2003 Annual Report



Annual General Meeting Wednesday, April 28, 2004 Executive Inn Burnaby, BC

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.

Its purpose is:

To offer savings and loan facilities oriented to the needs of individuals and families in Greater Vancouver.

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 counselling.

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.

As adopted by the Board of Directors in 1993.



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Board & Staff

BOARD OF DIRECTORS 2003

Chair: Glenn McLaughlin

1st Vice-Chair Ken Sherwood

2nd Vice-Chair Les Hausch

DIRECTORS Phil Beall Judi Corra

Gilles Deschenes

Herb Gill Jim Pope

Patrick Thierman

EXECUTIVE & CREDIT COMMITTEE

Chair Glenn McLaughlin Members Ken Sherwood Les Hausch Jim Pope

AUDIT COMMITTEE

Chair Herb Gill
Members Phil Beall
Ken Sherwood

INVESTMENT & LENDING COMMITTEE

Chair Judi Corra Members Les Hausch Wayne Page

FINANCE COMMITTEE

Chair Gilles Deschenes
Members Peter Boudewyn
Malcolm Grave
Jim Pope

Patrick Thierman Shawgi Rashed

MEMBERSHIP COMMITTEE

Chair Judi Corra
Members Les Hausch
Glenn McLaughlin

Malcolm Grave

HEAD OFFICE STAFF

Victoria Kowalski

Phil Moore, General Manager Chita Anonuevo Colleen Colonna Eman Raouf Harj Wahid Shirley Coghlan Theresa Van Grol Trisha Tanginoa

VANCOUVER BRANCH STAFF

Richard Rochard, Branch Manager
Andy Sanghera
Carey Soura
Cheryl Manzano
Greta Munro
Julian Beckett
Margaret Lau
Marianne Fung
Michaela Costa
Sandeep Grewal
Sobia Naseh
Taj Nisha
Virginia Agujo

LOUGHEED BRANCH STAFF

Balbir Bains, Branch Manager Alice Fung Alicia Miszalski Chanda Tum Cindy Candusso Diana Leslie Katalin Pozsar Kasia Hodek Levon Melo Nick Wong

Paulette Antoniuk Valerie Yiu

BRENTWOOD BRANCH STAFF

Balbir Bains, Branch Manager Eszter Nemeth Ilonka Lelkes

Jacqueline Griffin Julia Austine Karin Slagboom Linda Pereira Tracy Sparkes

SURREY BRANCH STAFF

Bob Hattrick, Branch Manager Crystal Raj Kuldeep Sahota

Mary van Someren Nancy Brooks Sarbjit Kaur Singh Trista McTeer

Board of Directors' Report

Since their beginnings in 1940, credit unions in British Columbia have grown to become a major player in the financial marketplace of our province.

Originally small, volunteer run, self-help organizations, credit unions today offer a similar range of services to their members as banks do to their customers. As credit unions have grown, their numbers have shrunk. In the early 1960's there were over 300 credit unions. As recently as 1991 there were 108. Today, there are less than 60 credit unions in the province. Our credit union is one of the last small community credit unions operating in the Greater Vancouver Regional District.

As credit unions have grown and our society has become more complex, we are subject to more and different legislation. Not only has credit union legislation become sophisticated and complex, but credit unions are subject to many other pieces of legislation including; the proceeds of crime, money laundering, terrorist financing and, most recently, the provincial privacy legislation.

In short, steering a successful course for your credit union in today's marketplace is a challenging business.

We are pleased to report that your credit union enjoyed healthy growth during 2003 with assets increasing by 5.78% to end the year at \$122 million. Loan growth, which was extremely strong in 2002, was modest in 2003 as we consolidated the growth we experienced in the previous year. Deposit growth was a healthy 6% and we are pleased to advise that retained earnings increased by 9.32% to end the year at \$4.25 million.

During the year, we renovated the member area of our flagship Vancouver branch and were successful in negotiating a lease for new premises for our Surrey branch. The move of our Surrey branch will occur during the summer of 2004, when it will move across the street into larger, more visible premises

which were previously occupied by a branch of the TD Canada Trust.

During 2003, we continued our support for both the Rainbow Youth Excellent Society which provides co-operative leadership camps for youths as well as the Credit Union Foundation of British Columbia which provides post secondary educational awards to help British Columbians further their education. Our Membership Committee, which consists of directors and members, also approved donations to support a variety of charities to help people in need including help for a transition house, organizations active in Vancouver's downtown east side and for flood victims in the Squamish/Pemberton area.

