



2012 ANNUAL REPORT



Board of Directors Report

2012 saw our growth slow substantially. Assets declined by \$3.7 million from 2011. We noted in 2011 one of our members “parked” \$4.2 million, the proceeds of a property sale, with us for about nine months. Net of this temporary deposit, growth was a mere \$500,000 for the year.

One reason we were not seeking growth was that the mortgage market was slow and at these interest rates it is not prudent to bid for new deposits unless you are confident the incoming funds can be prudently lent out to the benefit of the credit union and its members.

Our business is changing, perhaps more so than in any time since we were founded in 1940. Members are now serving themselves electronically instead of visiting their branch weekly to arrange their day to day financial matters. This is happening throughout the financial industry.

The industry is gradually responding to this change. It is investing more in technology and changing the role of the branch. Rather than seeing the branch as a high traffic location members visit weekly, the branch is becoming a touch point where members can see their credit union staff on those relatively rare occasions they feel the need to visit the office.

Relative to the asset size of the credit union, financial margins are falling. Back in the late 1970's the difference between what credit unions paid for deposits and charged on loans was 5%. Today it is 2.25% and it will probably drop to less than 2% in a few years.

GVC is preparing for this change. Our first goal, building our capital resources has been largely achieved. Today our retained earnings are almost 5% of assets, up 33% from 3.67% in 2007. Our next goal, while maintaining our capital ratios, will be to adapt our business model to this new reality. Your board will be focused on this challenge over the next few years.

During the year, your credit union continued its tradition of giving back to the community. Among the charities we support are, The World Council of Credit Unions (which supports credit unions in developing countries), The Credit Union Foundation of BC (which supports post-secondary education in BC), as well as Burnaby Seniors Outreach, Marguerite Dixon Transition Society, Mount Pleasant House and our own GVC Christmas Hamper program.

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



Herb Gill, Chair

General Managers Report

As mentioned by our Chair, excluding the large short term deposit in 2011, overall assets were stable. Given the slow economy and changing dynamics of our housing market we again focused on building our capital through improved retained earnings.

Net earnings were very positive. At \$694,787 they allowed us to add to our retained earnings to bring them to \$9.98 million up \$3.7 million or 60% from 2007. Today they represent 4.88% of our overall assets and provide a strong underpinning for the credit union's operations.

Further, recognizing the sensitivity of the Vancouver real estate market to a possible downward correction, we have built our collective loan loss provision to just over \$1 million. If needed, this would help us deal with any problems that might occur if housing prices in Vancouver were to fall precipitously. While this appeared possible in late 2012, the market seems to have stabilized in the first quarter of 2013.

In the months and years ahead, we look forward to working with our board to evolve GVC to enable us to meet the challenges of the changing market place, while staying relevant to our members. As technology takes over as the primary way our members interact with us, we need to change our service delivery channels. Back in 2011 we moved in this direction by consolidating our two Vancouver branches into the smaller Kingsgate Mall location.

We see the role of a branch changing to one of supporting our electronic delivery systems and providing a place for those of us who are electronically challenged to do business. This is in contrast to the 1980's when branches were the single point of contact for members, many of whom visited branches weekly to deposit cheques and arrange their finances. Today they visit daily – via the internet.

We also wish to say a special "thank you" to Richard Rochard for his 39 years with the credit union. During that time he saw it grow 100 fold and witnessed GVC move from a paper based bookkeeping system, through data processing and into the start of the mobile phone age. He witnessed a decline in the number of credit unions in BC from 180 to 43. His work was instrumental in ensuring GVC was one of the 43, here to serve you today. Thank you Richard.

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

A handwritten signature in blue ink, appearing to read "Phil", written over a light blue horizontal line.

Phil Moore, General Manager

Greater Vancouver Community Credit Union
Financial Statements
December 31, 2012

Greater Vancouver Community Credit Union

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As at December 31, 2012

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Management's Responsibility

To the Members of Greater Vancouver Community Credit Union

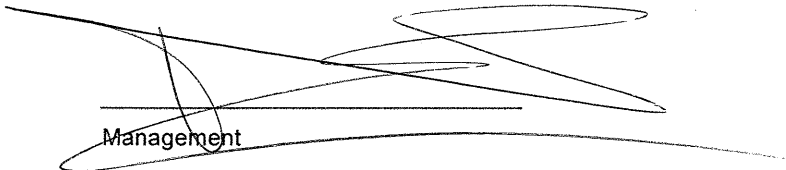
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgements and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

March 27, 2013



Management

Independent Auditors' Report

To the Members of Greater Vancouver Community Credit Union

We have audited the accompanying financial statements of Greater Vancouver Community Credit Union, which comprise the statement of financial position as at December 31, 2012, and the statements of comprehensive income, changes in members' equity and cash flows for the year ended December 31, 2012, and the related notes which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Greater Vancouver Community Credit Union as at December 31, 2012 and its financial performance and its cash flows for the year ended December 31, 2012 in accordance with International Financial Reporting Standards.

