

2008 ANNUAL REPORT



G&F
FINANCIAL GROUP
where members belong™

MISSION STATEMENT

G&F Financial Group is a progressive organization that creates opportunities by investing in our people, our members and our communities. Together we make dreams happen.

VALUES STATEMENT

G&F Financial Group values people, financial strength, integrity, community, communication, and partnerships & teamwork.

ABOUT Us

G&F Financial Group is a member owned financial institution with almost 29,000 members and over \$1 billion in assets under administration. We are comprised of numerous credit unions and have served the Lower Mainland of British Columbia for over 68 years. G&F Financial Group has 12 branches located throughout Metro Vancouver. G&F Financial Group provides a full range of financial products and services for our members to meet their ever changing and growing financial needs. We offer sound financial advice with the credit union advantage.

Archival Information and Photos:

DeGrass, Jan. Safe Haven. Vancouver: Gulf & Fraser Fishermen's Credit Union, 1988.
Leonard Frank Collection, photos 9262 and 10277, Vancouver Public Library
Philip Timms Collection, photos 2140 and 5842, Vancouver Public Library

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BOARD OF DIRECTORS' REPORT

Faced with the dramatic economic and social challenges of the past year, I am extremely pleased to report on behalf of the Board of Directors that G&F Financial Group once again posted a solid financial performance for 2008. In a year in which we faced an extremely challenging and unpredictable economy, our credit union proved capable of rising to these challenges and many others over the course of the last year.

Sharing our success

As a locally owned and operated financial institution, at G&F Financial Group we understand the importance of sharing our success with our stakeholders – our members, our business partners and the communities in which we live and work. By offering often top-of-market rates on our products and services, we may sacrifice financial margin but we preserve the financial well-being of our members. In the face of all that happened in 2008, the Board of Directors was more than pleased to declare a 4% dividend on Membership Equity Shares and a 1% dividend on Non-Equity Shares.

In 2008 we also maintained our commitment to support charitable organizations and the communities we serve through donations, sponsorships, scholarships and countless volunteer hours. This is part of our core value system and we are dedicated to preserving and building these relationships. In addition, through fundraising efforts, our staff raised over \$15,000 for BC Children's Hospital, over \$19,000 for Zajac Ranch and over \$27,800 for United Way, which coupled with a match of \$25,000 from the credit union resulted in a final donation of close to \$53,000. Through the G&F Financial Group Foundation we also approved funding of over \$47,000 to further community initiatives. Throughout the years, G&F Financial Group has forged strong community links in the past and we will continue to provide support far into the future. We have truly come a long way since 1940 when, with literally just a few dimes, fishermen joined together to establish a locally

controlled financial cooperative designed to help both those in the industry as well as their neighbours.

Service Excellence

In 2008 G&F Financial Group once again conducted a Satisfaction Survey to measure how well our members felt we were doing. The feedback we received told us we are on the right track in our efforts to provide exceptional member service. All results were very positive, with 86% of respondents very or totally satisfied with the overall service they received. We will strive to maintain and even improve on these results in the coming years.

One other milestone was achieved in 2008, not only for G&F Financial Group but for the entire BC Credit Union movement. Amendments were made to the Financial Institutions Act to provide unlimited deposit insurance protection on all deposits in BC's credit unions. Even though the provincial system is not anticipating problems, this gave members a much needed sense of security in the face of the global financial crisis.

At this time, the Board would like to acknowledge the dedication of the staff and management this past year and thank everyone for their hard work during this time of economic upheaval. Committed to delivering exceptional service and to having a positive impact in our communities, the people of G&F Financial Group are directly responsible for our success, past present and future. In closing, the Board would also like to thank the membership for their support and patronage in 2008, and look forward to our continuing partnership in the years to come.

Respectfully submitted,



Vince Fiamengo, Chair, Board of Directors



Vince Fiamengo,
Chair and President

CHIEF EXECUTIVE OFFICER'S REPORT

Like most financial institutions, the road we traveled in 2008 was not entirely smooth. As the credit crisis spread with ever-increasing speed around the globe, resulting in a world-wide recession that impacted the entire financial industry, our strong performance during most of 2008 could easily have been overshadowed. The fact that we continue to post strong financials in an increasingly challenging environment makes our results all the more rewarding. G&F Financial Group remains exceptionally stable and will continue to be one of the best capitalized credit unions in British Columbia.