We were also very pleased to welcome Mr. Wlodzimierz Podzerek and Mr. Marek Rosinski from the Polish credit union system who visited with us for two weeks in the fall on an educational sponsorship. The credit union system in Poland is growing rapidly and we are pleased to be a small part of this success by providing some of their leaders the opportunity to visit British Columbia to see and learn from our credit union system.

In closing, I wish to thank my fellow directors for the time and effort they have devoted over the past year on behalf of our credit union. Further, on behalf of our directors, I wish to thank our dedicated employees for all the work they have done in providing service to our members.

Respectfully submitted on behalf of the Board of Directors,

Glenn McLaughlin, Chair

General Manager's Report

After growing by 12.5% in 2002, our growth slowed to 5.8% in 2003. This saw assets increase by \$6.7 million to end the year at \$122.0 million.

Interest rates remained very low by recent historical standards and this helped sustain an active real estate market in the Lower Mainland. The mortgage market remained very competitive with many consumers utilizing the services of mortgage brokers to place their mortgage.

During the year, we worked to consolidate the above normal growth we experienced in 2002. This resulted in slower growth in total loans, however, we believe our actions helped enhance the overall quality of our loan portfolio.

Deposits grew by \$6.5 million, or 6%, with demand deposits (chequing and savings accounts) growing by just over 10%. This partly reflected our policy of offering interest rates on savings accounts that are at the higher end of the market.

Competition, combined with our relatively high savings rates and lower overall market interest rates, saw our financial margin decline from 3.16% of average assets in 2002 to 3.06%. Our financial margin is the difference between what we earn on loans and pay for deposits.

Other revenue, which mostly consists of service charges, fell by \$152,000 compared to 2002. This was partly because 2002 (and 2001) included the receipt of significant "one time" non service charge revenue. Loan service charges were also lower and this partly reflects lower loan volumes compared to the previous year.

Administrative costs remained well controlled, increasing by only 1.12% from 2002. Overall, these costs fell from 3.27% of average assets to 3.04%.

As often happens in the year following rapid loan growth, we deemed it prudent to increase our provision for loan losses; which, at \$221,000, were equal too 0.19% of average assets, up from 0.15% in 2002, and 0.10% in 2001. It is our anticipation that loan losses should return to our traditional levels in 2004.

After paying higher Patronage and Equity Share dividends, we added \$362,729 to our retained earnings. This represented an increase of 9.32% and brought year end retained earnings to \$4.25 million or 3.74% of our average assets.

As mentioned by our Chair, we renovated our Vancouver branch during the summer. The fall saw changes to our statements when we moved to providing members images of their cheques instead of returning the physical cheques with their statement. In 2004, we will be relocating and upgrading our Surrey branch. Additionally, we will be enhancing our ATMs with new security features, upgrading our telephone banking system and rebuilding our web site. All these initiatives are aimed at making it easier for our members to utilize our services.

In closing, on behalf of myself and your staff, I wish to thank your elected representatives, our Board of Directors, for their dedicated service to the credit union during the year.

Respectfully submitted,

J. Philip Moore, General Manager

GVC Credit Union April 28, 2004

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, 2003 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, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Financial Institutions Act of British Columbia, we report that, in our opinion, those principles have been applied on a basis consistent with that of the preceding year.

New Westminster, Canada January 30, 2004

Chartered Accountants

Grant Thornton LLP

Sixth Floor 628 Sixth Avenue New Westminster, BC V3M 6Z1 **T** (604) 521-3761 **F** (604) 521-8170

Balance Sheet

December 31		2003		2002
Assets				
Cash resources (Note 3)	\$	18,033,318	\$	12,032,280
Loans (Note 4)		102,247,521		101,414,293
Investments and other (Note 5)		769,138		800,793
Premises and equipment (Note 6)	_	951,935	_	1,087,706
	\$_	122,001,912	\$	115,335,072
Liabilities and equity				
Deposits (Note 7)	\$	116,941,724	\$	109,904,829
Borrowings (Note 8)		-		750,000
Payables and accruals		454,621		462,747
Equity shares (Note 9)		351,373		326,031
Retained earnings	_	4,254,194	_	3,891,465
	\$_	122,001,912	\$_	115,335,072

Commitments (Note 16)

