

Consolidated Financial Statements of

C.A. BANCORP INC.

*September 30, 2008
(Unaudited)*

C.A. BANCORP INC.
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C.A. BANCORP INC.
Consolidated Balance Sheets

As at September 30, 2008 (unaudited) and December 31, 2007
(thousands of Canadian dollars)

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
ASSETS		
Cash and cash equivalents	\$ 6,340	\$ 3,337
Accounts receivable	1,482	2,557
Loans and leases receivable (Note 2)	94,602	82,840
Publicly traded investments (Note 3)	14,965	30,881
Investment in C.A. Bancorp Canadian Realty Finance Corporation (Note 6)	9,601	-
Investment in Charter REIT (Note 4)	15,842	17,421
Investments in private entities (Note 5)	26,700	12,697
Other corporate investments	537	151
Future income taxes	3,954	1,345
Intangible assets	3,729	1,165
Goodwill	2,547	716
Deferred costs, prepaid expenses and other assets	1,263	718
Capital assets	746	520
	\$ 182,308	\$ 154,348
LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,673	\$ 3,382
Due to broker	11,491	-
Note payable to C.A. Bancorp Canadian Realty Finance Corporation (Note 6)	2,423	-
Credit facilities (Note 7)	84,852	67,435
	103,439	70,817
NON-CONTROLLING INTERESTS (Note 8)	1,163	1,015
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	79,313	82,603
Contributed surplus (Note 9)	3,961	1,990
Warrants	1	-
Deficit	(5,569)	(2,077)
	77,706	82,516
	\$ 182,308	\$ 154,348

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"John F. Driscoll"

..... Director

"Richard J. Zarzeczny"

..... Director

The accompanying notes are an integral part of these consolidated financial statements.

C.A. BANCORP INC.

Consolidated Statements of Operations and Comprehensive (Loss) Income

For the three and nine months ended September 30 (unaudited)

(thousands of Canadian dollars except per share amounts)

	Three months ended Sept 30		Nine months ended Sept 30	
	2008	2007	2008	2007
REVENUE				
Interest and investment income	\$ 4,742	\$ 1,406	\$ 12,616	\$ 2,801
Asset management fees	458	192	870	548
Other fees and commissions	70	389	339	454
Revenues from rental properties	-	497	-	1,691
	5,270	2,484	13,825	5,494
NET RESULTS OF INVESTMENTS				
Realized (loss) gain on sale of publicly traded investments	(299)	318	(2,268)	1,441
Change in unrealized gain (loss) on publicly traded investments (Note 3)	(1,322)	(2,531)	(4,088)	(2,490)
Change in unrealized gain on private investments, held for trading (Note 5)	62	-	171	-
Unrealized loss on common share portfolio (Note 6)	(9,095)	-	(10,556)	-
Unrealized gain on forward contract (Note 6)	9,095	-	10,556	-
Unrealized foreign exchange gain	36	-	39	-
Equity participation in other corporate entities	(7)	(2)	(22)	(8)
Equity participation in C.A. Bancorp Canadian Realty Finance Corporation	7	-	7	-
Equity participation in Charter REIT	(182)	(329)	(446)	(329)
Gain on dilution of investment in Charter REIT	-	921	-	1,373
	(1,705)	(1,623)	(6,607)	(13)
EXPENSES				
General and administration	1,848	557	4,869	1,632
Interest expense	1,377	314	3,908	929
Management fees	303	315	934	593
Corporate and transaction costs	244	238	702	1,217
Stock based compensation	122	655	454	958
Provision for bad debts	123	-	378	-
Depreciation and amortization	75	227	205	760
Investment management fee	43	86	193	252
Rental property operating costs	-	139	-	487
	4,135	2,531	11,643	6,828
NET (LOSS) INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS				
	(570)	(1,670)	(4,425)	(1,347)
(RECOVERY) PROVISION FOR INCOME TAXES				
Current tax provision	756	153	1,593	350
Future tax recovery	(1,116)	(501)	(2,594)	(1,099)
	(360)	(348)	(1,001)	(749)
NET (LOSS) INCOME BEFORE NON-CONTROLLING INTERESTS				
	(210)	(1,322)	(3,424)	(598)
NON-CONTROLLING INTERESTS				
	36	(237)	68	(979)
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME				
	\$ (246)	\$ (1,085)	\$ (3,492)	\$ 381
NET (LOSS) EARNINGS PER SHARE				
Basic	\$ (0.01)	\$ (0.04)	\$ (0.12)	\$ 0.02
Diluted	\$ (0.01)	\$ (0.04)	\$ (0.12)	\$ 0.02
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (in thousands)				
Basic	28,141	28,956	28,098	19,156
Diluted	28,141	28,956	28,098	19,227

The accompanying notes are an integral part of these consolidated financial statements.

C.A. BANCORP INC.
Consolidated Statements of Deficit and Accumulated Other
Comprehensive Income

For the three and nine months ended September 30 (unaudited)

(thousands of Canadian dollars except per share amounts)

For the three months ended September 30	Deficit	Accumulated Other Comprehensive Income	Total
Balance, June 30, 2007	\$ (628)	\$ -	\$ (628)
Net income for the period	(1,085)	-	(1,085)
Balance, September 30, 2007	\$ (1,713)	\$ -	\$ (1,713)
Balance, June 30, 2008	\$ (5,323)	\$ -	\$ (5,323)
Net loss for the period	(246)	-	(246)
Balance, September 30, 2008	\$ (5,569)	\$ -	\$ (5,569)
For the nine months ended September 30	Deficit	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2006	\$ (2,188)	\$ -	\$ (2,188)
Adjustment as a result of change in accounting policy on direct investments held for trading	94	-	94
Net income for the period	381	-	381
Balance, September 30, 2007	\$ (1,713)	\$ -	\$ (1,713)
Balance, December 31, 2007	\$ (2,077)	\$ -	\$ (2,077)
Net loss for the period	(3,492)	-	(3,492)
Balance, September 30 2008	\$ (5,569)	\$ -	\$ (5,569)

The accompanying notes are an integral part of these consolidated financial statements.