March 27, 2013
Abbotsford, BC

MNP LLP

Chartered Accountants

Greater Vancouver Community Credit Union
Statement of Financial Position
For the year ended December 31, 2012

	2012	2011
Assets		
Cash resources (Note 4)	27,792,566	28,692,999
Investments and other (Note 5)	1,099,683	1,398,045
Member loans receivable (Note 6)	174,504,686	176,871,609
Property, plant and equipment (Note 7)	1,068,551	1,155,537
Intangible assets (Note 7)	68,990	110,390
	204,534,476	208,228,580
Liabilities		
Member deposits (Note 8)	193,613,128	197,939,564
Payables and accruals	474,646	528,355
	194,087,774	198,467,919
Commitments and contingencies (Note 18)		
Members' equity		
Retained earnings	9,971,975	9,277,188
Equity shares (Note 9)	474,727	483,473
	10,446,702	9,760,661
	204,534,476	208,228,580

Approved on behalf of the Board


 Director


 Director

Greater Vancouver Community Credit Union
Statement of Comprehensive Income

For the year ended December 31, 2012

	2012	2011
Financial income		
Member loans	8,315,498	8,750,369
Cash resources and investment	435,968	472,789
	8,751,466	9,223,158
Financial expense		
Member deposits	3,296,195	3,467,859
Share dividends	46,951	85,432
	3,343,146	3,553,291
Financial margin	5,408,320	5,669,867
Provision for credit losses (Note 6)	(263,264)	(117,027)
Other Income (Note 10)	727,331	779,219
Operating margin	5,872,387	6,332,059
Operating expenses (Note 11)	5,045,647	5,421,663
Earnings from operations before patronage rebate and income taxes	826,740	910,396
Patronage rebate	21,877	24,000
Earnings before income taxes	804,863	886,396
Income taxes (Note 13)		
Current	162,076	181,966
Deferred tax	(52,000)	(53,000)
	110,076	128,966
Total comprehensive income	694,787	757,430

Greater Vancouver Community Credit Union
Statement of Changes in Members' Equity
For the year ended December 31, 2012

	Equity shares	Retained Earnings	Total
Balance, December 31, 2011	483,473	9,277,188	9,760,661
Net income	-	694,787	694,787
Issuance of equity shares	16,149		16,149
Redemption of equity shares	(24,895)		(24,895)
Balance, December 31, 2012	474,727	9,971,975	10,446,702

Greater Vancouver Community Credit Union

Statement of Cash Flows

For the Year Ended December 31, 2012

	2012	2011
Cash provided by (used for) the following activities		
Operating		
Net income	694,787	757,430
Adjustments:		
Depreciation	317,596	340,813
Change in interest accruals	(183,195)	30,253
Provision for credit losses	263,264	117,027
Provision for deferred income taxes	(52,000)	(53,000)
Acquisition of property held for resale	-	(206,766)
Write-down of property held for resale	71,044	70,129
Other	(22,734)	126,181
	1,088,762	1,182,067
Financing		
Net change in member deposits	(4,210,082)	9,723,149
Net change in equity shares	(8,746)	(6,860)
	(4,218,828)	9,716,289
Investing		
Change in loans, net of repayments	2,170,500	(6,069,315)
Purchase (disposal) of investments	2,675	(292,693)
Purchases of property, plant and equipment	(201,735)	(152,085)
Proceeds on disposal of property held for resale	258,193	-
	2,229,633	(6,514,093)
Increase (decrease) in cash resources	(900,433)	4,384,263
Cash resources, beginning of year	28,692,999	24,308,736
Cash resources, end of year	27,792,566	28,692,999

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the Year Ended December 31, 2012

1. Reporting entity information

Entity information

Greater Vancouver Community Credit Union (the "Credit Union") was formed pursuant to the Credit Union Incorporation Act of British Columbia and the operation of the Credit Union is subject to the Financial Institutions Act of British Columbia. The Credit Union serves members in the Greater Vancouver area of British Columbia. The address of the Credit Union's registered office is 1801 Willingdon Avenue, Burnaby, British Columbia, Canada.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared in accordance with all IFRS issued and effective as at December 31, 2012. These financial statements for the year ended December 31, 2012 were approved and authorized for issue by the Board of Directors on March 27, 2013.