On behalf of the Board

Glen McLaughlin Chair of the Board Herb Gill Chair of the Audit Committee

Harlans Sill

Statement of Earnings & Retained Earnings

Year Ended December 31		2003		2002
Financial income Loans Cash resources and investments	\$ _	6,464,399 486,180 6,950,579	\$	6,057,205 525,187 6,582,392
Financial expense Deposits Borrowings Share dividends	_ 	3,263,086 60,536 106,519 3,430,141	- - -	3,123,779 18,475 88,066 3,230,320
Financial margin		3,520,438		3,352,072
Provision for credit losses (Note 4)		(221,299)		(164,222)
Other income (Note 13)	_	785,462	_	937,031
Operating margin		4,084,601		4,124,881
Operating expenses (Note 14)	_	3,605,486		3,564,506
Earnings from operations		479,115		560,375
Patronage rebates	_	48,000	. <u> </u>	44,723
Earnings before income taxes		431,115		515,652
Income taxes	_	68,386	. <u> </u>	82,011
Net earnings		362,729		433,641
Retained earnings, beginning of year	_	3,891,465	. <u> </u>	3,457,824
Retained earnings, end of year	\$_	4,254,194	\$	3,891,465

Statement of Cash Flows

Year Ended December 31		2003		2002
Cash flows provided by (used in)				
Operating activities				
Net earnings	\$	362,729	\$	433,641
Adjustments to determine cash flows:				
Provision for credit losses		221,299		164,222
Amortization		223,608		215,435
Change in interest accruals		137,654		(283,238)
Other	_	(62,543)	_	84,321
	_	882,747		614,381
Financing activities				
Financing activities Deposits, net of withdrawals		6,950,198		11,811,577
Borrowings		(750,000)		750,000
Equity shares		25,342		46,827
Equity officion	_	6,225,540	_	12,608,404
	_	0,220,010	_	12,000,101
Investing activities				
Loans, net of repayments		(1,105,486)		(15,654,678)
Investments		86,074		29,046
Premises and equipment		(87,837)		(254,591)
	_	(1,107,249)		(15,880,223)
	_			·
Net increase (decrease) in cash resources		6,001,038		(2,657,438)
Cash resources, beginning of year	_	12,032,280	_	14,689,718
Cook recourses and of year	•	40,000,040	Ф	40.000.000
Cash resources, end of year	\$_	18,033,318	\$_	12,032,280

1. Governing legislation and operations

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting practices. In preparing these financial statements management has made estimates and assumptions that affect the amounts reported. 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 penalty fees are deferred and recorded as income over the initial terms of the underlying loans.

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

Investments are recorded at cost.

Premises and equipment

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

Automated teller machines
Data processing equipment
Furniture and equipment
Vaults

5 years, straight-line
10% per quarter, declining balance
5% per quarter, declining balance
10 years, straight line
term of lease up to ten years

2. Summary of significant accounting policies (Continued)

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.

Derivative financial instruments

In the normal course of business, the credit union enters into interest rate related contracts to manage its exposure to fluctuations in interest rates. The interest rate related contracts assist in the management of the mismatch and are used by the credit union to hedge or reduce the interest rate fluctuation risk. Interest income and expense for these contracts are accounted for on the accrual basis over the term of the contracts. Any gain or losses on the termination of contracts prior to the maturity are deferred and amortized to earnings over the expected remaining life of the related position. For those contracts that are not recorded as hedges, fluctuations in market value are recorded as gains or losses and included in income on a monthly basis.

3. Cash resources		2003		2002	
Cash and current accounts Term deposits and accrued interest	\$	1,654,689	\$	870,924	
Callable or maturing in three months or less Maturing after three months		3,794,134 12,584,495		1,952,288 9,209,068	
	\$_	18,033,318	\$_	12,032,280	

3. Cash resources (Continued)

Under governing legislation, the credit union must maintain, for liquidity purposes, deposits with Credit Union Central of British Columbia (Credit Union Central) of at least 10% of deposits and borrowings. At December 31, 2003, the credit union liquidity deposits exceed the minimum requirement by \$6,339,000 (2002: \$967,000).

