

2007 Annual Report

OUR PURPOSE

GVC Credit Union is a member-owned financial co-operative which was founded in 1940 by members joining together to help one another. It's purpose is:

To offer savings and loan facilities oriented to the needs of individuals and families

To provide members with financial services at competitive rates and in such a manner as to be able to deal personally with each individual member

To assist members in prudently managing their financial affairs by providing timely and appropriate financial information and personal loans and deposit counseling

To offer other financial services if (in the opinion of the policy makers) they provide a member benefit

GVC's objective is to achieve the above while paying competitive dividends, providing good quality working conditions, salaries and benefits to employees, and earning sufficient surplus to provide for statutory reserves and other reserves as might be deemed prudent.

GVC BOARD & STAFF

NEW WESTMINSTER

Greta Munro	Branch Manager
Gurraj Khamba	MSR
Margaret Lau	Deposit Supervisor
Ilonka Lelkes	Senior MSR - P/T
Sara MacLeod	MSR
Eszter Nemeth	Office Manager
Melissa Nilan	MSR
Mark Turnbull	MSR
Victoria Wong	MSR

VANCOUVER

Richard Rochard	Branch Manager
Nick Wong	Assistant Manager
Virginia Agujo	MSR
Julian Beckett	Personal Loans Officer
Michaela Costa	Office Manager
Josephine Gonzales	MSR
Sandeep Grewal	Deposit Supervisor
Timothy Leong	MSR
Yanthi Lithaway	MSR
Donald Murray	MSR
Jelena Randjelovic	MSR
Jaskirn Sidhu	MSR

SURREY

Bob Hattrick	Branch Manager
Sarb Singh	Assistant Manager
Ashley Alvernaz	MSR
Melissa De Jeu	MSR
Neena Grewal	MSR
Cristina Hernandez	MSR
Diana Leslie	MSR
Kuldeep Sahota	Office Manager
Mary van Someren	Leave of Absence

BRENTWOOD

Paulette Antoniuk	Branch Manager
Betsy Akhurst	Maternity Leave
Michelle dela Luna	MSR
Stephanie Leung	MSR
Gabriella Pasek	MSR
Pouneh Sohrabi	MSR
Gary Thind	Deposit Supervisor
Amanda Waymen	MSR
Valerie Yiu	MSR - Loans

LOUGHEED

Tracy Sparkes	Branch Manager
Cindy Candusso	Assistant Manager
Antoinette Hage-Moussa	MSR
Amber Marcheen	MSR
Anita Sandhu	MSR
Kynna Sorg	MSR
Daniel Suk	MSR
Chanda Tum	Deposit Supervisor

HEAD OFFICE

Phil Moore	General Manager
Balbir Bains	Operations Manager
Colleen Colonna	Controller
Kalvir Gill	Administrative Assistant
Jacqueline Griffin	Marketing Coordinator
Valerie Ongkowitzojo	Accounting Clerk
Linda Pereira	HR & Administration Officer
Theresa Van Grol	Banking Systems Officer
Todd Wade	Information Systems Officer
Harj Wahid	Accounting Officer

2007 BOARD of DIRECTORS

Chair	Glenn McLaughlin
1 st Vice-Chair	Herb Gill
2 nd Vice-Chair	Jim Pope
Directors	Phil Beall
	Judi Corra
	Gilles Deschenes
	Les Hausch
	Tom O'Sullivan
	Ken Sherwood

Executive & Credit Committee

Chair Glenn McLaughlin
Members Herb Gill, Jim Pope, Tom O'Sullivan

Conduct Review Committee

Chair Phil Beall
Members Gilles Deschenes, Glenn McLaughlin

Audit Committee

Chair Herb Gill
Members Ken Sherwood, Gilles Deschenes, Judi Corra

Nominating Committee

Chair Tom O'Sullivan
Members Les Hausch, Gilles Deschenes

Investment & Lending Committee

Chair Ken Sherwood
Members Herb Gill, Judi Corra

BOARD of DIRECTOR'S REPORT

2007 was another positive year for our credit union. Overall we enjoyed strong growth with assets increasing by 9.8% to \$167 million at year end. Net earnings were \$437,921 down mildly from 2006, due to the opening of our new branch.