C.A. BANCORP INC.
Consolidated Statements of Cash Flows
For the three month and nine months ended September 30 (Unaudited)
(thousands of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
OPERATING ACTIVITIES				
Net (loss) income	\$ (246)	\$ (1,085)	\$ (3,492)	\$ 381
Adjusted for non-cash items:				
Future tax recovery	(1,116)	(501)	(2,594)	(1,099)
Change in unrealized loss on publicly traded investments	1,322	2,531	4,088	2,490
Non-controlling interest	36	(237)	68	(979)
Stock based compensation	122	655	454	958
Non-cash gain in Charter REIT	-	(921)	-	(1,373)
Equity participation in Charter REIT	182	329	446	329
Other Charter REIT related items	-	199	-	1,538
Equity participation in C.A. Bancorp Canadian Realty Finance Corporation	(81)	-	249	-
Realized loss (gain) on publicly traded investments	299	(318)	2,268	(1,441)
Equity participation in capital pool companies	7	2	22	8
Depreciation and amortization	75	227	205	760
Non-cash interest income on private investments	(150)	(85)	(329)	(85)
Change in unrealized gain on private investments	(95)	-	(206)	-
Unrealized foreign exchange gain	(1)	-	(1)	-
AgriFinancial provision for credit losses	123	-	378	-
	477	796	1,556	1,487
Changes in non-cash operating working capital:				
Increase (decrease) in current liabilities	5,178	(173)	12,896	256
(Increase) decrease in receivables, net of effect of acquisition of Barlow	(82)	(647)	1,060	(1,001)
Increase in deferred costs, prepaid expenses and other assets	(840)	(41)	(545)	(214)
Net cash provided by (used in) operating activities	4,733	(65)	14,967	528
INVESTING ACTIVITIES				
Loans and leases issued	(40,790)	(1,987)	(96,754)	(2,900)
Loans and leases repaid	27,542	-	84,501	-
Purchase of publicly traded investments	(1,023)	(12,992)	(9,119)	(45,155)
Sale proceeds of publicly traded investments	4,719	4,203	18,679	10,828
Investments in private entities	(1,179)	(2,750)	(13,468)	(2,750)
Acquisition of Barlow Capital Management	(2,077)	-	(2,077)	-
Investment in C.A. Bancorp Canadian Realty Finance Corporation	(2,000)	-	(9,850)	-
Investment in Charter REIT	(82)	(15,000)	(160)	(18,099)
Investment in corporate entities	(407)	-	(407)	-
Distributions received from Charter REIT	384	302	1,293	302
Other Charter REIT related items	-	4,590	-	-
Purchase of capital assets	(254)	-	(326)	-
Net cash used in investing activities	(15,167)	(23,634)	(27,688)	(57,774)
FINANCING ACTIVITIES				
Common shares (repurchased) issued (Note 9)	(529)	1,119	(1,772)	48,969
Issue costs (Note 6)	-	(174)	-	(4,087)
Credit facilities drawn	15,200	-	28,700	-
Credit facilities repaid	(3,100)	-	(11,284)	-
Warrants exercised	-	-	-	133
Cash from non-controlling interest	80	1,000	80	1,000
Net cash provided by financing activities	11,651	1,945	15,724	46,015
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,217	(21,754)	3,003	(11,231)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,123	43,428	3,337	32,905
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,340	\$ 21,674	\$ 6,340	\$ 21,674
REPRESENTED BY:				
Cash	\$ 3,779	\$ 11,963	\$ 3,779	\$ 11,963
Cash equivalents	2,561	9,711	2,561	9,711
	\$ 6,340	\$ 21,674	\$ 6,340	\$ 21,674
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Income taxes paid	\$ 1,106	\$ -	\$ 2,022	\$ -
Interest paid	\$ 1,147	\$ 297	\$ 2,054	\$ 926

The accompanying notes are an integral part of these consolidated financial statements.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
September 30, 2008 (unaudited)
(in thousands of dollars except per share amounts or unless otherwise stated)

1. CHANGES AND ADDITIONS TO ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The disclosures contained in these unaudited interim consolidated financial statements do not include all the requirements of generally accepted accounting principles for annual financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2007. These unaudited interim consolidated financial statements are based on accounting principles consistent with those used and described in the audited annual consolidated financial statements, except as described below.

The Company invested \$1,100 in International Infrastructure Yield L.P. (“International Infrastructure”) during the fiscal second quarter of 2008. International Infrastructure is a limited partnership in which the Company owns a 50% limited partnership interest with the remaining 50% limited partnership interest held by Sentry Select Capital Corp. (“Sentry Select”). The general partner of International Infrastructure is a joint venture between the Company and Sentry Select.

International Infrastructure was created to invest in a portfolio of publicly traded global securities with direct exposure to infrastructure assets. International Infrastructure along with a management team and business plan put forth by the Company and Sentry Select was intended to be used as the basis for a qualifying transaction for Universal Infrastructure Corp. – a capital pool company that the Company has a 27.1% interest in. The Company proportionately consolidated cash of \$410, and publicly traded investments of \$654 on its balance sheet, and recorded an unrealized loss on publicly traded investments of (\$71) and (\$79) for the three and nine months ended September 30, 2008 respectively. Please see the “Subsequent Events” note for an update on the status of International Infrastructure.

On July 30, 2008, the Company announced the acquisition of 85% of the shares of Barlow Capital Management Inc. (“Barlow” or “Barlow Capital”) through a newly created wholly-owned subsidiary C.A.B. Barlow Holdings Corp. for \$2.6 million (excluding costs of closing). Barlow’s senior management team owns the remaining 15% of the outstanding shares.

Barlow is a fee-for-service boutique investment counsellor and portfolio manager with an exclusive focus on providing endowment style investment management services to high net worth Canadian investors. The financial statements of Barlow have been consolidated in these financial statements for the period from July 30, 2008 to September 30, 2008.