4. Loans											2	003			2002
Personal loan	S														
Residential r		ages						\$		78	,535,	975	\$	78	3,119,975
Other											,590,			6	3,878,107
Commercial lo	oans														
Mortgages										16	,570,			15	5,967,630
Other Accrued interes	oct										844, 347,				610,141 398,018
Accided intere	551									102	,888,		_	101	,973,871
Allowance for	credit	loss	es							102	,000,	303		101	1,973,071
Specific	oroun	1000									241,	068			159,578
General											400,				400,000
								•			641,	068			559,578
								\$	1	102	,247,	521	<u> </u>	101	,414,293
								Ψ,			,,	<u></u>			,,,===
Allowance for	credit	losse	es									2	003		2002
		Regi	inning					vvri	te-o	TTS SS		Enc	ling		Ending
		_	alance		Pro	vision		reco				bala			balance
Personal loans															
Mortgages	\$	32	20,691	\$	1	4,287	\$	•	14,2	87	\$	320,	691	\$	320,691
Other		20	02,260		20	7,012		11	25.5	22		283,	750		202,260
Commercial loa	ns		36,627		20	7,012		12	20,0	-			627		36,627
Commoroida lod	 \$		59,578	\$	22	1,299	- <u>-</u>	13	39,8	09	\$	641,		 \$	559,578
									•						
Percentage of to	otal loa	ıns ar	nd accru	ied intei	rest							0.6	52 %	_	0.55%
Impaired loans	s and i	relate	ed allov	vances	;							2003			2002
				Loan				cific				arrying			Carrying
Developed le		_	ba	lances	_	all	lowar	ices	•		а	mount	_		amount
Personal loans Mortgages		\$	ρ	01,804	\$		5	,000	\$		7	96,804	\$		2,443,689
Other		Ψ		47,420	Ψ		236,		Ψ			11,352			109,481
		\$		49,224	-		241,		•			08,156			2,553,170
		Ψ _	1,1	.5,227	_ φ		411,		. φ	_		55, 150	_ φ		_,500,110

5. Investments and other	2003	2002
Shares		
Credit Union Central	\$ 436,601	\$ 411,612
Datawest Solutions Inc.	42,209	48,209
CUPP Services Ltd.	15,648	9,467
Property held for resale	· -	111,244
Receivables and prepaids	185,582	161,163
Future income taxes	 89,098	59,098
	\$ 769,138	\$ 800,793

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

6. Premises a	nd e	equipment			2003	2002
Data		Cost	Accumulated amortization		Net book value	Net book value
processing	\$	513,876	\$ 317,124	\$	196,752	\$ 244,735
Furniture and equipment Leasehold		951,379	709,430		241,949	295,610
improvements		1,207,395	 694,161		513,234	 547,361
	\$	2,672,650	\$ 1,720,715	\$_	951,935	\$ 1,087,706
7. Deposits					2003	2002
Demand Membership equ Term Registered savir Accrued interest	ngs į	olans		\$	27,820,366 ,878,081 3,741,479 2,154,826 1,346,972	\$ 25,164,950 ,409,623 0,982,018 1,087,963 ,260,275
				\$_	16,941,724	\$ 109,904,829

Demand deposits include \$889,091 (2002: \$993,171) 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.

8. 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.

9. 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		2003		2002
Class "B" shares	\$	539,528	\$	506,796
Class "C" shares		1,338,553		902,827
Class "P" shares		351,373	_	326,031
	_	2,229,454	-	1,735,654
Class "B" and "C" shares included as				
liabilities (Note 7)	_	(1,878,081)	•	(1,409,623)
Equity shares	\$_	351,373	\$	326,031

10. 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, 2003, the credit union had a capital base approximating 12.3% (2002: 10.9%) of the risk-weighted value.

11. 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.

	_	In	tere	st sensitive bala		Not				
	_	Within		4 months		Over 1 to	-'	interest		
		3 months		to 1year		5 years		sensitive		Total
Assets	_		_						-	
Cash resources	\$	5,405,149	\$	5,129,530	\$	7,314,900	\$	183,739	\$	18,033,318
Yield		2.73%		3.35%		3.11%				
Loans		26,005,010		19,088,464		56,806,990		347,057		102,247,521
Yield		6.07%		5.84%		6.00%				
Other		436,601		-		-		1,284,472		1,721,073
Yield		5.58%		-		-				
		31,846,760	_	24,217,994	· · ·	64,121,890		1,815,268	-	122,001,912
Liabilities										
Deposits		44,522,687		45,659,930		25,412,135		1,346,972		116,941,724
Yield		1.04%		3.07%		4.61%				
Other		-		-		-		5,060,188		5,060,188
Yield		-	_	-		-				
		44,522,687		45,659,930		25,412,135		6,407,160		122,001,912
Derivatives		5,000,000		-		(5,000,000)		-		-
Interest sensitivity										
position 2003	\$_	(7,675,927)	\$	(21,441,936)	\$_	33,709,755	\$	(4,591,892)	\$	-
Interest sensitivity	′				_		_			
position 2002	\$_	(18,019, 753)	\$	(13,504,717)	\$_	35,406,711	\$	(3,882,241)		

12. 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.

