2010
Annual Report

GVC credit union
GREATER VANCOUVER COMMUNITY
For Real People

BOARD of DIRECTORS' REPORT

Asset growth in 2010 was 2.4% down from our growth rate in recent years but in line with the BC credit union system growth which came in at 2.1%. The strengthening BC economy helped our loans to grow by 5.89%, well ahead of 2009 when loan growth was impacted by the financial meltdown from 2008.

Over the last decade we have witnessed the impact of the information age on our business. In the 1980's members visited our branches weekly to deposit their pay cheque and withdraw money for the weekly expenses. Today they access cash from ATM's and pay their bills through the internet using MemberDirect electronic banking.

These changes have impacted the role and design of branches. With fewer member visits branches can be smaller and further apart. However members prefer bricks and mortar branches where they can go and visit the "voice at the end of the phone" for those more important transactions such as mortgages and term deposits.

In the fall we opened our Kingsgate Mall branch at Kingsway and Broadway in East Vancouver. We were returning to our roots, as our credit union traces its 1940's origins to the congregation of two churches, one of which was St Patrick's at 12th and Main.

Our Cambie branch lease comes due this summer. Your board requested management develop a feasibility study for combining the Cambie branch with our Kingsgate branch and our Brentwood head office branch. The board reviewed the feasibility study and approved the merger. Members have the choice of branch they relocate too, however commercial lending will move to our more central Brentwood branch in Burnaby. This move was communicated to Vancouver branch members about 6 weeks ago and members are responding and choosing the branch that works best for them.

2010 saw the credit union enjoy record earnings. These were largely as a result of the very low interest rates we have enjoyed since the financial meltdown in 2008. We earned $1.1 million which, after dividends, was added to retained earnings. With financial markets normalizing we anticipate a return to more normal earnings in 2011.

During the year your credit union continued its tradition of giving back to the community. Among the charities we support are the Burnaby Seniors Outreach, Marguerite Dixon Transition Society, Sisters of Atonement, L'Árche Vancouver Society, The UBC Centre for Depression Research 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

H. Gill

Herb Gill, Chair

GENERAL MANAGERS' REPORT

As mentioned by our Chair, our earnings in 2010 were the highest we have ever enjoyed. At $1.1 million after dividends and taxes, earnings were up by $325,000 from 2009, itself a strong year. However in many ways Canada is an island of calm within the developed world's financial industry which continues to face problems from the housing meltdown in the USA to sovereign debt issues in Europe.

These issues are impacting the regulatory environment we all operate in. The Bank of International Settlements (BIS), which sets the regulatory tone for all financial institutions, is nearing the conclusion of its analysis and development of its recommendations stemming from the 2008 banking crisis. They are recommending higher capital standards and tighter liquidity rules.

These rules set the tone for our provincial regulator and we expect changes to the requirements in our legislation soon. Canadian banks and credit unions have fared well in comparison to financial institutions in other countries. In part this is due to our having conservative legislation and regulators, which helped shield us from the excesses of some markets. Notwithstanding this we do expect higher capital requirements and tighter regulation in the future. With this in mind we are pleased the last two years earnings have enabled us build our retained earnings by 28% or $1.875 million.

Loan demand was strong at the start of 2010 but trailed off towards the latter part of the year. Vancouver's housing market seems to be defying the North American and European downward trend and is still moving up. However we see a split. The west side of Vancouver and Richmond are very strong, influenced we believe by off shore buying. Areas of the metropolitan area focused on lower priced homes, especially condominiums are not seeing the same strength. Many of our members live in the latter areas and we are working with them as they adjust to this new, slower, economy.

Our chair mentioned our closing the Vancouver branch later this year. While we empathize with members living close to that branch we recognize it has been losing members for a number of years and we look forward to serving our Vancouver members from our Kingsgate branch in East Vancouver and our other branches in Burnaby, New Westminster and Surrey. We confirm this change will be accomplished without layoffs.

In closing, we look forward to working with our members in 2011...and perhaps we will be adding a new branch in 2012!