On September 12, 2008, C.A. Bancorp Canadian Realty Finance Corporation (“CRFC”) issued additional Class A equity shares to the public which resulted in a decrease in the Company’s ownership of Class A shares from 100% to 27.9%. Accordingly, the Company’s investment in CRFC is accounted for using the equity basis from September 12, 2008 (see Note 6).

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
September 30, 2008 (unaudited)
(in thousands of dollars except per share amounts or unless otherwise stated)

1. CHANGES AND ADDITIONS TO ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

(a) Principles of consolidation

C.A. Bancorp Inc.'s (the "Company") financial statements as at September 30, 2008 include the accounts of its subsidiaries (with ownership percentages in parentheses):

- C.A. Bancorp Ltd. (100%)
- C.A. Realty Management Inc. (100%)
- C.A. Bancorp Realty Finance Inc. (100%)
- C.A. Bancorp Telecom Inc. (100%)
- C.A. Bancorp Financial Corp. (90.5%)
- C.A.B. Barlow Holdings Corp (100%)

The Company's accounts also include the wholly-owned subsidiaries of C.A. Bancorp Financial Corp.: AgriFinancial Canada Corp. and AgriFinancial Leasing Inc. collectively "AgriFinancial". The Company's accounts also include C.A.B. Barlow Holdings Corp. which represents the Company's 85% interest in Barlow Capital.

In addition, the Company proportionately consolidates the accounts of International Infrastructure L.P. a joint-venture with Sentry Select Capital Corp. The accounts proportionately consolidated primarily consist of cash and publicly traded investments.

The Company's consolidated financial statements for the three-month and nine-month periods ended September 30, 2007 include revenue and expense accounts of its majority owned subsidiary Charter Real Estate Investment Trust ("Charter REIT") (Note 4) for the period of February 23, 2007 to August 9th, 2007, the period during which the Company had a controlling interest in Charter REIT.

All intercompany transactions and balances have been eliminated in these consolidated financial statements.

(b) Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are used in the valuation of loans and leases receivable, valuation of intangible assets and goodwill, valuation of private equity investments, impairment of assets, loan provisions, useful life for amortization, and the calculation of the fair value of stock options. Actual results could differ from these estimates.

(c) Preferred shares

Issue costs related to the preferred shares, Series 1 of C.A. Bancorp Canadian Realty Finance Corporation (the "Preferred Shares") were deferred and amortized over their life using the effective interest method. This amortization has been recorded as an interest expense for the period that the Company consolidated the income and expense accounts of CRFC up until September 12, 2008.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
September 30, 2008 (unaudited)
(in thousands of dollars except per share amounts or unless otherwise stated)

1. CHANGES AND ADDITIONS TO ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

(d) Future accounting changes

Goodwill and Intangibles

In February 2008, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and Development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. The new sections establish standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

(e) Variable interest entity

Where the Company is considered the primary beneficiary of a variable interest entity (“VIE”) under CICA’s Accounting Guideline (“AcG-15”), the Company has consolidated the accounts of such VIE with the portion related to other beneficiaries reflected as non-controlling interests.

(f) Changes in Accounting Policies

Effective January 1, 2008, the Company adopted the following accounting standards issued by the CICA:

Section 3862 “Financial Instruments – Disclosures” requires extensive disclosures about the significance of financial instruments for an entity’s financial position and results of operation as well as quantitative and qualitative disclosures on the nature and extent of risks arising from financial instruments. Section 3863 “Financial Instruments – Presentations” replaces Section 3861. The required disclosures are contained in Notes 2, 3, 5, 6, 7 and 11.

Section 1535 “Capital Disclosures” requires qualitative and quantitative disclosures about the Company’s management of capital and its compliance with any externally imposed capital requirements. The required disclosures are contained in Note 12.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
September 30, 2008 (unaudited)
(in thousands of dollars except per share amounts or unless otherwise stated)

2. LOANS AND LEASES RECEIVABLE

a) *Composition of loans and leases receivable*

	September 30, 2008		December 31, 2007	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Loans and leases are comprised of the following:				
Related party loan	\$ 106	\$ 106	\$ -	\$ -
Commercial real estate mortgages and loans	-	-	8,027	8,027
AgriFinancial loans	20,047	20,747	23,890	24,291
AgriFinancial leases	27,530	28,491	24,506	24,774
AgriFinancial credit card loans	48,565	47,303	28,219	27,486
	96,248	96,647	84,642	84,578
Less: allowance for impaired loans and leases	1,646	-	1,802	-
	\$ 94,602	\$ 96,647	\$ 82,840	\$ 84,578

The investment in direct financing leases is composed of net minimum lease payments less unearned finance income which is recognized over the term of the lease according to a formula providing a constant rate of return on investment. Impaired loans and leases include foreclosed assets held for sale with a gross carrying value of \$497 and related allowance of \$324.

Management has estimated the fair value of AgriFinancial loans and leases by discounting the expected future cash flows at estimated current market rates for instruments with similar risks. Estimated current market rates are arrived at by using the period-end Canadian government (“risk-free”) rates and adding a risk premium (which includes an average 1% loss assumption based on historical loss experience). Management estimates that the fair value of the AgriFinancial loans and leases receivable at the balance sheet date was \$96.5 million. The comparable carrying value of these assets, calculated by deducting unearned finance income from the loans and leases receivable balance, is \$94.5 million.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
September 30, 2008 (unaudited)
(in thousands of dollars except per share amounts or unless otherwise stated)

2. LOANS AND LEASES RECEIVABLE (continued)

Management estimates that the fair value of the related party loan receivable approximates carrying value.

AgriFinancial loans and leases are secured by specific equipment. AgriFinancial credit card loans are unsecured. The AgriFinancial portfolio is primarily made up of loans for farm equipment and machinery – self propelled or pull type – as well as grain and fertilizer storage units. The assets themselves originate through licensed equipment dealers and vendors who in turn assign the loan or lease contract over to AgriFinancial. These assets make up the secured collateral for the loans and leases receivable.