			2003				2002
		Book value	Fair value		Difference		Difference
Assets Cash resources Loans	\$	18,033,000 102,248,000	\$ 18,033,000 103,504,000	\$	- 1,256,000	\$	-
Investments		769,000	769,000		1,256,000	_	1,497,000
Liabilities Deposits		116,942,000	118,370,000		1,428,000	_	1,497,000
Derivatives		-	-	_	(172,000)	- \$	76,000
Net difference				\$ <u>_</u>	(112,000)	. Ψ	
13. Other incom	ne				2003		2002
Account service f Loan administrati Insurance commi Foreign exchange Other	on fe			\$	555,016 69,126 39,045 56,653 65,622	\$	574,622 113,961 56,569 83,431 108,448
				\$	785,462	\$	937,031

14. Operating expenses		2003	2002
Salaries and benefits Advertising and member relations Capital taxes Data processing Amortization Service charges Meetings Other Premises, equipment and supplies Professional services Dues and assessments	\$ 	1,812,726 125,113 11,941 249,625 223,608 168,736 61,814 159,264 641,958 90,338 60,363 3,605,486	\$ 1,745,087 92,177 57,754 212,516 215,435 173,534 54,014 205,146 635,956 77,822 95,065 3,564,506
15. Provision for income taxes			
The components of income tax expense are as f	ollows:	2003	2002
Current income taxes	\$	98,386	\$ 127,011
Future income taxes		(30,000)	(45,000)
Income taxes	\$	68,386	\$ 82,011
The total provision for income taxes in the statem combined federal and provincial statutory tax rate			
		2003	2002
Combined federal and provincial statutory incomtax rate Credit union rate reduction Other	ne 	37.6 % (20.0)% (1.7)% 15.9 %	 39.6 % (22.0)% (1.7)% 15.9 %
The components of future income tax balances a	ire as follo	ows:	
		2003	2002
Allowance for credit losses	\$	74,000	\$ 73,000
Premises and equipment Other	_	49,098	 27,098
	\$	89,098	\$ 59,098

16. Commitments

Premises

The credit union leases branch premises. Minimum lease payments under existing lease contracts for each of the next five years are:

2004	\$ 395,000
2005	416,000
2006	426,000
2007	426,000
2008	426,000

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.

17. Other information

At December 31, 2003, loans to employees, directors, officers and members of a committee of the credit union amounted to \$1,656,837 (2002: \$1,136,289). Directors, in their capacity as directors, received \$14,000 (2002: \$14,000).