For GVC, the opening of our fifth branch office was the highlight of our year. Located in the Royal Square Mall in New Westminster the branch is a great fit with our existing branches. It is located almost exactly midway between our two Burnaby branches and our Surrey branch. This means we have a branch within a 10 to 15 minute commute for most of Burnaby, all of New Westminster and North Surrey. This provides added convenience to our current and future members.

Vancouver home prices continued to move up with the average detached home price reaching \$730,399 in December 2007, up 13.5% from the previous year. This was the same percentage price increase the Vancouver market experienced in 2006. This was in contrast to the situation in the USA.

In the USA home prices have fallen across the country. This fall triggered concerns about sub prime mortgages, which in turn caused a crisis in confidence in the Asset Backed Commercial Paper (ABCP) market resulting in that market freezing. Banks world wide have had to take large write downs of their portfolios in response to these problems, which came to the public's attention in mid August of 2007.

I am pleased to advise that your credit union owned no ABCP, nor did we use these channels to securitize any of our loans. While we escaped the direct affects of the crisis, we are impacted by the actions of the Bank of Canada to contain and resolve the crisis. Our General Manager will speak about this in his presentation which follows.

We have supported the Credit Union Foundation for many years. This Foundation provides awards, based on need and ability, to many British Columbians to assist them in completing their education so they can join the workforce. 2008 is the Foundation's 50th anniversary, which we helped celebrate with a \$5,000 donation to the GVC Pioneers Trust held at the Foundation. In addition we provided support for a number of other charities focused on helping people in need.

In closing I wish to thank my fellow board members for the time and effort they have devoted over the last year on behalf of the credit union. On behalf of the directors, I thank our dedicated employees for the work they have done in providing service to our members. On behalf of our directors and staff, I wish to thank you, our members, for your support. Without you we would not be here.

Respectfully Submitted on behalf of the Board of Directors



Glenn McLaughlin, Chair

GENERAL MANAGER'S REPORT

The highlight of the year was the opening of our New Westminster branch in September. Located in the Royal Square Mall it is well placed to serve the surrounding area and we are very pleased at its membership and business growth to date.

The new branch helped us achieve asset growth of 9.83%, or \$14.95 million. This was the strongest growth we have enjoyed since 2002. The growth has continued into 2008.

GVC has traditionally focused on providing services inclusive of people the banks and larger financial institutions often ignore. During the last few years mortgage brokers and aggressive larger lenders have increasingly focused on the same market segment.

In the United States banks moved aggressively into the sub prime market. Borrowers were encouraged to complete their own mortgage application and little due diligence was done to confirm the income claimed. Often the lender never met the borrower. High loan to value ratios (sometimes 100%) meant that the lender was assuming home prices would always go up. Further special low interest rates were offered at the start of the mortgage term, only to re-set 1 to 2 years later at far higher rates.

These factors contributed to the sub-prime crisis that is ongoing in the United States.

GVC continues to meet borrowers in person and we do our due diligence the old fashioned way – by following up on the information provided. We do not offer 100% mortgages, or teaser low interest rates. Most of our senior people were here during the 1980's, so experienced the Vancouver housing market fall by 33% in one year.

While we owned no ABCP, nor used the ABCP conduits to securitize loans, we are affected by the actions of the Bank of Canada and the mortgage market in general. On the positive side, the banks have pulled back from our traditional market, providing us with increased growth opportunities in our chosen market segment, which includes small commercial mortgages. On the negative side the aggressive rate cutting by the Bank of Canada has tightened our financial margin in the short term. Notwithstanding this we anticipate 2008 results will be similar to those we enjoyed in 2007.

Our operating margin in 2007 increased to \$4.871 million while operating expenses were well contained, increasing \$43,711 to \$4.274 million resulting in earnings from operations of \$597,369, down \$3,486 from 2006. Our net income fell \$30,622 to \$437,921 largely due to our having a larger income tax liability, ironically caused by the reduction in income taxes reducing the value of our future income tax benefits.

In closing, on behalf of myself and our staff, I wish to thank you our members for your support and your elected representatives, our board of directors for their dedicated service during the year.

Respectfully submitted,



Phil Moore, General Manager.