The related party loan is a loan from C.A.B. Barlow Holdings Corp. to Barlow Capital who subsequently loaned the funds to Brad Simpson a member of Barlow Capital’s management team. This loan was made to assist in the purchase of his 5% interest in Barlow Capital through a management holding company that owns 15% of Barlow Capital. The loan is secured by his shares in the management holding company and earns interest at 6% and is due in 2011.

b) Allowance for impaired loans and leases

The allowance for impaired loans and leases is comprised of the following:

	Impaired Loans and Leases	Specific Allowances	Non-specific Allowances	Total Allowances	Total Allowances
Related party loan	\$ -	\$ -	\$ -	\$ -	\$ -
AgriFinancial loans	497	324	248	572	841
AgriFinancial leases	-	-	256	256	301
AgriFinancial credit card loans	-	-	818	818	660
	\$ 497	\$ 324	\$ 1,322	\$ 1,646	\$ 1,802

The change in the allowance for impaired loans and leases for the period is as follows:

	AgriFinancial Loans and Leases	AgriFinancial Credit Card	Total
Allowance, December 31, 2007	\$ 1,142	\$ 660	\$ 1,802
Provision	107	272	379
Write-offs	(456)	(264)	(720)
Recoveries	35	150	185
Allowance, September 30, 2008	\$ 828	\$ 818	\$ 1,646

No comparatives have been provided for 2007 as the AgriFinancial business was acquired in October 2007.

c) Terms of loans and leases receivable

Loans and leases are at fixed rates and have an average yield as follows as at September 30, 2008:

	Related Party Loan	AgriFinancial Loans	AgriFinancial Leases	Total
Less than 7.50%	\$ 106	\$ 5,498	\$ 8,951	\$ 14,555
7.51% to 10.00%	-	14,054	18,497	32,551
10.01% to 12.50%	-	281	71	352
More than 12.50%	-	214	11	225
	\$ 106	\$ 20,047	\$ 27,530	\$ 47,683

C.A. BANCORP INC.

Notes to the Consolidated Financial Statements

September 30, 2008 (unaudited)

(in thousands of dollars except per share amounts or unless otherwise stated)

2. LOANS AND LEASES RECEIVABLE (continued)

c) *Terms of loans and leases receivable (continued)*

Loans outstanding as at September 30, 2008 have maturities as follows:

Months	Related Party Loan	Average Interest Rate	Agri- Financial Loans	Average Interest Rate	Agri- Financial Leases	Average Interest Rate	Total	Average Interest Rate
1 - 12	\$ -	-	\$ 2,049	8.0%	\$ 3,049	7.8%	\$ 5,098	8.0%
13 - 24	-	-	4,176	8.2%	5,306	8.4%	9,482	8.4%
25 - 36	106	6.0%	3,722	8.7%	5,763	8.8%	9,591	8.9%
37 - 48	-	-	5,779	8.1%	4,174	8.8%	9,953	8.5%
49 - 60	-	-	4,255	8.2%	9,238	8.3%	13,493	8.1%
61 - 72	-	-	66	9.0%	-	-	66	9.0%
Total	\$ 106	6.0%	\$ 20,047	8.3%	\$ 27,530	8.5%	\$ 47,683	8.4%

The above tables exclude AgriFinancial credit card loans of \$48,565. Credit card loans are interest free for an average period of 35 days from the date of purchase. Thereafter, credit card loans are subject to minimum monthly payment and bear interest at either 11.9%, 15.9% or 22.5%. The rate assigned to an account is dependent upon its assessed strength and risk-potential scoring.

d) *Concentration*

Virtually all of AgriFinancial's loans and leases receivable are extended to agricultural producers. Approximately 87% of these loans and leases are to borrowers resident in one of the three prairie provinces of Canada.

The commercial real estate mortgages and secured loans are extended to borrowers across Canada.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
September 30, 2008 (unaudited)
(in thousands of dollars except per share amounts or unless otherwise stated)

3. PUBLICLY TRADED INVESTMENTS

In accordance with the Company's accounting policies a fair value (change in unrealized gain (loss)) adjustment of (\$4,088) was recognized in the statement of operations on the publicly traded investments for the nine months ended September 30, 2008 (nine months ended September 30, 2007 – change in unrealized loss taken to income of \$2,490) bringing the total balance sheet adjustment to (\$7,692) at September 30, 2008 (December 31, 2007 – unrealized loss of \$3,604).

Industry Grouping	September 30, 2008			December 31, 2007		
	Cost	Fair Value	Unrealized Loss	Cost	Fair Value	Unrealized Loss
Industrials	\$ 8,640	\$ 5,167	\$ (3,473)	\$ 14,307	\$ 12,874	\$ (1,433)
Diversified and Other	4,345	3,464	(881)	8,430	8,014	(416)
Financial Services	6,078	3,305	(2,773)	6,862	5,567	(1,295)
Infrastructure	3,044	2,664	(380)	2,639	2,518	(121)
Energy and Commodities	550	365	(185)	2,247	1,908	(339)
Total	\$ 22,657	\$ 14,965	\$ (7,692)	\$ 34,485	\$ 30,881	\$ (3,604)

The manager of investments with a carrying value of \$320 (December 31, 2007 - \$143) is controlled by the CEO/Chairman of the Company and the investment advisor of investments with a carrying value of \$218 (December 31, 2007 – \$217) is controlled by the CEO and Chairman of the Company.

The CEO/Chairman of the Company is the Chairman of the general partner that manages an equity investment with a carrying value of \$332 (December 31, 2007 - \$796).

The Company held 165,000 units in the Sentry Select Total Strategy Fund (the "Fund") as at September 30, 2008 carried at \$581 and representing 10.3% of the total issued and outstanding units of the Fund. The Company is the Manager of the Fund.

The Company had 53 positions in its publicly traded investments portfolio as at September 30, 2008 carried at a fair value of \$15.0 million. The largest position in the portfolio was \$1.2 million and there were a total of 3 positions over \$1.0 million. The average investment size in the portfolio was \$0.3 million and the median investment size was \$0.3 million.