Basis of measurement

The financial statements have been prepared using the historical basis.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

2. Significant accounting policies

Cash and cash equivalents

Cash consists of cash on hand and demand deposits. Other investments (term deposits and certificates of deposit) purchased with a maturity date of three months or less are also reported as cash.

Investments and other

Investments in equity investments that do not have a quoted market price in an active market are measured at cost. Property held for resale is recorded at the lower of cost and net realizable value.

Member loans receivable

Loans are recognized at their amortized cost. Amortized cost is calculated as the loans' principal amount, less any allowance for anticipated losses, plus accrued interest. Interest revenue is recorded on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

Fees relating to loans origination, restructuring, renegotiation, and prepayment are recorded as income in the year 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.

Impairment of financial assets

For financial assets carried at amortized cost, the Credit Union first assesses individually whether objective evidence of impairment exists for financial assets that are significant, or collectively for financial assets that are not individually significant. If the Credit Union determines that no objective evidence of impairment exists for an individually assessed loan, it includes a financial asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the Year Ended December 31, 2012

2. Significant accounting policies (continued)

If there is objective evidence that an impairment loss on member loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate. Short-term balances are not discounted.

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The calculation of the present value of estimated future cash flows reflects the projected cash flows including provisions for impaired financial assets, prepayment losses, and costs to securitize and service financial assets.

For the purpose of the collective evaluation of loan impairment, financial assets are grouped on the basis of the Credit Union's internal system that considers credit risk, characteristics such as asset type, industry, geographical location, collateral, delinquency status and other relevant economic factors.

Future cash flows on the group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical credit loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical credit loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year such as changes in unemployment rates, inflation, borrowing rates, consumer fuel prices, vehicle auction values or other factors that are indicative of incurred losses in the group and their magnitude.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Property, plant and equipment are recorded at cost. Depreciation is provided using the following methods and rates intended to depreciate the cost of the assets over their estimated useful lives:

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

The useful lives of items of property, plant and equipment are reviewed on an annual basis and the useful life is altered if estimates have changed significantly. Gains or losses on the disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the statement of comprehensive income.

Intangible assets

Depreciation on limited life intangible assets is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for intangibles with definite lives are as follows:

Banking system	5 years, straight-line
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Intangible assets with finite useful lives are depreciated on a systematic basis over their useful lives. The depreciation period and depreciation method for an intangible asset with a finite useful life reflects the pattern in which the assets' future economic benefits are expected to be consumed. The depreciation period and method is reviewed at least at each financial year end.

Payables and accruals

Payables and accruals are stated at amortized cost, which approximates fair value due to the short term nature of these liabilities.

2. **Significant accounting policies** *(continued)*

Member deposits

Member deposits are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

Member shares

Shares are classified as liabilities or member equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Patronage shares redeemable at the discretion of the Credit Union board of directors are classified as equity.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest income is recognized on the statement of comprehensive income for all financial assets measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The application of the method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

Investment income is recognized as interest is earned on interest-bearing investments, and when dividends are declared on shares.

Other revenue is recognized as services are provided to members.

Income taxes

Current tax and deferred tax are recognized in profit or loss except to the extent that the tax is recognized either in other comprehensive income or directly in equity, or the tax arises from a business combination.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled. The calculation of deferred tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable income.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the balance sheet date. Translation gains and losses are included in other income.

2. **Significant accounting policies** *(continued)*

Financial instruments

All financial instruments are initially recognized on the balance sheet at fair value at acquisition. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss (FVTPL), available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. During the year, there has been no reclassification of financial instruments.

The financial instruments classified as FVTPL are subsequently measured at fair value with unrealized gains and losses recognized in net income. The Credit Union's financial instruments classified as FVTPL include cash and cash equivalents.

Available for sale financial assets are subsequently measured at fair value with unrealized gains and losses recognized in other comprehensive income. The Credit Union's investments classified as available for sale are Central 1 shares, Stabilization Central Credit Union shares, BC Cooperative Association shares, and CUPP Services Ltd. shares and their respective accrued dividends.

The financial assets classified as loans and receivables are initially measured at fair value then subsequently carried at amortized cost. The Credit Union's financial instruments classified as loans and receivables include all member loans, accrued interest, bid and liquidity deposits with Central 1 and accrued interest, and other receivables balances.

Financial instruments classified as other financial liabilities include all member deposits, borrowings and payables and accruals. Other financial liabilities are initially measured at fair value then subsequently carried at amortized cost.