Greater Vancouver Community Credit Union
Financial Statements

December 31, 2007

Grant Thornton 

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Auditors' Report

To the Members of
Greater Vancouver Community Credit Union

We have audited the balance sheet of Greater Vancouver Community Credit Union as at December 31, 2007 and the statements of earnings 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, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Vancouver, Canada
February 8, 2008

Chartered Accountants

Greater Vancouver Community Credit Union Balance Sheet

December 31 2007 2006

Assets

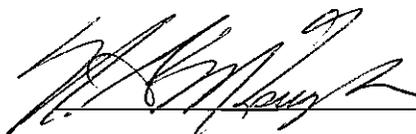
Cash resources (Note 4)	\$ 18,582,781	\$ 14,741,504
Loans (Note 5)	146,167,618	135,649,054
Investments and other (Note 6)	941,762	659,897
Premises and equipment (Note 7)	<u>1,305,826</u>	<u>1,001,622</u>
	<u>\$ 166,997,987</u>	<u>\$ 152,052,077</u>

Liabilities and equity

Deposits (Note 8)	\$ 159,765,147	\$ 145,439,072
Payables and accruals	479,246	333,438
Equity shares (Note 10)	523,104	486,998
Retained earnings	<u>6,230,490</u>	<u>5,792,569</u>
	<u>\$ 166,997,987</u>	<u>\$ 152,052,077</u>

Commitments (Note 17)

On behalf of the Board

 Director

 Director

See accompanying notes to the financial statements.

Greater Vancouver Community Credit Union

Statements of Earnings and Retained Earnings

Year Ended December 31

2007

2006

Financial income		
Loans	\$ 8,822,394	\$ 7,967,964
Cash resources and investments	690,790	484,446
	<u>9,513,184</u>	<u>8,452,410</u>
Financial expense		
Deposits	5,142,632	4,202,917
Share dividends	118,024	124,654
Other	58,728	60,921
	<u>5,319,384</u>	<u>4,388,492</u>
Financial margin	4,193,800	4,063,918
Provision for credit losses (Note 5)	(93,171)	(82,835)
Other income (Note 14)	770,836	850,157
Operating margin	4,871,465	4,831,240
Operating expense (Note 15)	4,274,096	4,230,385
Earnings from operations	597,369	600,855
Patronage rebates	44,921	44,736
Earnings before income taxes	552,448	556,119
Income taxes (Note 16)	114,527	87,576
Net earnings	\$ <u>437,921</u>	\$ <u>468,543</u>
Retained earnings, beginning of year	\$ 5,792,569	\$ 5,324,026
Net earnings	437,921	468,543
Retained earnings, end of year	\$ <u>6,230,490</u>	\$ <u>5,792,569</u>

See accompanying notes to the financial statements.

Greater Vancouver Community Credit Union

Statement of Cash Flows

Year Ended December 31

2007

2006

Cash flows provided by (used in)

Operating activities		
Net earnings	\$ 437,921	\$ 468,543
Adjustments to determine cash flows:		
Provision for credit losses	93,171	82,835
Amortization	261,685	279,314
Change in interest accruals	111,010	485,734
Future income tax	6,440	1,282
Other	(136,948)	106,897
	<u>773,279</u>	<u>1,424,605</u>
Financing activities		
Deposits, net of withdrawals	14,169,345	9,855,845
Equity shares	36,106	32,031
	<u>14,205,451</u>	<u>9,887,876</u>
Investing activities		
Loans, net of repayments	(10,566,015)	(9,864,486)
Purchase of investments	(5,549)	13,163
Deposit with Credit Union Central	1,085,355	(1,065,859)
Premises and equipment	(328,350)	(150,463)
Property held for resale	(237,539)	-
	<u>(10,052,098)</u>	<u>(11,067,645)</u>
Net increase in cash	4,926,632	244,836
Cash and cash equivalents, beginning of year	<u>4,731,481</u>	<u>4,486,645</u>
Cash and cash equivalents, end of of year	\$ <u>9,658,113</u>	\$ <u>4,731,481</u>
Supplemental cash flow information		
Interest paid	\$ 4,985,902	\$ 3,668,896
Taxes paid	101,814	51,048

See accompanying notes to the financial statements.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

December 31, 2007

1. Governing legislation

The credit union is incorporated under the Credit Union Incorporation Act of British Columbia; the operation of the credit union is subject to the Financial Institutions Act of British Columbia.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In preparing these financial statements management has made estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and contingent assets and liabilities. Actual results could differ from those estimates.