A 10% price move on the average investment in the portfolio would result in a pre-tax gain or loss on the statement of operations of \$30 and on the portfolio's largest position of \$120.

A 10% move on the entire portfolio would result in a pre-tax gain or loss of \$1.5 million.

C.A. BANCORP INC.

Notes to the Consolidated Financial Statements

September 30, 2008 (unaudited)

(in thousands of dollars except per share amounts or unless otherwise stated)

4. INVESTMENT IN CHARTER REIT

The Company controlled Charter REIT between February 23, 2007 and August 9, 2007 during which time it owned over 50% of Charter REIT's equity and consolidated the Charter REIT accounts for financial reporting purposes.

Beginning March 2008 the Company elected to participate in Charter REIT's distribution reinvestment plan ("DRIP") on approximately 18% of the units it holds. As a result, the Company has received 82,617 units to date in lieu of cash. On the Company's remaining 82% of Charter REIT units, the Company continues to receive cash distributions.

The Company's investment in Charter REIT had a fair value of \$9,067 (December 31, 2007 - \$15,778) as at September 30, 2008 based on the closing bid price of \$1.53 (December 31, 2007 - \$2.70).

C.A. BANCORP INC.

Notes to the Consolidated Financial Statements

September 30, 2008 (unaudited)

(in thousands of dollars except per share amounts or unless otherwise stated)

5. INVESTMENTS IN PRIVATE ENTITIES

	September 30, 2008			December 31, 2007		
	Cost	Carrying Value	Difference	Cost	Carrying Value	Difference
High Fidelity HDTV Inc.						
Debenture	\$ 2,245	\$ 2,597	\$ 352	\$ 2,245	\$ 2,381	\$ 136
Equity	455	724	269	455	548	93
Equity Option	50	41	(9)	50	47	(3)
	2,750	3,362	612	2,750	2,976	226
Birmingham Foundation Solutions						
Convertible Preferred Shares	8,280	8,280	-	8,280	8,280	-
Common Shares	920	920	-	920	920	-
	9,200	9,200	-	9,200	9,200	-
Windward Telecom Limited						
Equity	201	213	12	201	201	-
Convertible Preferred Shares	509	532	23	-	-	-
	710	745	35	201	201	-
Kingswood Estates						
Limited Partnership Units	6,000	6,000	-	320	320	-
	6,000	6,000	-	320	320	-
Salbro Bottle Group						
Debenture	3,067	3,126	59	-	-	-
Equity	533	533	-	-	-	-
	3,600	3,659	59	-	-	-
Everus Communications						
Debenture	3,464	3,519	55	-	-	-
Equity	215	215	-	-	-	-
	3,679	3,734	55	-	-	-
Total	\$ 25,939	\$ 26,700	\$ 761	\$ 12,471	\$ 12,697	\$ 226

The change in unrealized representing the difference between cost and carrying value of the above investments in the period is comprised of three components: the unrealized gain (loss) on investments held-for-trading of \$171 which is reflected as the change in unrealized gain on private investments, the unrealized currency gain of \$35 on a U.S. denominated investment and interest income (including the amortization of discounts on debentures) of \$329 not yet received in cash on securities classified as held-to-maturity.

(a) *High Fidelity HDTV Inc.*

The fair value of the equity component of the investment was estimated based on the present value of the estimated enterprise value in three years assuming a discount rate of 45%. The enterprise value was estimated based on current earnings and growth in subscribers.

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5. INVESTMENTS IN PRIVATE ENTITIES (continued)

(b) Windward Telecom Limited

On February 21, 2008, the Company, through its wholly subsidiary, C.A. Bancorp Telecom Inc., completed a U.S. \$710 equity investment in Windward Telecom Limited (“Windward”). \$201 of the investment was funded in 2007.

The Company’s investment is structured as \$201 in common shares representing a 10% interest in Windward which yields an annual management fee of 6% and \$509 in convertible, redeemable, retractable preferred shares paying a 13% annual dividend, with the preferred shares being convertible into 25% of Windward’s common shares under certain conditions.

(c) Kingswood Estates

On January 23, 2008, the Company closed its \$6 million investment in a newly formed limited partnership (the “Real Estate LP”) that acquired a 360-unit apartment complex in Kitchener, Ontario (the “Kingswood Estates”) for an aggregate purchase price of \$23 million. The Company invested \$6 million for an 80% limited partnership interest in the Real Estate LP, with the residual \$1.5 million equity interest invested by Centurion Apartment Properties Limited Partnership and third party investor. The Real Estate LP financed the remaining \$15.5 million of the \$23 million Kingswood Estates purchase price through financing provided by the assumption of three existing mortgages.

(d) Salbro Bottle Group

On February 29, 2008, the Company funded \$3.6 million in the privately held Salbro Bottle Group of companies by way of debt and equity. The Company’s investment is structured as a secured debenture with a 12% coupon and nominal cost warrants providing the Company with a base 12.5% equity interest.

The initial \$3.6 million cash investment was allocated to the securities received based on the estimated fair value of each security. The debenture was originally fair valued using a discounted cash flow analysis with an effective discount rate of 18% and classified as held-to-maturity.

The equity is classified as held-for-trading and was originally fair valued using a 45% per annum discount rate on the projected enterprise value in four years. The projected enterprise value was based on forecasted earnings before interest, taxes, depreciation and amortization (“EBITDA”).

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5. INVESTMENTS IN PRIVATE ENTITIES (continued)

(e) Everus Communications

On June 24, 2008, the Company funded \$2.5 million in the privately held Everus Communications Corp. (“Everus”) by way of debenture and warrants providing an equity interest. The Company’s investment is structured as a secured debenture with a 15% coupon and nominal cost warrants providing the Company with a base 22% equity interest in Everus.

The initial \$2.5 million investment was allocated to the securities received based on the estimated fair value of each security at the time of closing. The debenture was fair valued using a discounted cash flow analysis with an effective discount rate of 19% and is classified as held-to-maturity.