Dedication to Performance

Highlighting our financial achievements, our deposit portfolio posted strong growth of \$79 million to end the year at just over \$892 million. Our total loan portfolio also grew \$55 million (7%), with healthy results posted for both Retail and Commercial Credit. Although our assets did not hit the \$1 billion mark during 2008, with the drastic economic changes in the last quarter our final year end results show total asset growth of 8% to \$998 million on balance sheet, with total funds under administration increasing to just over \$1.08 billion. Despite financial margins practically being squeezed to non-existence, and additions to our loan-loss provision out of prudence, we still delivered a solid financial result of \$1.57 million in income for the year.

We were also successful in maintaining our focus on meeting the needs of our members and developing and delivering services above and beyond basic requirements. As part of our long term initiative to provide added-value to our members, we introduced Mobile banking and electronic statements, welcome additions to complement the online services we already offer. To enhance service excellence when working with members, we increased our commitment to employee development in 2008, expanded our training resources and gathered data from member surveys in an effort to ensure

staff have the tools and knowledge necessary to meet and exceed our members' needs.

Managing through Uncertain Times

After navigating through the turbulence of 2008, G&F Financial Group enters 2009 as a strong credit union, well positioned to take advantage of opportunities that may come our way. We believe the steps that we have taken in the past few years to upgrade and expand our systems, coupled with our commitment to service excellence, conservative growth strategies and disciplined credit practices will allow us to perform well in the face of challenging times. Our dedication to providing quality lending is reflected in our low delinquency rates and we do not plan to stray from this course. Although the short-term outlook for the BC and Lower Mainland economy remains depressed, the 2010 Olympic Games and other infrastructure projects will help to keep the economy moving. With this in mind, our credit union will budget cautiously for the short term, but view the medium and long term with optimism. Regardless of the future, our role is to be here

for our members, offering sound financial advice, competitive pricing and value-added products and services.

Of course, none of our actions or results this past year would have been possible without the dedication and performance of our people. During these times of market turmoil, I would like to thank the Board of Directors, management and staff for their support and contributions to our success, past present and future, and look forward to continued success in 2009.

Respectfully submitted,



Richard Davies, Chief Executive Officer



Richard Davies,
Chief Executive Officer



CLIPPER II

WESTER

WESTER

REFLECTING ON OUR ROOTS

The story begins with a small group of fishermen banding together to form a co-operative during the Depression. At a time when fishermen on the west coast were looking to control their economic fate against those of larger company canneries, the North Arm Fraser Fishermen's Credit Union (later known as G&F Financial Group) was established as charter number 35 in 1940.

With only \$79.13 in assets, the men had a vision of working together, belonging, and helping to improve the well being of those who were a part of the credit union. Today, G&F Financial Group is close to \$1 billion strong and offers a variety of financial services for people throughout the Lower Mainland in five municipalities.



Its vision “where members belong” remains the same, defining the credit union’s spirit, and guiding it through both hard times and prosperous growth in the last 68 years.

With more than 28,000 members today, G&F Financial Group has come a long way from \$1 to almost \$1 billion. A merger with United Savings Credit Union in 2004 sparked rapid expansion of G&F’s branch network, while technology advances led the way in increasing member services and product offerings. Even with so many changes, the credit union continues its tradition of giving back to members and the community. These developments speak volumes about our roots, our history, and most importantly, the evolving member stories that are a part of our long-standing legacy.

1940

A small group of west coast fishermen get together to form the North Arm Fraser Fishermen's Credit Union. The credit union is established as charter number 35 in December.

1941

In March, North Arm Fraser Fishermen's Credit Union changes its name to Lower Fraser Fishermen's Credit Union. The credit union has 27 members with \$83.13 in share deposits.

1953

The credit union expands its membership to include any and all fishing industry workers and their relatives in BC. The name Gulf and Fraser Fishermen's Credit Union becomes quickly known as GAFF.

1979

The Steveston branch opens at its current location on Chatham Road in March.

1968

In June, the site of the current Hastings branch officially opens at Hawkes Street and East Hastings.

LINE

1998

Gulf and Fraser Fishermen's Credit Union merges with Elco Credit Union.

2006

The Cloverdale branch officially opens in December.