Loans

Loans are stated net of unearned income and allowance for credit losses.

Loan interest

Interest income from loans is recorded on the accrual method, except where a loan is impaired. Interest received on an impaired loan is recognized in earnings only if there is no doubt as to the collectibility of the carrying value of the loan; otherwise, the interest received is credited to the principal.

Loan fees

Loan prepayment fees are recognized in interest income when received, unless they relate to a minor modification to the terms of the mortgage, in which case the fees are deferred and amortized over the remaining period of the original mortgage.

Allowance for credit losses

The credit union maintains allowances for credit losses that reduce the carrying value of loans identified as impaired to their estimated realizable amounts. A loan is classified as impaired generally at the earlier of when, in the opinion of management, there is reasonable doubt as to the collectibility of principal and interest, or when interest is 90 days past due. Specific allowances are supplemented by general allowances determined by judgement of management based on historical loan loss experience, known risks in the portfolio and current economic conditions and trends.

Investments and other

Investments are recorded at the lower of cost and net realizable value. Property held for resale is recorded at the lower of cost and net realizable value.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

December 31, 2007

2. Summary of significant accounting policies (Continued)

Premises and equipment

Premises and equipment are recorded at cost less accumulated amortization. Amortization is recorded as follows:

Automated teller machines	5 years, straight line
Data processing equipment	10% per quarter, declining balance
Furniture and equipment	5% per quarter, declining balance
Vaults	10 years, straight line
Leasehold improvements	term of lease up to ten years

Income taxes

The credit union follows the asset and liability method of accounting for income taxes, whereby future tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Net future income tax assets and liabilities are included in other assets.

Shares

Shares are classified as liabilities or as member equity according to their terms. Where shares are redeemable at the option of the member, either on demand or on withdrawal from membership, the shares are classified as liabilities. Where shares are redeemable at the discretion of the credit union Board of Directors, the shares are classified as equity.

Distributions to members

Patronage rebates and dividends on shares are charged against earnings.

Comparative figures

Certain of the prior year's figures have been reclassified to conform with the current year's financial statement presentation.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

December 31, 2007

3. Change in accounting policies

(a) Current year changes

Financial instruments and hedges

Financial instruments

On January 1, 2007, the credit union adopted CICA Handbook Sections 3855 *Financial Instruments – Recognition and Measurement*, 1530 *Comprehensive Income* and 3861 *Financial Instruments – Disclosure and Presentation*. These standards have been applied without restatement of prior periods.

Section 3855, *Financial Instruments – Recognition and Measurement*, establishes guidance for recognizing and measuring financial assets, financial liabilities, and non-financial derivatives. Under the new standard, financial assets and liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and choice where applicable.

Financial assets must be classified as held-for-trading (HFT), available-for-sale (AFS), held-to-maturity (HTM), or loans and receivables (L&R). Financial liabilities are required to be classified as held-for-trading or other financial liabilities (OFL). All financial instruments, including derivatives, are measured at fair value, except for loans and receivables, held-to-maturity and other financial liabilities which are measured at amortized cost. Gains and losses on HFT financial assets and financial liabilities are recognized in net earnings. Unrealized gains and losses on AFS financial assets are recognized in other comprehensive income (OCI) until the financial asset is derecognized or other than temporary impaired, at which time any unrealized gains or losses are recorded in net earnings.

Accumulated other comprehensive income (AOCI) is included in the balance sheet as a separate component of equity (net of tax) and includes net unrealized gains and losses on AFS assets.

Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models.

Transaction costs related to financial instruments classified as HFT are expensed as incurred. Transactions costs related to other than financial instruments classified as HFT are capitalized and amortized using the effective interest method.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

December 31, 2007

3. Change in accounting policies (Continued)

(a) Current year changes (Continued)

Financial instruments and hedges (Continued)

Financial instruments (Continued)

As a result of the adoption of these new standards, the credit union has classified its financial instruments as follows:

- Cash resources and interest rate swap - HFT
- Credit Union Central of B.C. (Credit Union Central) bid, liquidity, surplus Investments, and accrued interest - L&R
- All loans, accrued interest, and other receivables - L&R
- Credit Union Central shares and accrued dividends - AFS
- Stabilization Central of British Columbia (Stabilization Central) shares and accrued dividends - AFS
- CUPP shares and accrued dividends - AFS
- Credit Union Central loans and accrued interest - OFL
- Bank overdrafts, deposits payable, and accrued interest - OFL
- All equity shares outstanding, accrued dividends, and other accounts payable - OFL

The adoption of these new standards had no material impact on the credit union's accounts as at January 1, 2007.