The equity is classified as held-for-trading and was fair valued using a 55% per annum discount rate on the projected enterprise value in five years. The projected enterprise value was based on Everus’ forecasted EBITDA.

During the quarter, the Company funded an additional \$1.2 million in Everus by way of a debenture and warrants providing an equity interest.

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6. C.A. BANCORP CANADIAN REALTY FINANCE CORPORATION

In the first quarter of 2008, the Company closed an initial public offering of Preferred Shares (the "Preferred Share Offering") for a newly created mutual fund corporation, C.A. Bancorp Canadian Realty Finance Corporation ("CRFC"). An aggregate of 1,540,000 Preferred Shares were issued at \$25 each for total gross proceeds raised of \$38.5 million. The Preferred Shares have a ten year term and pay fixed quarterly distributions to investors of \$0.4219 or 6.75% per annum.

The Company purchased 785,000 Class A Shares of CRFC at \$10 per share for a total cost of \$7.85 million. In September 2008, prior to completing a public offering of Class A Shares, CRFC consolidated the shares on approximately a 1.0245 to 1 basis. The Class A Shares are subordinate to the Preferred Shares and had no fixed distribution schedule until the fourth quarter of 2008. CRFC is a single-purpose entity created to provide investors with exposure to a portfolio of commercial real estate loans and mortgages in Canada (the "Portfolio") which are held in a limited partnership (the "Partnership") managed by the Company through its wholly-owned subsidiary C.A. Bancorp Ltd.

CRFC obtains economic exposure to the Portfolio through the simultaneous purchase of a basket of Canadian common shares (the "Basket") and the execution of an over-the-counter derivative contract (the "Forward Contract") with a subsidiary of a major Canadian Schedule I bank. The Forward Contract is designed to hedge CRFC's market risk to the Basket and to provide the return of the Portfolio net of any transaction and operating costs. The Basket consists of highly liquid non-dividend paying Canadian common shares which are typical of structured transactions of this type.

Upon closing of the CRFC Preferred Share Offering the entire portfolio of commercial real estate loans held by the Company totaling \$12.7 million (December 31, 2007 - \$8.0 million) was sold to the Partnership at carrying value which equaled fair value.

The Company has agreed to subscribe for, or arrange subscriptions for, additional Class A shares of CRFC on a quarterly basis if the face value of the outstanding Preferred Shares exceeds the tangible net book value of the Class A shares by a ratio of greater than 9 to 1. As at September 30, 2008, the ratio was approximately 1.2 to 1.

The Company and CRFC filed a short-form prospectus for CRFC dated August 27, 2008 offering units ("Units") at a price of \$10.00 per Unit (the "Unit Offering"). Each Unit consisted of one Class A Share and one warrant ("Warrant") to purchase one Series 1, Preferred Share (the "Preferred Shares"). The issuance of Class A Shares under the Unit Offering came from CRFC's treasury. Each Warrant entitles the holder to purchase one Preferred Share at a subscription price of \$23.75 at any time on or before 4:00 p.m. (Toronto time) on September 30, 2011.

The Company has agreed to pay for all issue costs related to the Unit Offering over a period of seven years. The management fees the Company will receive as a result of the new capital raised in CRFC are expected to offset the repayment of issue costs.

The Company has issued a note payable in the amount of \$2,423 to CRFC in connection with the Unit Offering to repay CRFC for the expenses of the Unit Offering over seven years, plus interest equal to 6% per annum. The amount outstanding on this note as at September 30, 2008 is \$2,243 of which \$346 is payable within the next year in quarterly equal installments plus accrued interest. The amount of interest accrued at September 30, 2008 is \$7. The issue costs of \$2,423 have been included in intangible assets.

The Company's investment in CRFC had a fair value of \$9,275 as at September 30, 2008 based on the closing bid price of \$9.60.

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7. CREDIT FACILITIES

AgriFinancial

AgriFinancial Canada Corp. and AgriFinancial Leasing Inc. have entered into a credit agreement (the "Credit Agreement") with Credit Union Central of Canada ("CUCC") and certain provincial Credit Union Central organizations ("Provincial Centrals") to provide \$118 million senior debt financing to fund the acquisition of the assets, liabilities and ongoing operations of the AgriFinancial business purchased from Canadian Cooperative Agricultural Financial Services ("CCAFS"). The Credit Agreement extends to March 31, 2009.

The Credit Agreement provides for three separate credit facilities. Each facility is separately funded in agreed upon proportions by CUCC and the Provincial Centrals. As at September 30, 2008, a total of \$84,852 (December 31, 2007 - \$66,435) was outstanding at an average interest rate of 3.77% (December 31, 2007 - 5.28%).

In addition, a demand loan payable to CCAFS of \$899 was outstanding at year-end at a rate of 6.75%. In January 2008, this demand loan was paid in full.

8. NON-CONTROLLING INTERESTS

Non-controlling interests consist of the following:

	September 30, 2008	December 31, 2007
Interests held by management of Barlow Capital	\$ 78	\$ -
Sentry Select Total Strategy Fund's interest in C.A. Bancorp Financial Corp.	1,085	1,015
Total	\$ 1,163	\$ 1,015

C.A. BANCORP INC.

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9. SHAREHOLDERS' EQUITY

(a) *Share capital*

Authorized:

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of Class A, Class B and Class C Preference Shares, issuable in series without nominal or par value.

On August 8, 2007, the Company announced its intention to purchase and cancel its common shares through a normal course issuer bid ("NCIB") made through the facilities of the Toronto Stock Exchange ("TSX"). The Company renewed the NCIB on August 18, 2008 and can purchase up to a maximum of 6,299 common shares in any trading day. Since the NCIB has been in effect, as at September 30, 2008, 888,100 shares have been repurchased and cancelled at an average price of \$1.88, of which 487,400 have been repurchased and cancelled in 2008 at an average price of \$1.58.