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

Phil Moore, General Manager

Grant Thornton

Financial statements

Greater Vancouver Community Credit Union

December 31, 2010

Contents

Grant Thornton

Independent auditors' report

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To the members of

Greater Vancouver Community Credit Union

We have audited the accompanying financial statements of Greater Vancouver Community Credit Union (the "credit union"), which comprise the balance sheet as at December 31, 2010, the statements of earnings and comprehensive income and retained earnings and cash flows for the year then ended, and 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 Canadian generally accepted accounting principles, 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 auditor's 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 credit union'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 credit union'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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Greater Vancouver Community Credit Union as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada

Grant Thornton LLP

March 23, 2011

Chartered accountants

Greater Vancouver Community Credit Union
Balance sheet

December 31	2010	2009
Assets		
Cash resources (Note 5)	**$ 24,308,736**	$ 29,406,422
Loans (Note 6)	**170,983,413**	161,445,673
Investments and other (Note 7)	**898,707**	1,084,903
Premises and equipment (Note 8)	**1,561,021**	1,197,055
	$ 197,751,877	$ 193,134,053
Liabilities		
Deposits (Note 9)	**$ 188,250,254**	$ 184,805,337
Payables and accruals	**491,532**	395,403
	188,741,786	185,200,740
Members' equity		
Equity shares (Note 11)	**490,333**	513,081
Retained earnings	**8,519,758**	7,420,232
	9,010,091	7,933,313
	$ 197,751,877	$ 193,134,053

Commitments (Note 18)
Guarantees (Note 19)

On behalf of the Board

____________ Director ____________ Director

See accompanying notes to the financial statements.

Greater Vancouver Community Credit Union
Statements of earnings and comprehensive income and retained earnings

Year ended December 31		2010		2009
Financial income				
Loans	$	**9,056,165**	$	9,276,533
Cash resources and investments		**491,276**		553,389
		9,547,441		9,829,922
Financial expense				
Deposits		**3,478,397**		4,563,523
Share dividends		**116,369**		88,147
Other		**2,531**		10,116
		3,597,297		4,661,786
Financial margin		**5,950,144**		5,168,136
Provision for credit losses (Note 6)		**(101,761)**		(304,352)
Other income (Note 15)		**741,630**		788,249
Operating margin		**6,590,013**		5,652,033
Operating expense (Note 16)		**5,296,961**		4,724,382
Earnings from operations		**1,293,052**		927,651
Patronage rebates		**16,298**		23,901
Earnings before income taxes		**1,276,754**		903,750
Income taxes (Note 17)		**177,228**		130,089
Net earnings and comprehensive income	$	**1,099,526**	$	773,661

Retained earnings, beginning of year	$	**7,420,232**	$	6,646,571
Net earnings		**1,099,526**		773,661
Retained earnings, end of year	$	**8,519,758**	$	7,420,232

See accompanying notes to the financial statements.

Greater Vancouver Community Credit Union
Statement of cash flows

Year ended December 31		2010		2009
Cash flows provided by (used in)				
Operating activities				
Net earnings and comprehensive income	$	**1,099,526**	$	773,661
Adjustments to determine cash flows				
Provision for credit losses		**101,761**		304,352
Amortization		**273,755**		243,660
Change in interest accruals		**(67,957)**		(961,480)
Future income tax		**8,972**		3,353
Write-down of property held for resale		**138,623**		-
Other		**136,575**		(33,934)
		1,691,255		329,612
Financing activities				
Deposits, net of withdrawals		**3,531,656**		10,917,773
Equity shares		**(22,748)**		(2,941)
		3,508,908		10,914,832
Investing activities				
Loans, net of repayments		**(9,658,283)**		(3,679,802)
Purchase of investments		**(1,845)**		(15,789)
Deposit with Central 1		**5,359,495**		(7,432,620)
Premises and equipment		**(637,721)**		(231,316)
Property held for resale		**-**		(93,684)
		(4,938,354)		(11,453,211)
Net increase (decrease) in cash resources		**261,809**		(208,767)
Cash resources, beginning of year		**8,827,349**		9,036,116
Cash resources, end of year (Note 5)	$	**9,089,158**	$	8,827,349

Supplemental cash flow information				
Interest paid	$	**3,391,658**	$	5,529,136
Taxes paid		**125,627**		90,856

See accompanying notes to the financial statements.

1. Governing legislation

The credit union is incorporated under 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.

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, and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Financial instruments

The financial instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized in net earnings. The credit union's financial instruments classified as held-for-trading include cash and current accounts.

Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The credit union's financial instruments classified as available-for-sale are shares in Central 1 Credit Union ("Central 1"), shares in Stabilization Central Credit Union, shares in CUPP Services Ltd., and their respective accrued dividends. As these shares are not traded in an active market they have been recorded at amortized cost.

The financial assets classified as loans and receivables are measured at amortized cost. The credit union's financial instruments classified as loans and receivables include all loans and accrued interest, bid and liquidity deposits with Central 1 and accrued interest, and other receivable balances.

Financial instruments classified as other financial liabilities include all deposits, borrowings, and payables and accruals. Other financial liabilities are measured at amortized cost.

Comprehensive income, other comprehensive income and accumulated other comprehensive income

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 (2009: $Nil) other comprehensive income during the year and has $Nil accumulated other comprehensive income at December 31, 2010, and 2009.

2. Summary of significant accounting policies (continued)

Cash resources

Cash resources are comprised of cash held as well as deposits with Central 1. Deposits with Central 1 are recorded at amortized cost.

Interest income on interest bearing deposits is recorded on an accrual basis.

Loans

Loans are initially measured at fair value and subsequently remeasured at their amortized cost, net of allowance, using the effective interest rate method.

Loan interest

Interest income from loans is recorded using 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 collectability 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 by reference to the fair value of the underlying security and expected cash flow. A loan is classified as impaired generally at the earlier of when, in the opinion of management, there is reasonable doubt as to the collectability 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 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.

Premises and equipment

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

Data processing equipment	10% per quarter, declining balance
Furniture and equipment	5% per quarter, declining balance
Leasehold improvements	term of lease up to ten years
Banking system	5 years, straight-line

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 carryforwards. 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 members' 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 comparative figures have been reclassified to conform with the current year's financial statement presentation.

3. Future accounting framework change

International Financial Reporting Standards ("IFRS")

On January 1, 2011, IFRS replaced Canadian generally accepted accounting principles for publicly accountable enterprises. The credit union has assessed the impact of the adoption of IFRS on its financial statements. The financial impact is not material to the credit union. The implementation of IFRS has had a minor impact on accounting, financial reporting, and supporting IT systems and processes.

4. Risk management

In the normal course of business, the credit union is exposed to credit risk, liquidity risk and market risk. For all of the risks noted below, there has been no change in how the credit union manages those risks from the previous year.

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 geographic 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 5 and 12 for further information about the credit union's funding requirement and management.

Market risk

Market risk is the risk that the fair value or 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.

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 14 for further information on fair value of financial instruments.

Interest rate risk

Interest rate risk relates to the risk that the fair value or 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 Note 13 for further information on interest rate sensitivity.

5. Cash resources

	2010	2009
Cash and current accounts	**$ 5,653,577**	$ 6,076,779
Deposits on account with Central 1, callable or maturing in less than three months	**3,435,581**	2,750,570
	9,089,158	8,827,349
Deposits on account with Central 1, maturing in greater than three months	**15,219,578**	20,579,073
	$ 24,308,736	$ 29,406,422

Under governing legislation, the credit union must maintain, for liquidity purposes, deposits with Central 1 of at least 8% (2009: 8%) of deposits and borrowings. At December 31, 2010, the credit union deposits exceed the minimum requirement by $8,118,129 (2009: $13,632,342).

6. Loans

	2010	2009
Personal loans		
Residential mortgages	**$ 124,808,638**	$ 118,843,149
Other	**4,794,226**	5,574,116
Commercial loans		
Mortgages	**41,214,554**	36,702,233
Other	**648,669**	772,495
Accrued interest	**440,560**	459,342
	171,906,647	162,351,335
Allowance for credit losses		
Specific	**186,402**	205,662
General	**736,832**	700,000
	923,234	905,662
	$ 170,983,413	$ 161,445,673

Allowance for credit losses

	Beginning balance	Provision	Write-offs less recoveries	**2010** Ending balance	2009 Ending balance
Personal loans					
Mortgages	$ 322,394	$ -	$ -	**$ 322,394**	$ 322,394
Other	272,307	51,761	84,189	**239,879**	272,307
Commercial loans	310,961	50,000	-	**360,961**	310,961
	$ 905,662	$ 101,761	$ 84,189	**$ 923,234**	$ 905,662
Percentage of total loans and accrued interest				**0.54%**	0.56%