Accounting changes

Handbook Section 1506, *Accounting Changes*, was issued in July 2006 and revises current standards for changes in accounting policy, estimates or errors. An entity is permitted to change an accounting policy only when it results in financial statements that provide reliable and more relevant information or when required under a primary source of Canadian GAAP. The guidance also addresses how to account for a change in accounting policy, estimate or corrections of errors and establishes enhanced disclosures about their effects in the financial statements. These recommendations are effective for fiscal years beginning on or after January 1, 2007. The credit union has implemented these recommendations as of January 1, 2007.

(b) Future changes in accounting policies

Financial instruments - presentation and disclosure

Handbook Section 3862, *Financial Instruments – Disclosures*, and Handbook Section 3863, *Financial Instruments – Presentation*, both issued in December 2006, revise the current standards on financial instrument disclosure and presentation. Section 3862 places additional emphasis on disclosures regarding the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives and provides additional guidance with classification of financial instruments between liabilities and equity from the perspective of the issuer. These standards will be adopted by the credit union effective January 1, 2008.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

December 31, 2007

3. Change in accounting policies (Continued)

(b) Future changes in accounting policies (Continued)

Capital disclosures

Handbook Section 1535, *Capital Disclosures*, was issued in December 2006. This section requires enhanced quantitative disclosures about what is regarded as capital and disclosure of information with respect to the objectives, policies and processes used to manage capital. These standards will be adopted by the credit union effective January 1, 2008.

4. Cash resources	2007	2006
Cash and current accounts	\$ 1,246,429	\$ 771,446
Deposits on account with Credit Union Central callable or maturing in less than three months	<u>8,411,684</u>	<u>3,960,035</u>
	9,658,113	4,731,481
Deposits on account with Credit Union Central maturing in greater than three months	<u>8,924,668</u>	<u>10,010,023</u>
	\$ <u>18,582,781</u>	\$ <u>14,741,504</u>

Under governing legislation, the credit union must maintain, for liquidity purposes, deposits with Credit Union Central of at least 8% (2006: 8%) of deposits and borrowings. At December 31, 2007, the credit union liquidity deposits exceed the minimum requirement by \$5,423,000 (2006: \$2,973,000).

5. Loans	2007	2006
Personal loans		
Residential mortgages	\$ 112,535,944	\$ 105,105,700
Other	5,659,497	5,488,582
Commercial loans		
Mortgages	27,501,366	24,475,274
Other	633,331	787,213
Accrued interest	<u>435,701</u>	<u>389,981</u>
	<u>146,765,839</u>	<u>136,246,750</u>
Allowance for credit losses		
Specific	68,221	97,696
General	<u>530,000</u>	<u>500,000</u>
	<u>598,221</u>	<u>597,696</u>
	\$ <u>146,167,618</u>	\$ <u>135,649,054</u>

Greater Vancouver Community Credit Union

Notes to the Financial Statements

December 31, 2007

5. Loans (Continued)

Allowance for credit losses

				2007	2006
	Beginning Balance	Provision	Write-offs Less Recoveries	Ending Balance	Ending Balance
Personal loans					
Mortgages	\$ 383,691	\$ 30,000	\$ -	\$ 413,691	\$ 383,691
Other	196,190	63,171	82,268	177,093	196,190
Commercial loans	17,815	-	10,378	7,437	17,815
	<u>\$ 597,696</u>	<u>\$ 93,171</u>	<u>\$ 92,646</u>	<u>\$ 598,221</u>	<u>\$ 597,696</u>

Percentage of total loans and accrued interest 0.41% 0.44%

Impaired loans and related allowances

				2007	2006
	Loan Balances	Specific Allowances		Carrying Amount	Carrying Amount
Personal loans					
Mortgages	\$ 543,151	\$ -	\$	\$ 543,151	\$ 1,419,497
Other	146,805	68,221		78,584	298,043
	<u>\$ 689,956</u>	<u>\$ 68,221</u>	<u>\$</u>	<u>\$ 621,735</u>	<u>\$ 1,717,540</u>