On April 25, 2008, the Company's shareholders passed a motion to implement a mandatory market purchase plan pursuant to which, the Company will use its best efforts to purchase for cancellation its common shares if they are offered at a price less than 90% of the net book value per common share on the principal stock exchange on which they are traded, currently the TSX. The obligation will be subject to a limit in any calendar quarter of 1.25% of the number of outstanding common shares at the beginning of each quarter. The obligation is also subject to certain conditions to ensure that the marketability of the common shares is not seriously impaired, the Company has adequate liquidity, the Company does not have to liquidate securities other than in an orderly manner, there is no material legal action instituted or threatened that materially adversely affects the Company and that there is no general suspension of trading of the Company's common shares. Since inception and as at September 30, 2008, 654,700 common shares have been repurchased and cancelled at an average price of \$1.53 under the mandatory market purchase program.

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9. SHAREHOLDERS' EQUITY (continued)

The following is a continuity of the share capital of the Company:

	(000s) Number of common shares	Share capital
	<u> </u>	<u> </u>
As at December 31, 2007	28,683	\$ 82,603
Common Shares cancelled during the period as a result of:		
Normal course issuer bid	(487)	(1,404)
Mandatory market purchase program	(655)	(1,886)
<u>As at September 30, 2008</u>	<u>27,541</u>	<u>\$ 79,313</u>

(b) Contributed surplus

	<u>Carrying Value</u>
As at December 31, 2007	\$ 1,990
Net increase related to:	
Stock based compensation	454
Normal course issuer bid	635
Mandatory market purchase plan	882
<u>As at September 30, 2008</u>	<u>\$ 3,961</u>

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10. SEGMENT DISCLOSURES

The Company has organized its reporting structure based on the following segments:

- (i) *Financial services* which includes agricultural lending, commercial real estate lending and commercial mortgage brokering.
- (ii) *Investing and asset management* which includes private and public entity "direct" investments (excluding real estate) and asset management activities (excluding real estate management or lending activities).
- (iii) *Real estate* which includes real estate equity (Charter REIT, Kingswood Estates) and real estate management (the management contract with Charter REIT).

	Nine months ended September 30							
	Financial Services		Investing and Asset Management		Real Estate		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenues	\$ 9,593	\$ -	\$ 3,735	\$ 3,778	\$ 497	\$ 1,716	\$ 13,825	\$ 5,494
Net results of investments	7	-	(6,168)	(1,057)	(446)	1,044	(6,607)	(13)
Expenses	(6,746)	-	(4,690)	(3,160)	(207)	(3,668)	(11,643)	(6,828)
Income (loss) before income taxes and non-controlling interests	2,854	-	(7,123)	(439)	(156)	(908)	(4,425)	(1,347)
Net (provision) recovery of income taxes	(494)	-	1,557	749	(62)	-	1,001	749
Net income (loss) before NCI	2,360	-	(5,566)	310	(218)	(908)	(3,424)	(598)
Non-controlling interests	(70)	-	2	-	-	979	(68)	979
Net (loss) income	\$ 2,290	\$ -	\$ (5,564)	\$ 310	\$ (218)	\$ 71	\$ (3,492)	\$ 381
Total assets	\$ 113,284	\$ -	\$ 47,028	\$ 67,708	\$ 21,996	\$ 17,963	\$ 182,308	\$ 85,671

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10. SEGMENT DISCLOSURES (continued)

	Three months ended September 30							
	Financial Services		Investing and Asset Management		Real Estate		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenues	\$ 3,734	\$ -	\$ 1,290	\$ 1,983	\$ 246	\$ 501	\$ 5,270	\$ 2,484
Net results of investments	7	-	(1,530)	(2,215)	(182)	592	(1,705)	(1,623)
Expenses	(1,358)	-	(2,706)	(1,589)	(71)	(942)	(4,135)	(2,531)
Income (loss) before income taxes and non-controlling interests	2,383	-	(2,946)	(1,821)	(7)	151	(570)	(1,670)
Net (provision) recovery of income taxes	(253)	-	672	348	(59)	-	360	348
Net income (loss) before NCI	2,130	-	(2,274)	(1,473)	(66)	151	(210)	(1,322)
Non-controlling interests	(38)	-	2	-	-	237	(36)	237
Net (loss) income	\$ 2,092	\$ -	\$ (2,272)	\$ (1,473)	\$ (66)	\$ 388	\$ (246)	\$ (1,085)
Total assets	\$ 113,284	\$ -	\$ 47,028	\$ 77,060	\$ 21,996	\$ 44,429	\$ 182,308	\$ 121,489

11. RISK MANAGEMENT

Market risk

The Company is exposed to market risk on its portfolio of publicly traded investments.

The Company does not use any derivatives to hedge its market risk and has no intention to do for the foreseeable future.

Liquidity risk

The Company has made investments in private entities which do not typically have an active market. Private investment transactions can be highly structured and the Company takes measures, where possible, to create defined liquidity events. However, such liquidity events are rarely expected in the first year of making the investment. The Company seeks to obtain regular cash flow from these investments through coupon payments and/or management fees.

The Company invests in public securities in an active market which can be readily disposed of. There can be no assurance that an active trading market for the securities will exist at all times, or that the prices at which the securities trade accurately reflect their values. Thin trading in a security could make it difficult to liquidate holdings in a timely manner.

Interest rate sensitivity and risk management

The Company is exposed to interest rate risk as subsidiaries that make up the Company borrow funds (liabilities) at both fixed and floating rates.

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11. RISK MANAGEMENT (continued)

Exposure to interest rate risk exists as a result of the mismatch, or gap, between assets, liabilities and off-balance sheet instruments, if any, scheduled to mature or reset on particular dates.

The Company manages interest rate risk, where possible, by maintaining an appropriate mix of fixed and floating rate assets and liabilities. The Company may, from time to time, consider the use of interest rate swap contracts and forward interest rate contracts to hedge interest rate risk. Decisions to use these products will be based on the relative merits of hedging vis-à-vis the costs of such hedging arrangements.