6. Loans (continued)

Impaired loans and related allowances

	Loan balances	Specific allowances	2010 Carrying amount	2009 Carrying amount
Personal loans				
Mortgages	$ 2,470,695	$ 23,938	$ **2,446,757**	$ 2,374,934
Other	203,301	112,464	**90,837**	60,705
Commercial loans	186,494	50,000	**136,494**	-
	$ 2,860,490	$ 186,402	$ **2,674,088**	$ 2,435,639

7. Investments and other

	2010	2009
Shares		
Central 1	$ **455,205**	$ 453,360
Stabilization Central	**204**	204
BC Cooperative Association	**1,200**	1,200
CUPP Services Ltd.	**65,935**	65,935
Property held for resale	**192,600**	331,223
Receivables and prepaids	**118,563**	159,009
Future income taxes (Note 17)	**65,000**	73,972
	$ **898,707**	$ 1,084,903

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

8. Premises and equipment

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Data processing	$ 1,116,186	$ 898,660	$ **217,526**	$ 155,352
Furniture and equipment	1,430,854	1,076,423	**354,431**	249,422
Leasehold improvements	2,129,128	1,291,854	**837,274**	605,330
Banking system	203,124	51,334	**151,790**	186,951
	$ 4,879,292	$ 3,318,271	$ **1,561,021**	$ 1,197,055

9. Deposits

	2010	2009
Demand	**$ 54,411,061**	$ 51,089,693
Membership equity shares (Note 11)	**2,001,782**	1,997,951
Term	**100,431,800**	101,935,384
Registered savings plans	**29,917,029**	28,206,988
Accrued interest and dividends	**1,488,582**	1,575,321
	$ 188,250,254	$ 184,805,337

Demand deposits include $534,521 (2009: $569,763) 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.

10. Borrowings

The credit union has operating lines of credit 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, 2010, there were $Nil (2009: $Nil) borrowed under the agreements. A debenture charge on certain assets of the credit union has been provided as security.

11. 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 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.

11. Equity shares (continued)

Equity shares issued

		2010		2009
Class B shares	$	630,948	$	616,888
Class C shares		1,370,834		1,381,063
Class P shares		490,333		513,081
		2,492,115		2,511,032
Class B and C shares included as liabilities (Note 9)		(2,001,782)		(1,997,951)
Equity shares	$	490,333	$	513,081

12. Capital requirements and management

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, 2010, the credit union had a capital base approximating 15.2% (2009: 14.4%) of the risk-weighted value.

The credit union's capital consists of retained earnings and equity shares.

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.

Management will continue to develop business plans targeting capital adequacy ratio which exceed the minimum ratio established by legislation or regulations. Capital adequacy ratio is driven by the risk-weighting of the credit union's assets. Accordingly, capital adequacy objectives must take into account factors such as loan mix, investment quality and the level of fixed assets. Decisions relating to strategic objectives that impact the risk-weighting of the credit union's assets are analyzed by management to determine their effect on the credit union's capital adequacy ratio.

13. 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. The table below details the credit union's exposure to interest rate risk as defined and prescribed by The Canadian Institute of Chartered Accountants Handbook Section 3862 *Financial Instruments – Disclosures*.

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					
	Average rates	Within 3 months	4 months to 1 year	Over 1 to 5 years	Over 5 years	Not interest sensitive	Total
Assets							
Cash resources	1.96%	$ 7,922,540	$ 4,448,800	$ 10,599,400	$ -	$ 1,337,996	$ 24,308,736
Loans	5.03%	26,264,400	34,334,283	109,864,378	79,792	440,560	170,983,413
Other		-	-	-	-	2,459,728	2,459,728
		34,186,940	38,783,083	120,463,778	79,792	4,238,284	197,751,877
Liabilities							
Deposits and shares	1.51%	75,180,221	48,479,975	59,586,421	-	5,003,637	188,250,254
Other		-	-	-	-	9,501,623	9,501,623
		75,180,221	48,479,975	59,586,421	-	14,505,260	197,751,877
Interest sensitivity position 2010		$ (40,993,281)	$ (9,696,892)	$ 60,877,357	$ 79,792	$ (10,266,976)	$ -
Interest sensitivity position 2009		$ (45,606,407)	$ (20,712,183)	$ 73,671,261	$ 355,793	$ (7,708,464)	$ -

Based on the current financial instruments, it is estimated that a 100 basis point increase in the prime rate would increase the financial margin by $57,084 (2009: $29,000). A 100 basis point decrease in the prime rate would decrease the financial margin by $82,915 (2009: $137,000).