Comprehensive income is comprised of net earnings and other comprehensive income. Other comprehensive income represents the members' equity during the year that is attributable to unrealized gains and losses on financial instruments classified as available-for-sale. The Credit Union had \$ NIL (2011: \$NIL) other comprehensive income during the year and has \$NIL accumulated other comprehensive income at December 31, 2012.

De-recognition of financial assets

De-recognition of a financial asset occurs when:

- The Credit Union does not have rights to receive cash flows from the asset;
- The Credit Union has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:
- The Credit Union has transferred substantially all the risks and rewards of the asset, or
- The Credit Union has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Credit Union has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred or retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent that the Credit Union's continuing involvement in the asset, in that case, the Credit Union also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Credit Union has retained.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in the statement of comprehensive income.

IFRS standards and interpretations not yet effective

Certain new standards have been published that are mandatory for the Credit Union's accounting periods beginning on or after January 1, 2012 or later periods that the Credit Union has decided not to early adopt. The new IFRS standards not yet applied include:

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the Year Ended December 31, 2012

2. Significant accounting policies (continued)

IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation

Financial assets and financial liabilities may be offset and the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and there is either an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The amendment to IAS 32, issued in December 2011, clarified the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.

The related amendment to IFRS 7, issued at the same time, requires new disclosures with respect to offsetting which include gross amounts subject to rights of set off, amounts set off in accordance with the offsetting criteria, amounts of financial instruments subject to master netting arrangements or similar agreements, and the related net amounts. The amendment will only affect disclosure and is effective for annual periods beginning on or after January 1, 2013. The Credit Union does not expect the amendment to have a material impact on its financial statements.

IFRS 13 Fair value measurement

IFRS 13, issued in May 2011, redefines fair value to emphasize that it is a market-based measurement, not an entity-specific measurement. It also provides a single framework for measuring fair value and applies, with limited exceptions, when another standard permits or requires fair value measurement. In addition, IFRS 13 requires specific disclosures about fair value measurement. The standard is effective for annual periods beginning on or after January 1, 2013. The Credit Union does not expect this amendment to have a material impact on its financial statements.

IAS 19 Employee benefits

The amendment to IAS 19, issued in June 2011, revises the accounting for defined benefit plans to: eliminate the option to defer recognition of actuarial gains and losses (the "corridor approach") by recognizing these in other comprehensive income as they occur; immediately recognize all past service costs; replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset); and revise the disclosure requirements. Accounting for termination benefits was also revised. The amendment is effective for annual periods beginning on or after January 1, 2013. The Credit Union does not expect this amendment to have a material impact on its financial statements.

IAS 32 Financial instruments: presentation

The amendment to IAS 32, issued in May 2012, clarified the income tax consequences of distributions to holders of an equity instrument and of transaction costs of an equity transaction by requiring that these items be accounted for in accordance with IAS 12 Income taxes. The amendment is effective for annual periods beginning on or after January 1, 2013. The Credit Union does not expect this amendment to have a material impact on its financial statements.

IFRS 9 Financial instruments

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primary unchanged from IAS 39, other than the fair value measurement option which now addresses an entity's own credit risk. Additional amendments are expected with respect to de-recognition of financial instruments, impairment and hedge accounting. This new standard will also impact disclosures provided under IFRS 7 Financial instrument: disclosures. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Credit Union has not determined the impact of this amendment on its financial statements.

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the Year Ended December 31, 2012

3. Significant accounting judgments, estimates and assumptions

As the precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations which have been made using careful judgment. These estimates are based on management's best knowledge of current events and actions that the Credit Union may undertake in the future.

Allowance for credit losses

The Credit Union reviews its individually significant loans at each reporting date to assess whether an impairment loss should be recognized. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

In estimating these cash flows, the Credit Union makes judgements about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Members loans receivable that have been assessed individually and found not to be impaired and all individually insignificant loans are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective provision assessment takes account of data from the loan portfolio such as credit quality, delinquency, historical performance and industry economic outlook. The impairment loss on member loans receivable is disclosed in more detail in Note 6.

4. Cash resources

	2012	2011
Cash and current accounts	13,299,690	11,754,313
Deposits on account with Central 1, Callable or maturing in less than three months	2,537,030	1,611,940
Cash and cash equivalents	15,836,720	13,366,253
Deposits on account with Central 1, maturing in greater than three months	11,955,846	15,326,746
	27,792,566	28,692,999

Under government legislation, the Credit Union must maintain, for liquidity purposes, deposits with Central 1 of at least 8% of deposits and borrowings. At December 31, 2012, the Credit Union deposits exceeded the minimum required by \$10,735,925 (2011 - \$14,073,381).