6. Investments and other

	2007	2006
Shares		
Credit Union Central	\$ 442,938	\$ 444,075
Stabilization Central	204	204
BC Cooperative Association	1,200	1,200
CUPP Services Ltd.	49,767	43,081
Property held for resale	237,539	-
Receivables and prepaids	138,038	92,821
Future income taxes (Note 16)	72,076	78,516
	<u>\$ 941,762</u>	<u>\$ 659,897</u>

Investment in shares of Credit Union Central is required by governing legislation and as a condition of membership in Credit Union Central.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

December 31, 2007

7. Premises and equipment		2007		2006	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>		<u>Net Book Value</u>
Data processing and licenses	\$ 878,929	\$ 679,906	\$ 199,023	\$	214,157
Furniture and equipment	1,221,330	893,354	327,976		232,068
Leasehold improvements	<u>1,763,640</u>	<u>984,813</u>	<u>778,827</u>		<u>555,397</u>
	<u>\$ 3,863,899</u>	<u>\$ 2,558,073</u>	<u>\$ 1,305,826</u>	\$	<u>1,001,622</u>

8. Deposits		2007		2006	
Demand		\$ 35,735,158	\$	31,261,188	
Membership equity shares (Note 10)		1,961,283		1,960,923	
Term		93,835,367		85,051,389	
Registered savings plans		25,916,060		25,005,023	
Accrued interest and dividends		<u>2,317,279</u>		<u>2,160,549</u>	
		<u>\$ 159,765,147</u>	\$	<u>145,439,072</u>	

Demand deposits include \$700,503 (2006: \$819,609) of class "A" savings shares.

Under agreements with the trustee of the registered savings plans, members' contributions to the plans are deposited with the credit union at rates of interest determined by the credit union.

9. Borrowings

The credit union has an operating line of credit and a term loan arrangement with Credit Union Central. A debenture charge on certain assets of the credit union has been provided as security.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

December 31, 2007

10. Equity shares

Capital of the credit union is divided into three classes of equity shares designated as follows:

- Class "B" equity shares (membership)
- Class "C" preferred equity shares (voluntary)
- Class "P" patronage equity shares

The credit union is authorized to issue an unlimited number of non-transferable, voting equity shares, with a par value of \$1. With certain exceptions, all members are required to own twenty-five membership equity shares which, under certain occurrences, are redeemable.

Equity shares are not guaranteed by the Credit Union Deposit Insurance Corporation of British Columbia; class "P" shares are redeemable only with the consent of the Board of Directors of the credit union.

Equity shares issued

	2007	2006
Class "B" shares	\$ 558,212	\$ 535,295
Class "C" shares	1,403,071	1,425,628
Class "P" shares	<u>523,104</u>	<u>486,998</u>
	2,484,387	2,447,921
Class "B" and "C" shares included as liabilities (Note 8)	<u>(1,961,283)</u>	<u>(1,960,923)</u>
Equity shares	\$ <u>523,104</u>	\$ <u>486,998</u>

11. Capital requirements

The credit union is required under governing legislation to maintain a capital base equal to 8% of the total risk-weighted value of assets; each asset being assigned a risk factor based on the probability that a loss may be incurred on ultimate realization of that asset. At December 31, 2007, the credit union had a capital base approximating 14.7% (2006: 14.7%) of the risk-weighted value.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

December 31, 2007

12. Interest rate sensitivity

The credit union is exposed to interest rate risk as a consequence of the mismatch, or gap between the assets and liabilities scheduled to reprice on particular dates.

Maturity dates substantially coincide with interest adjustment dates. Amounts with floating interest rates, or due on demand, are classified as maturing within one year, regardless of maturity. Amounts that are not interest sensitive are grouped together, regardless of maturity.

The table below does not incorporate management's expectation of future events where repricing or maturity dates of certain loans and deposits differ significantly from the contractual dates.