14. 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.

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, either directly (as prices) or indirectly (derived from prices)
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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, and 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 amortized cost and are not adjusted to reflect increases or decreases in fair value due to interest rate changes.

Greater Vancouver Community Credit Union
Notes to the financial statements
December 31, 2010

14. Fair values of financial instruments (continued)

	2010			2009
	Book value	Fair value	**Difference** **Favourable (Unfavourable)**	Difference Favourable (Unfavourable)
Assets				
Cash resources - held-for-trading (level 1)	$ 5,654,000	$ 5,654,000	$ **-**	$ -
Cash resources - loans and receivables	18,655,000	18,800,000	**145,000**	193,000
Loans - loans and receivables	170,983,000	172,458,000	**1,475,000**	3,373,000
Receivables and other - loans and receivables	118,563	118,563	**-**	-
Investments - available-for-sale	523,000	523,000	**-**	-
			1,620,000	3,566,000
Liabilities				
Deposits and shares - other financial liabilities	188,250,000	192,683,000	**(4,433,000)**	(1,894,000)
Payables and accruals - other financial liabilities	492,000	492,000	**-**	-
			(4,433,000)	(1,894,000)
Net difference			$ **(2,813,000)**	$ 1,672,000

15. Other income

	2010	2009
Account service fees	$ **455,526**	$ 488,267
Loan administration fees	**113,263**	114,306
Other	**92,853**	97,347
Foreign exchange	**49,847**	51,802
Insurance commissions and fees	**30,141**	36,527
	$ **741,630**	$ 788,249

16. Operating expense

	2010	2009
Salaries and benefits	$ 2,617,977	$ 2,344,630
Premises, equipment and supplies	1,048,346	939,270
Data processing	265,782	391,632
Amortization	273,755	243,660
Other	202,317	171,781
Dues and assessments	170,102	170,920
Advertising and member relations	228,879	166,703
Service charges	148,088	158,781
Write-down of property held for resale	138,623	-
Professional services	125,858	75,639
Board and committee meetings	56,634	41,332
Staff and other meetings	11,273	10,977
Member meetings	9,327	9,057
	$ 5,296,961	$ 4,724,382

17. Income taxes

The components of income tax expense are as follows:

	2010	2009
Current	$ 168,256	$ 126,736
Future	8,972	3,353
	$ 177,228	$ 130,089

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:

	2010	2009
Combined federal and provincial statutory income tax rate	28.5 %	30.5 %
Credit union rate reduction	(15.0)%	(17.0)%
Other	0.4 %	0.9 %
	13.9 %	14.4 %

The components of future income tax balances are as follows:

	2010	2009
Allowance for credit losses	$ 95,000	$ 97,836
Premises and equipment	(56,000)	(35,370)
Other	26,000	11,506
Net future income tax asset	$ 65,000	$ 73,972

18. Commitments

Premises

The credit union is committed to leasing branch premises with the following minimum lease payments over the next five years:

2011	$	743,988
2012		758,347
2013		777,666
2014		783,818
2015		798,502

Computer services

The credit union is committed to pay the following minimum banking system service charges over the next five years:

2011	$	201,948
2012		201,948
2013		201,948
2014		201,948
2015		-

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, 2010, the credit union has outstanding letters of credit on behalf of members in the amount of $168,000 (2009: $244,451).

Commitments to extend credit

At December 31, 2010, the credit union has unadvanced loans and commitments to extend credit totalling $11,087,331 (2009: $9,054,273)

19. 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 approval terms of MasterCard.

At December 31, 2010, the credit union guarantees credit limits in the amount of $83,000 (2009: $64,000).

20. Other information

At December 31, 2010, loans to employees, directors, officers, and members of a committee of the credit union and their respective family members, amounted to $1,735,448 (2009: $1,489,005). All such loans were granted in accordance with normal lending terms.

Directors, in their capacity as directors, received $25,000 (2009: $25,000).