5. Investments and other

	2012	2011
Shares:		
Central 1	736,169	743,488
Stabilization Central	204	204
BC Cooperative Association	1,200	1,200
CUPP Services Ltd.	74,989	70,345
Property held for resale	-	329,237
Deferred income taxes (Note 13)	170,000	118,000
Receivables and prepaids	117,121	135,571
	1,099,683	1,398,045

Investment in shares of Central 1 is required by governing legislation and as a condition of membership in Central 1.

Greater Vancouver Community Credit Union
Notes to the Financial Statements
For the Year Ended December 31, 2012

6. Member loans receivable

	2012	2011
Personal loans		
Residential mortgages	116,079,527	124,936,712
Other	3,459,534	3,635,399
Commercial loans		
Mortgages	55,218,213	48,201,128
Other	415,643	649,948
Accrued interest	443,309	376,468
	175,616,226	177,799,655
Allowance for credit losses		
Specific	(102,547)	(120,955)
Collective	(1,008,993)	(807,091)
	(1,111,540)	(928,046)
	174,504,686	176,871,609

Principal and allowance by loan type

	2011				
	<i>Principal Performing</i>	<i>Principal Impaired</i>	<i>Allowance Specific</i>	<i>Allowance Collective</i>	<i>Net carrying Value</i>
Personal and other	3,560,837	90,740	88,386	36,829	3,526,362
Real estate secured	124,708,955	443,148	32,569	535,394	124,584,140
Commercial	48,995,975	-	-	234,868	48,761,107
	177,265,767	533,888	120,955	807,091	176,871,609
Total allowance				928,046	

	2012				
	<i>Principal Performing</i>	<i>Principal Impaired</i>	<i>Allowance Specific</i>	<i>Allowance Collective</i>	<i>Net carrying Value</i>
Personal and other	3,420,872	47,080	23,331	22,173	3,422,448
Real estate secured	115,738,014	552,093	79,216	738,335	115,472,556
Commercial	55,858,167	-	-	248,485	55,609,682
	175,017,053	599,173	102,547	1,008,993	174,504,686
Total allowance				1,111,540	

Loan allowance details

	2012	2011
Balance, beginning of year	928,046	923,234
Provision for credit losses	263,264	117,027
Write-offs less recoveries	(79,770)	(112,215)
Balance, end of year	1,111,540	928,046

Greater Vancouver Community Credit Union
Notes to the Financial Statements

For the Year Ended December 31, 2012

6. Member Loans Receivable (continued)

Loans past due but not impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The table that follows presents the carrying value of loans at year-end that are past due but not classified as impaired because they are either i) less than 90 days past due, or ii) fully secured and collection efforts are reasonably expected to result in repayment.

2011	1-30 days	31-60 days	61-90 days	91 days and greater	Total
Personal	9,075,015	994,990	920,487	1,193,612	12,184,104
Commercial	1,133,709	891,444	-	-	2,025,153
	10,208,724	1,886,434	920,487	1,193,612	14,209,257

2012	1-30 days	31-60 days	61-90 days	91 days and greater	Total
Personal	10,425,454	186,249	465,729	1,875,760	12,953,192
Commercial	1,256,907	1,906	3,333	1,745,569	3,007,715
	11,682,361	188,155	469,062	3,621,329	15,960,907

The principal collateral and other credit enhancements the Credit Union holds as security for loans include (i) insurance, mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, (iii) recourse to commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities. Valuations of collateral are updated periodically depending on the nature of the collateral. The Credit Union has policies in place to monitor the existence of undesirable concentration in the collateral supporting its credit exposure. In management's estimation, the fair value of the collateral is sufficient to offset the risk of loss on the loans past due but not impaired.

7. Property, plant and equipment, and intangible assets

	Data processing equipment	Furniture and equipment	Leasehold improvements	Automated bank machines	Automobile	Total	Intangible Asset Computer Software
Cost							
Balance at December 31, 2011	474,605	1,083,682	1,806,871	377,055	7,500	3,749,713	203,124
Additions	13,711	86,551	15,558	85,915	-	201,735	-
Disposals	-	(43,115)	-	(133,467)	-	(176,582)	-
Balance at December 31, 2012	488,316	1,127,118	1,822,429	329,503	7,500	3,774,866	203,124
Depreciation and impairment losses							
Balance at December 31, 2011	(416,326)	(763,915)	(1,118,172)	(288,782)	(6,981)	(2,594,176)	(92,734)
Additions	(21,183)	(69,478)	(150,245)	(34,772)	(519)	(276,197)	(41,400)
Disposals	-	30,590	-	133,468	-	164,058	-
Balance at December 31, 2012	(437,509)	(802,803)	(1,268,417)	(190,086)	(7,500)	(2,706,315)	(134,134)
Net book value							
At December 31, 2011	58,279	319,767	688,699	88,273	519	1,155,537	110,390
At December 31, 2012	50,807	324,315	554,012	139,417	-	1,068,551	68,990

