The fair value of investments are based on quoted market values.
- The estimated fair value of variable rate loans and deposits are assumed to be equal to book value as the interest rates reprice to market on a periodic basis.
- The estimated fair value of fixed rate loans and deposits is determined by discounting the expected future cash flows at current market rates for products with similar terms and credit

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

20. Financial Instruments (continued)

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. It is the policy of the Credit Union to

keep exposure to interest rate fluctuations within limits set by the Board of Directors and by the Act.

The table below summarizes amounts by maturity dates and effective interest rates for the following on-balance sheet financial instruments:

	Variable Rate	Less than one year	One to five years	Non-rate Sensitive	Total	Effective Interest Rate
Cash resources	\$ 721,682	\$ -	\$ -	\$ 240,543	\$ 962,225	0.19%
Investments	284,680	2,000,959	618,545	167,439	3,071,623	3.29%
Loans to members	14,925,525	1,345,704	13,982,861	-	30,254,090	5.45%
Interest rate swaps	-	1,000,000	1,000,000	-	2,000,000	3.26%
Total	15,931,887	4,346,663	15,601,406	407,982	36,287,938	
Members' deposits	12,409,864	10,793,171	8,868,402	215,460	32,286,897	2.54%
Member shares	87,076	-	-	183,310	270,386	1.69%
Interest rate swaps	2,000,000	-	-	-	2,000,000	1.69%
Total	14,496,940	10,793,171	8,868,402	398,770	34,557,283	
Matching gap	\$ 1,434,947	\$ (6,446,508)	\$ 6,733,004	\$ 9,212	\$ 1,730,655	

The Credit Union performs analysis to monitor the sensitivity of earnings to changes in interest rates. The Credit Union has established a policy for its earnings at risk to a possible change in interest rates to within 15 basis points of assets as per regulatory requirement. At December 31, 2008, management estimates that its exposure is between negative 3 and positive 3 basis points of assets.

Foreign exchange contracts

In October and November 2008, the Credit Union entered into three foreign exchange contracts maturing in April 2009 to purchase USD \$120,000 at fixed exchange rates. The purpose of these agreements is to reduce its exposure to foreign currency fluctuations with respect to members' deposits in U.S. dollars.

21. Comparative figures

The comparative figures were examined by other auditors. Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

SCHEDULE OF EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
Administration		
Administration fees	\$ 9,833	\$ 38,460
Advertising and promotion	42,336	44,044
Amortization	34,127	38,288
Annual meeting	2,813	4,001
Bank and clearing charges	65,722	65,408
Board and committee	13,260	11,400
Bonding	23,909	17,821
Data processing	44,946	37,408
Education and training	6,500	6,756
League dues	17,706	16,674
Loan administration	4,960	4,990
Office	64,042	57,395
Professional fees	46,028	38,077
Telephone	4,014	5,847
Travel	3,311	1,390
	\$ 383,507	\$ 387,959



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