2004

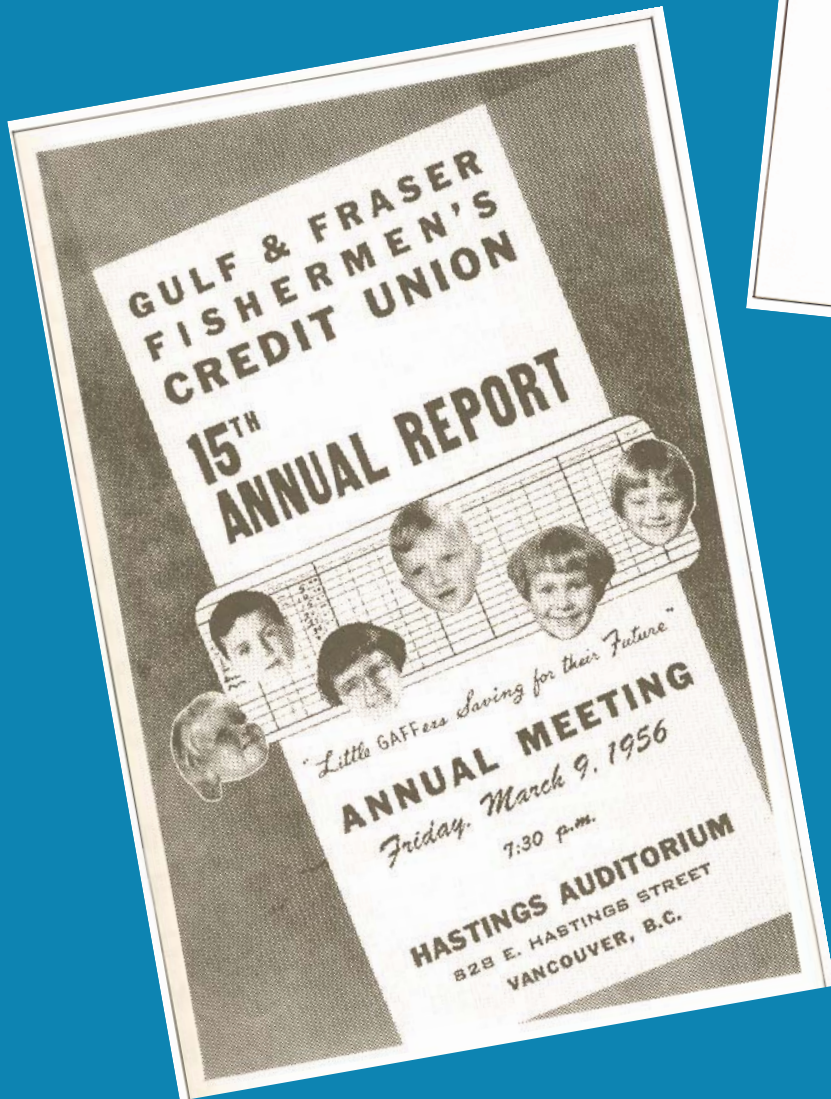
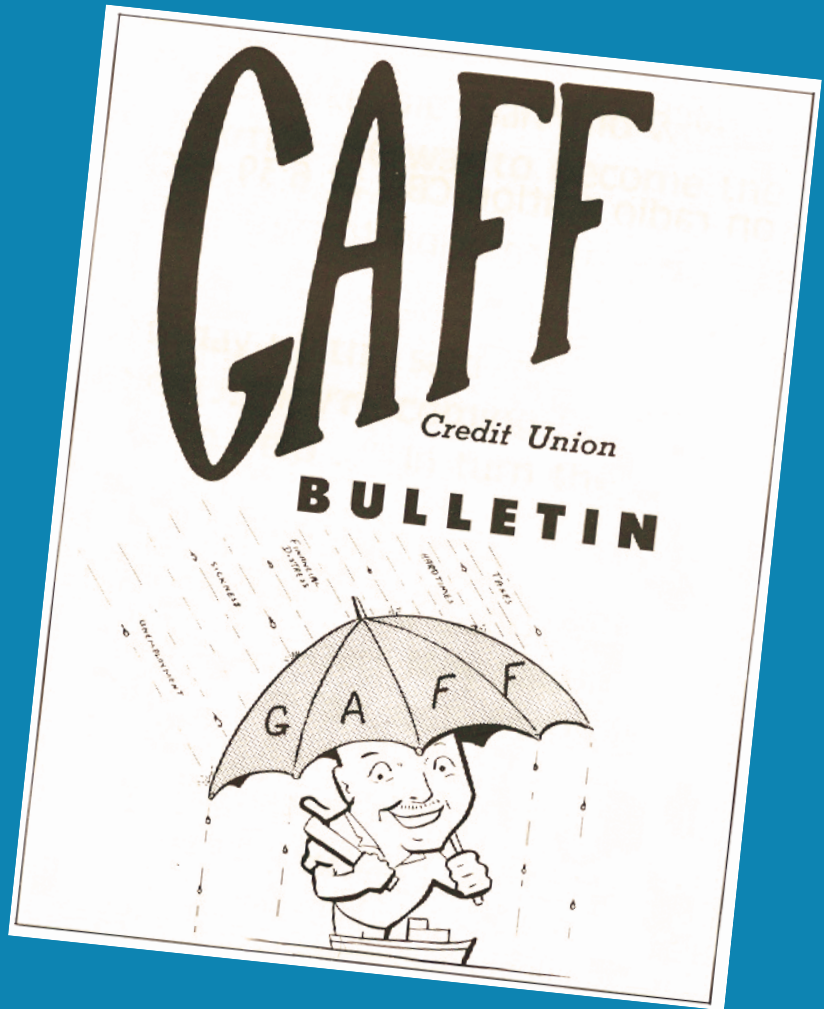
G&F Financial Group merges with United Savings Credit Union in May, expanding its branch network by an additional 7 branches. United Savings is affiliated with the oldest established credit union in British Columbia, the Common Good Credit Union, established in the 1930s. In July 2004, the Port Coquitlam and Nordel branches officially open.