Greater Vancouver Community Credit Union
Notes to the Financial Statements

For the Year Ended December 31, 2012

8. Member deposits

	2012	2011
Demand	60,152,311	63,351,737
Member shares (Note 9)	1,928,937	1,976,398
Term deposits	100,426,602	100,030,088
Registered savings plans	29,766,889	31,126,598
	192,274,739	196,484,821
Accrued interest and dividends	1,338,389	1,454,743
	193,613,128	197,939,564

9. Equity shares

The Credit Union has 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 on 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 at the option of the member.

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:

	2012	2011
Class B shares	654,688	668,969
Class C shares	1,274,249	1,307,429
Class P shares	474,727	483,473
	2,403,664	2,459,871
Class B and C shares included as liabilities (Note 8)	(1,928,937)	(1,976,398)
Equity shares (Class P)	474,727	483,473

10. Other Income

	2012	2011
Account service fees	484,580	507,104
Loan administration fees	89,324	115,626
Other	71,509	76,634
Foreign exchange	60,457	55,752
Insurance commissions and fees	21,461	24,103
	727,331	779,219

Greater Vancouver Community Credit Union
Notes to the Financial Statements

For the Year Ended December 31, 2012

11. Operating Expenses

	2012	2011
Advertising and member relations	114,836	165,067
Board and committee meetings	71,704	46,761
Data processing	301,873	288,908
Depreciation	317,596	340,813
Dues and assessments	202,831	195,913
Member meetings	10,852	12,403
Other	162,419	349,892
Premises, equipment and supplies	995,239	1,086,017
Professional services	91,786	131,454
Salaries and benefits	2,561,866	2,586,522
Service charges	132,203	138,254
Staff and other meetings	11,398	9,530
Write-down of property held for resale	71,044	70,129
	5,045,647	5,421,663

12. Borrowings

The Credit Union has operating lines of credit available with Central 1 for \$2,000,000 CDN and \$250,000 USD. The Credit Union has a term loan arrangement with Central 1 for \$1,500,000. At December 31, 2012, there were \$NIL (2011 - \$NIL) borrowed under the agreements. A debenture charge on certain assets of the Credit Union has been provided as security.

13. Income taxes

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

	2012	2011
Combined federal and provincial statutory income rate	26.5%	26.5%
Credit Union rate reduction	(13.0)%	(13.0)%
Other	.2%	1.2%
	13.7%	14.7%

The components of deferred income tax balances are as follows:

	2012	2011
Allowance for credit losses	138,000	111,000
Property, plant, and equipment	4,000	(21,000)
Other	28,000	28,000
	170,000	118,000

Greater Vancouver Community Credit Union
Notes to the Financial Statements
For the Year Ended December 31, 2012

14. Related party transactions

Directors and key management personnel

Key management personnel ("KMP") consists of the General Manager, Operations Manager, and Controller.

Loans made to directors and KMP are approved under the same lending criteria applicable to members. Management and staff do not receive concessional rates of interest on their loans and facilities. The Credit Union does have an interest free staff computer purchase program and interest free payroll GIC purchase program. These benefits are subject to tax with the total value of the benefit included in the compensation figures below.

There are no loans that are impaired in relation to loan balances with Directors and KMP.

There are no benefits or concessional terms and conditions applicable to the family members of Directors and KMP. There are no loans that are impaired in relation to the loan balances with family or relatives of Directors and KMP.

The aggregate value of loans outstanding to Directors and KMP (and their respective related parties), and to staff amounted to:

	2012	2011
Lines of Credit	6,919	8,305
Mortgages	1,287,116	1,353,427
Loans	24,509	-
	1,318,544	1,361,732

The aggregate value of loans disbursed during the year to Directors and KMP amounted to:

	2012	2011
Lines of Credit	-	-
Mortgages	10,913	-
Loans	-	-
	10,913	-

During the year the interest earned on loans and paid on deposits to Directors and KMP amounted to:

	2012	2011
Interest and other revenue earned on loans to Directors and KMP	43,613	69,774
Interest paid on deposits to Directors and KMP	44,081	51,777

The total value of member deposits from Directors and KMP as at the year-end:

	2012	2011
Chequing and demand deposits	453,727	418,381
Term deposits	433,374	541,578
Registered plans	1,226,350	1,440,062
Total value of member deposits due to Directors and KMP	2,113,451	2,400,021

Greater Vancouver Community Credit Union

Notes to the Financial Statements

For the Year Ended December 31, 2012

14. Related party transactions (continued)

Aggregate compensation of KMP during the year consisted of:

	2012	2011
Salary and short-term benefits	310,516	302,598
Post employment benefits	-	-
	<u>310,516</u>	<u>302,598</u>

Directors in their capacity as Directors, received \$35,000 (2011 - \$25,000).