The following are the balance sheet financial instrument items that have significant interest rate components to them: the loans and leases and the credit facilities.

The Company is exposed to the net interest spread on its AgriFinancial assets and the credit facilities. The Company estimates that a 50bps decrease in the Bank of Canada overnight rate will increase net income before taxes by approximately \$300. Conversely, a 50bps increase in the Bank of Canada overnight rate will decrease net income before taxes by approximately \$300.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company does not have any significant credit risk exposure to any single counterparty except overnight term deposits placed with the Royal Bank of Canada ("RBC") of \$2.6 million as at September 30, 2008. RBC has a senior debt rating of AA- from S&P.

The AgriFinancial loans and leases portfolio is diversified across 2,748 retail accounts (averaging \$17) and 16 industrial accounts (averaging \$21). The largest account outstanding equals \$550. The AgriFinancial credit card portfolio is spread across 26,973 cards issued with the average outstanding balance of \$2. The largest outstanding balance equals \$75.

Credit risk related to AgriFinancial refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and in the case of Agrifinance products, obtaining sufficient collateral, along with appropriate minimum equity positions by the client. For the AgriCard product, bureau updates and score reviews are performed on all accounts on a regular basis with appropriate action taken to monitor, suspend, or close accounts that are not meeting minimum required criteria. Overall, the Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties representing several geographical locations across Canada.

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11. RISK MANAGEMENT (continued)

Leases, loans, and line of credit products are approved by qualified credit personnel, each with an appropriate credit approval limit. All submissions are entered into standardized scoring and assessment programs to compare against policy and risk standards so that consistent recommendations are given for the approver to consider. As requests for credit increase in size, approvals are referred up to more experienced personnel, with approvals at the highest level being approved by a credit committee. Risk based pricing based on credit and collateral quality, among other factors, is also employed at time of approval or during the term if the applicable product allows for it. For AgriFinancial leases and loans, there is always the option to seek recourse terms from the originating vendor, subject to appropriate experience and financial strength, for submissions where there may be concerns with credit, collateral, or terms.

Foreign Exchange Risk

The Company does not have any significant exposure to foreign exchange risk. Its investment in the private entity "Windward Telecom" are the only foreign based investment that the Company has. The revenues and expenses of the operating company are primarily in U.S. dollars. Given that approximately \$710 is invested in Windward a 1% change in foreign exchange rates would give rise to a gain or loss of \$7.

12. CAPITAL DISCLOSURES

The Company's objectives when managing capital are: (a) to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and (b) to provide an adequate return to shareholders by seeking returns on investments that are commensurate with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Company may buy back shares, issue new shares, sell assets or issue debt.

The Company has credit facilities which funds approximately 82% of the assets in AgriFinancial. The credit facilities are non-recourse to C.A. Bancorp Inc. The Company considers its capital to include the, credit facilities of AgriFinancial. The Company seeks to optimize its cost of capital by employing a prudent mix of debt and equity.

AgriFinancial

The Credit Agreement obligates AgriFinancial Canada Corp. to maintain a stated total debt to capitalization ratio of no more than 9:1, to abide by the various terms of the Credit Agreement, to meet various reporting requirements and to refrain from certain actions. Failure by AgriFinancial Canada Corp. to maintain these covenants could result in a default under the Credit Agreement. A default would provide the CUCC and the Provincial Centrals with certain rights to cease further advances, to demand repayment of the facilities and/or to realize on security that has been granted. As at September 30, 2008, the Company is in compliance with the total debt to capitalization covenant.

The Credit facilities are secured by a financial support agreement made by C.A. Bancorp Financial Corp. to ensure AgriFinancial Canada Corp. remains in compliance with certain covenants, a fixed and floating charge debenture over all assets in the amount of \$150 million, a first-ranking securities pledge agreement by C.A. Bancorp Financial Corp. over C.A. Bancorp Financial Corp.'s debt and equity in AgriFinancial Canada Corp. and an assignment of certain insurance proceeds.

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13. SUBSEQUENT EVENTS

(a) International Infrastructure

Due to the deterioration and volatility in the capital markets C.A. Bancorp and Sentry Select made a decision subsequent to September 30, 2008 to abandon plans to use International Infrastructure as the basis for a qualifying transaction in Universal Infrastructure Corp. Consequently, beginning in the fourth quarter of 2008, any public securities in International Infrastructure were liquidated in an orderly manner with the net proceeds being drawn out of the partnership by the two limited partners.

(b) Digital Payments Technologies Corp.

On November 3, 2008, the Company announced a \$3 million investment and conditional commitment for an additional \$3 million in Digital Payment Technologies Corp. ("Digital"), a privately held company based in Vancouver, British Columbia. The proceeds of C.A. Bancorp's investment will provide Digital with the working capital to capitalize on Digital's backlog of new business and the market demand for new parking system installations while enhancing Digital's ability to meet customer delivery expectations.

Digital designs, manufactures, and distributes multi-space pay station hardware, software, and online management solutions for customers to manage their parking assets (e.g. parking lots).

(c) Sale of AgriFinancial Canada Corp.

In September 2008 the Company announced that it had entered into a share purchase agreement with a third party pursuant to which the third party or an affiliate would acquire the shares of C.A. Bancorp Financial Corp. (the holding company for the AgriFinancial business). The transaction remains subject to certain conditions, including without limitation, receipt of consents and regulatory approvals, discharge of AgriFinancial's existing credit facilities, completion of certain transaction documents, and other customary closing conditions for a transaction of this nature. It is expected that the transaction will close during December 2008.

(d) Change to Ongoing Operating Expenses

On November 4, 2008, the Company announced that it will reimburse Sentry Select for the salaries of certain Sentry Select employees who provide full time services to the Company. The change is effective immediately and will increase the Company's payments to Sentry Select pursuant to the administration and related management agreements from approximately \$1.9 million to \$3.0 million. It is expected that the Company's annual pre-tax earnings will be reduced by approximately \$1.1 million, based on current data.