	Interest Sensitive Balances			Not Interest Sensitive	Total
	Within 3 Months	4 Months to 1 Year	Over 1 to 5 Years		
Assets					
Cash resources	\$ 9,607,559	\$ 8,686,210	\$ -	\$ 289,012	\$ 18,582,781
Yield	4.27%	4.21%	-	-	
Loans	35,154,288	22,916,208	87,689,088	408,034	146,167,618
Yield	7.08%	5.98%	5.92%	-	
Other	442,938	-	237,539	1,567,111	2,247,588
Yield	5.38%	-	5.10%	-	
	<u>45,204,785</u>	<u>31,602,418</u>	<u>87,926,627</u>	<u>2,264,157</u>	<u>166,997,987</u>
Liabilities					
Deposits	65,826,280	62,943,075	28,678,513	2,317,279	159,765,147
Yield	1.76%	4.16%	4.01%	-	
Other	-	-	-	7,232,840	7,232,840
	<u>65,826,280</u>	<u>62,943,075</u>	<u>28,678,513</u>	<u>9,550,119</u>	<u>166,997,987</u>
Interest rate swap	<u>(5,000,000)</u>	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>60,826,280</u>	<u>67,943,075</u>	<u>28,678,513</u>	<u>9,550,119</u>	<u>166,997,987</u>
Interest sensitivity position 2007					
	\$ <u>(15,621,495)</u>	\$ <u>(36,340,657)</u>	\$ <u>59,248,114</u>	\$ <u>(7,285,962)</u>	\$ <u>-</u>
Interest sensitivity position 2006					
	\$ <u>(18,274,402)</u>	\$ <u>(32,643,116)</u>	\$ <u>57,871,493</u>	\$ <u>(6,953,975)</u>	\$ <u>-</u>

Greater Vancouver Community Credit Union

Notes to the Financial Statements

December 31, 2007

13. Fair values of financial instruments

The estimated fair values of financial instruments are designed to approximate values at which these instruments could be exchanged in a current market. However, many of the financial instruments lack an available trading market and therefore fair values are based on estimates.

No fair values have been determined for premises and equipment or any other asset or liability that is not a financial instrument. The fair values of cash resources, variable rate loans and deposits, other assets and liabilities are assumed to equal their book values. The fair values of fixed rate loans and deposits are determined by discounting the expected future cash flows at the estimated current market rates for loans and deposits with similar characteristics.

Changes in interest rates are the main cause of changes in the fair value of the credit union's financial instruments. The majority of the credit union's financial instruments are carried at historical cost and are not adjusted to reflect increases or decreases in fair value due to interest rate changes.

	<u>2007</u>			<u>2006</u>
	<u>Book Value</u>	<u>Fair Value</u>	<u>Difference</u>	<u>Difference</u>
Assets				
Cash resources	\$ 18,583,000	\$ 18,583,000	\$ -	\$ -
Loans	146,168,000	145,443,000	(725,000)	(465,000)
Investments	942,000	942,000	-	-
			(725,000)	(465,000)
Liabilities				
Deposits	159,765,000	159,800,000	(35,000)	(13,000)
Derivatives				
Interest rate swap	(39,600)	(39,600)	-	-
Net difference			\$ (760,000)	\$ (478,000)

	<u>2007</u>	<u>2006</u>
14. Other income		
Account service fees	\$ 517,088	\$ 548,122
Other	75,956	78,169
Foreign exchange	82,086	90,021
Loan administration fees	89,605	83,403
Insurance commissions and fees	45,685	50,442
Interest rate swap	(39,584)	-
	\$ 770,836	\$ 850,157

Greater Vancouver Community Credit Union

Notes to the Financial Statements

December 31, 2007

15. Operating expense	2007	2006
Salaries and benefits	\$ 2,070,928	\$ 2,032,359
Premises, equipment and supplies	808,009	761,650
Data processing	308,092	285,305
Amortization	261,685	279,314
Advertising and member relations	233,955	215,673
Other	156,106	205,924
Service charges	162,942	166,022
Dues and assessments	126,304	144,906
Board and committees meetings	37,838	37,107
Member meetings	12,853	9,697
Staff and others meetings	9,664	11,986
Professional services	85,720	80,442
	<u>\$ 4,274,096</u>	<u>\$ 4,230,385</u>

16. Income taxes

The components of income tax expense are as follows:

	2007	2006
Current	\$ 108,087	\$ 86,294
Future	<u>6,440</u>	<u>1,282</u>
	<u>\$ 114,527</u>	<u>\$ 87,576</u>

The total income taxes in the statement of earnings is at a rate less than the combined federal and provincial statutory tax rates for the following reasons:

	2007	2006
Combined federal and provincial statutory income tax rate	34.1 %	34.1 %
Credit union rate reduction	(16.5)%	(16.5)%
Other	<u>3.1 %</u>	<u>(1.9)%</u>
	<u>20.7 %</u>	<u>15.7 %</u>

The components of future income tax balances are as follows:

	2007	2006
Allowance for credit losses	\$ 82,764	\$ 90,108
Premises and equipment	(22,466)	(25,862)
Other	<u>11,778</u>	<u>14,270</u>
	<u>\$ 72,076</u>	<u>\$ 78,516</u>

Greater Vancouver Community Credit Union

Notes to the Financial Statements

December 31, 2007

17. Commitments

Premises

The credit union leases branch premises with minimum lease payments of \$573,000 per annum under existing lease contracts for each of the next five years.

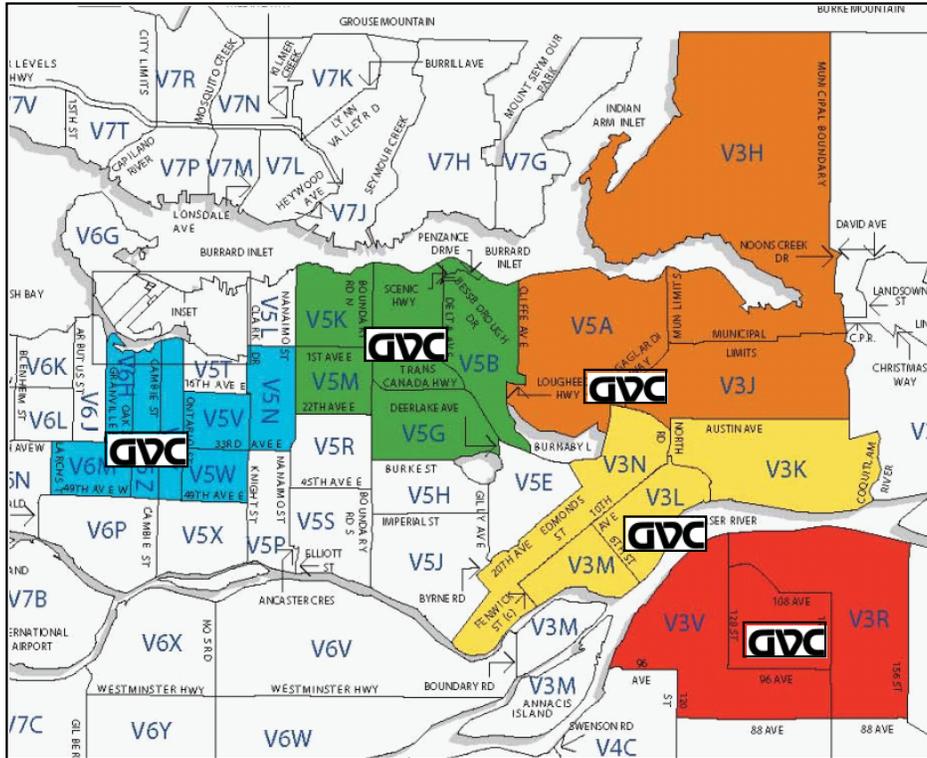
Banking system

The credit union is committed to acquire on line data processing services until November 2009. Data processing charges are based on the level of equipment and services utilized and on the number of credit union members.

18. Other information

At December 31, 2007, loans to employees, directors, officers and members of a committee of the credit union amounted to \$1,187,991 (2006: \$1,048,700). Directors, in their capacity as directors, received \$20,000 (2006: \$20,250).

GVC LOCATIONS IN RELATION TO MEMBERSHIP



Vancouver Branch

100—4088 Cambie St
Vancouver, BC V5Z 2X8
T. 604-876-7101

Brentwood Branch

1801 Willingdon Ave
Burnaby, BC V5C 5R3
T. 604-298-3344

Lougheed Branch

9608 Cameron St
Burnaby, BC V3J 1M2
T. 604-421-3456

Royal Square Branch

25B—800 McBride Blvd
New Westminister, BC V3L 2B8
T. 604-525-1414

Surrey Branch

1—9989 152nd St
Surrey, BC V3R 4G5
T. 604-584-4434