15. Capital requirements and management

The Credit Union requires capital to fund existing and future operations and to meet regulatory capital requirements.

In the management of capital, the Credit Union includes retained earnings and equity shares totaling \$10.5 million (2011 - \$9.8 million).

The Credit Union is required under provincial 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, 2012, the Credit Union had a capital base approximating 15.78% (2011 - 15.40%) of the risk-weighted value.

The Credit Union employs a forward looking capital plan that is reviewed by management and the Board of Directors. The capital plan forecasts the Credit Union's capital position over a five year period. The capital plan dictates management's approach to growth, loan mix, credit quality, fixed assets, profitability objectives, and dividend/patronage rebate policy, and has a significant influence on member service objectives. It also establishes the criteria to maintain a cushion beyond the minimum statutory capital requirements. Management and the Board of Directors ensure the Credit Union's investment and lending policy and credit risk profile reflect loan portfolio composition and levels of risk that are consistent with the Credit Union's capital resources and objectives.

There has been no change in the overall capital requirements strategy employed during the year ended December 31, 2012.

16. Risk management

The Credit Union, as part of its operations, carries a number of financial instruments which result in exposure to the following risks: credit risk, market risk, fair value risk, interest rate risk and liquidity risk.

The Credit Union, as part of operations, has established avoidance of undue concentrations of risk, managing risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Credit Union follows a risk management policy approved by its Board of Directors.

The Credit Union's risk management policies and procedures include the following:

- Ensure all activities are consistent with the mission, vision and values of the Credit Union;
- Balance risk and return;
- Manage credit, market and liquidity risk through preventative and detective controls;
- Ensure credit quality is maintained;
- Ensure credit, market, and liquidity risk is maintained at acceptable levels;
- Diversify risk in transactions, member relationships and loan portfolios;
- Price according to risk taken; and
- Using consistent credit risk exposure tools.

Various Board of Directors committees are involved in financial instrument risk management oversight, including the Audit Committee, Conduct Review Committee, Executive Committee and I&L Committee.

The risk policies, procedures and objectives have not changed significantly from the prior year.

16. Risk management (continued)

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counter party to honour its financial or contractual obligation to the Credit Union. Credit risk primarily arises from loans receivable. Management and the board of directors reviews and monitors the credit risk of the Credit Union throughout the year. The maximum exposure of the Credit Union to credit risk before taking into account any collateral held is the carrying amount of the loans as disclosed on the balance sheet. See Note 6 for further information.

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographical region, and indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographic region. Geographic risk exists for the Credit Union due to its primary service area being the Greater Vancouver area.

Liquidity risk

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due. The Credit Union's management oversees the Credit Union's liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. The Credit Union's business requires such funding for operating and regulatory purposes. See Notes 4 and 15 for further information about the Credit Union's funding requirement and management.

The Credit Union manages its liquidity position from three perspectives:

- a) Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over reliance on short-term liabilities to fund long-term illiquid assets;
- b) Tactical liquidity risk, which addresses the day-to-day funding requirements that are managed by imposing prudential limits on net fund outflows; and
- c) Contingent liquidity risk, which assess the impact of sudden stressful events and the Credit Union's responses thereto.

The primary liquidity risk policies and procedures include the following:

- Measurement of cash flows;
- Maintain a line of credit and borrowing facility with Central 1;
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits; and
- Monitoring of term deposits.

Greater Vancouver Community Credit Union
Notes to the Financial Statements
For the Year Ended December 31, 2012

16. Risk management (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Credit Union segregates market risk into two categories: fair value risk and interest rate risk. The Credit Union is not significantly exposed to currency risk or other price risk.

Interest rate risk

Interest rate risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union incurs interest rate risk on its loans and other interest bearing financial instruments. The Credit Union does not hedge its interest rate risk. See below for further information on interest rate sensitivity.

Contractual repricing and maturity

All financial instruments are reported based on the earlier of their contractual repricing date or maturity date. The schedule does not identify management's expectations of future events where repricing and maturity dates differ from contractual dates.