5 Year Comparison of Annual Audited Financial Statements

		2003			2002			2001		2000			1999	
Balance Sheet:	\$		Increase	\$		Increase	\$		Increase \$		Increase	\$	ı	ncrease
Assets:	\$1	22,002	5.78%	, D	\$115,335	12.63%		\$102,403	7.11%	\$ 95,608	6.37%	\$	89,881	13.86%
Loans:														
Mortgages	\$	95,107	1.08%	Ď	\$ 94,088	18.04%)	\$ 79,710	6.92%	\$ 74,551	2.06%	\$	73,046	13.71%
Other security	\$	7,782	-1.33%	Ď	\$ 7,886	23.74%)	\$ 6,373	7.39%	\$ 5,934	0.21%	9	5,922	11.92%
Total Loans	\$1	02,888	0.90%	, D	\$101,974	18.46%)	\$ 86,083	6.96%	\$ 80,485	1.92%	\$	78,968	13.57%
Deposits:														
Demand	\$	27,820	10.55%	, D	\$ 25,165	22.87%)	\$ 20,481	13.29%	\$ 18,079	15.32%	\$	15,677	13.54%
Term	\$	63,741	4.53%	Ď	\$ 60,982	9.82%)	\$ 55,531	3.43%	\$ 53,688	8.42%	\$	49,520	10.81%
Registered	\$	22,155	5.06%	, D	\$ 21,088	8.64%)	\$ 19,412	13.14%	\$ 17,158	9.41%	\$	15,682	10.20%
Total Deposits	\$1	13,717	6.04%	, D	\$107,235	12.38%)	\$ 95,424	7.31%	\$ 88,925	9.95%	\$	80,878	11.21%
Capital:														
Retained Earnings	\$	4,254	9.32%	Ď	\$ 3,891	12.54%		\$ 3,458	8.84%	\$ 3,177	8.15%	9	2,938	10.81%
Equity Shares	\$	2,229	28.45%	0	\$ 1,736	2.82%		\$ 1,688	2.06%	\$ 1,654	0.81%	9	1,641	12.38%
Total Capital	\$	6,484	15.22%	, D	\$ 5,627	9.35%	•	\$ 5,146	6.52%	\$ 4,831	5.52%	\$	4,578	11.37%
Financial Income &		2003	% of av		2002	% of av		2001	% of av.	2000	% of av.		1999	% of av.
Expense			Assets	3		Assets	6		Assets		Assets			Assets
Loan Interest	\$	6,464	5.45%	Ď	\$ 6,057	5.56%)	\$ 6,227	6.29%	\$ 6,207	6.69%	9	5,419	6.42%
Investment Income	\$	486	0.41%	, D	\$ 525	0.48%)	\$ 641	0.65%	\$ 559	0.60%	9	449	0.53%
Total Interest Income	\$	6,951	5.86%	0	\$ 6,582	6.05%		\$ 6,868	6.94%	\$ 6,766	7.30%	9	5,868	6.95%
Interest Expense	\$	3,324	2.80%	0	\$ 3,142	2.89%		\$ 3,811	3.85%	\$ 3,915	4.22%	9	3,273	3.88%
Financial Margin	\$	3,627	3.06%	, D	\$ 3,440	3.16%)	\$ 3,057	3.09%	\$ 2,851	3.07%	\$	2,595	3.07%
Other Income	\$	785	0.66%	0	\$ 937	0.86%)	\$ 867	0.88%	\$ 742	0.80%	9	682	0.81%
Operating Margin	\$	4,412	3.72%	0	\$ 4,377	4.02%	•	\$ 3,924	3.96%	\$ 3,593	3.87%	\$	3,277	3.88%
Non Financial														
Expense														
Salaries	\$	1,813	1.53%	, D	\$ 1,745	1.60%)	\$ 1,557	1.57%	\$ 1,447	1.56%	9	1,323	1.57%
Premises & Supplies	\$	642	0.54%	Ď	\$ 636	0.58%)	\$ 629	0.63%	\$ 573	0.62%	\$	483	0.57%
Administration	\$	678	0.57%	Ď	\$ 756	0.69%)	\$ 736	0.74%	\$ 688	0.74%	9	592	0.70%
Data Processing	\$	250	0.21%	0	\$ 213	0.20%)	\$ 223	0.22%	\$ 200	0.22%	\$	169	0.20%
Depreciation	\$	224	0.19%	0	\$ 215	0.20%)	\$ 199	0.20%	\$ 148	0.16%	9	120	0.14%
Total	\$	3,605	3.04%	Ď	\$ 3,565	3.27%)	\$ 3,343	3.38%	\$ 3,056	3.29%	\$	2,687	3.18%
Operating Income	\$	807	0.68%	Ď	\$ 813	0.75%	•	\$ 581	0.59%	\$ 537	0.58%	\$	589	0.70%
Loan Losses	\$	221	0.19%	Ď	\$ 164	0.15%)	\$ 99	0.10%	\$ 89	0.10%	9	89	0.11%
Dividends	\$	155	0.13%	, D	\$ 133	0.12%)	\$ 141	0.14%	\$ 155	0.17%	\$	142	0.17%
Income Tax	\$	68	0.06%	, D	\$ 82	0.08%)	\$ 60	0.06%	\$ 54	0.06%	\$	72	0.09%
Net Earnings	\$	363	0.31%	0	\$ 434	0.40%	•	\$ 281	0.28%	\$ 239	0.26%	\$	286	0.34%
Equity Share Dividend		8.00%			6.00%			6.00%		6.00%			6.00%	
Membership		6381			6381			6494		7128			6645	
Staff		40.2			41.5			40.4		40.0			37.5	
Branches		4			4			4		5			4	

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