	<i>Within 3 months</i>	<i>Four months to 1 year</i>	<i>Over one to five years</i>	<i>Non-interest sensitive</i>	<i>2012 Total</i>	<i>2011 Total</i>
Assets						
Cash resources	14,928,800	2,595,725	9,245,500	1,022,541	27,792,566	28,692,999
<i>Avg yield</i>	1.47%	1.59%	2.03%			
Member loans receivable	27,457,454	48,641,860	97,900,980	504,392	174,504,686	176,871,609
<i>Avg yield</i>	4.64%	4.41%	4.21%			
Other	-	-	-	836,681	836,681	827,617
	42,386,254	51,237,585	107,146,480	2,363,614	203,133,933	206,392,225
Financial liabilities						
Member deposits	67,254,299	47,224,576	63,698,821	15,435,432	193,613,128	197,939,564
<i>Avg yield</i>	.99%	1.96%	2.52%			
Other	-	-	-	474,646	474,646	528,355
	67,254,299	47,224,576	63,698,821	15,910,078	194,087,774	198,467,919

Based on the current financial instruments, it is estimated that a 50 basis point increase in the prime rate would decrease the financial margin by \$24,313 (2011 - \$9,136 increase). A 50 basis point decrease in the prime rate would decrease the financial margin by \$206,579 (2011 - \$87,483).

Fair value risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Credit Union incurs fair value risk on its loans, term deposits, and investments held. The Credit Union does not hedge its fair value risk. See Note 17. for further information on fair value of financial instruments.

Greater Vancouver Community Credit Union
Notes to the Financial Statements
For the Year Ended December 31, 2012

17. Fair value 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.

Financial instruments recognized at fair value in the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, (as prices) or indirectly (derived from prices)
- Level 3 Inputs for the assets or liability that are not based on observable market data (unobservable inputs)

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

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

Estimated fair values of financial instruments are summarized as follows:

(In thousands)	2012			2011		
	Fair value	Book value	Fair value over book value	Fair value	Book value	Fair value over book value
Financial Assets						
Cash resources - <i>FVTPL</i> (level 1)	13,300	13,300	-	11,754	11,754	-
Cash resources – <i>loans and receivables</i>	14,693	14,493	200	17,155	16,939	216
Investments and other - <i>loans and receivables</i>	23	23	-	13	13	-
Investments and other - <i>available for sale</i>	813	813	-	815	815	-
Member loans - <i>loans and receivables</i>	175,681	174,505	1,176	179,454	176,872	2,582
	204,510	203,134	1,376	209,191	206,393	2,798
Financial Liabilities						
Member deposits - <i>other financial liabilities</i>	194,296	193,613	683	198,641	197,940	701
Payables - <i>other financial liabilities</i>	475	475	-	528	528	-
	194,771	194,088	683	199,169	198,468	701
Difference			693			2,097

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For the Year Ended December 31, 2012

18. Commitments and contingencies

Premises

The Credit Union is committed to leasing branch premises with the following lease terms:

	Start	Finish	
Kingsgate	01-Sep-10	31-Aug-17	With a right of renewal for further five years
Burnaby	01-Sep-12	31-Aug-17	With a right of renewal for further five years
Surrey	01-Jun-04	31-May-14	With a right of renewal for further five years
Brentwood	01-Aug-00	31-Jul-15	With a right of renewal for further five years
Royal Square	01-Oct-07	30-Sep-17	With a right of renewal for further five years

The Credit Union's lease payments for the year ended December 31, 2012 amounted to \$604,902 (2011 - \$681,431).

The Credit Union's total minimum lease payments in each of the next five years are as follows:

2013	\$583,202
2014	\$578,737
2015	\$580,697
2016	\$585,346
2017	\$585,386

Banking system and network

The Credit Union is committed to pay for banking system and network charges of \$198,338 per year until September 2014. The Credit Union banking system and network charges for the year ended December 31, 2012 amounted to \$239,738 (2011 - \$234,495).

Letters of Credit

In the normal course of business, the Credit Union enters into off-balance sheet commitments such as letters of credit. The letters of credit reported below are not reflected on the balance sheet.

At December 31, 2012 the Credit Union has outstanding letters of credit on behalf of members in the amount of \$175,420 (2011 - \$189,920).

Commitments to extend credit

At December 31, 2012 the Credit Union has unadvanced loans and commitments to extend credit totaling \$8,864,883 (2011 - \$11,466,608).

Guarantees

The credit union guarantees credit limits on MasterCard credit card applications that fall under the Credit Approved Program (CAP) monitored by CUETS Financial. These applications would normally be declined under the standard terms of MasterCard.

At December 31, 2012, the credit union guaranteed credit limits in the amount of \$63,000 (2011 - \$55,000).