2002

Gulf and Fraser Fishermen's Credit Union re-brands to G&F Financial Group, a name that reflects on the many financial products and services it offers.

2008

G&F Financial Group reaches \$1 billion in assets on the balance sheet in August.



Full Name	Address	Occupation	Number of Shares Taken	Name and Address of Witness
<i>E. W. Gray</i>	<i>1231 ...</i>	<i>...</i>		
<i>...</i>	<i>...</i>	<i>...</i>		
<i>...</i>	<i>...</i>	<i>...</i>		
<i>...</i>	<i>3136-1 ...</i>	<i>Chief Clerk</i>		
<i>...</i>	<i>...</i>	<i>...</i>		
<i>...</i>	<i>1005 ...</i>	<i>...</i>		
<i>...</i>	<i>1757 E. 55th ...</i>	<i>...</i>		
<i>...</i>	<i>...</i>	<i>...</i>		

* If the signatures are witnessed by different persons, the signature of each witness should be placed immediately after that of the subscriber with the word "Witness" preceding the signature of the witness. A person who witnesses several signatures need only sign once, but he should also whose signature he witnesses.

VICTORIA, B.C.
Printed by Donnan McDiarmid, Printer to the King's Most Excellent Majesty.
1956

MEMBERSHIP AND SERVICES

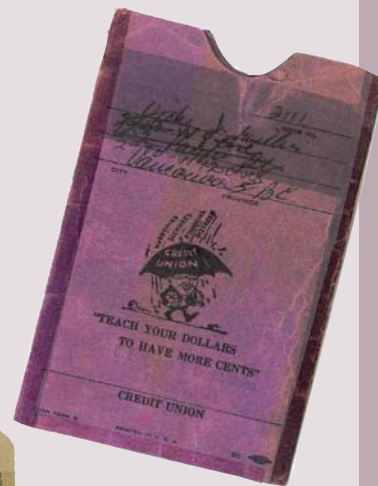
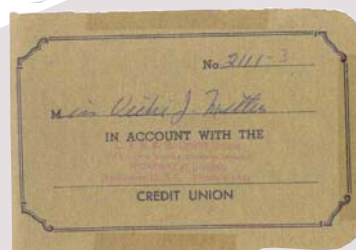
From 27 members in the 1940s to more than 28,000 members today, G&F Financial Group's history has been tied to the fishing industry and those who make it their livelihood, which is illustrated by the fishing boat loans in the initial years of operation. As the credit union grew to include members from all walks of life, our credit union extended our mission to make dreams happen for all types of members at different life stages—from fishermen to business owners, youth to couples, and families to golden members.

Initial service offerings included boat loans and personal chequing services, and as membership steadily increased, the Plan 24 savings account and a youth account were added. More recently, apart from services such as commercial lending, insurance, and wealth management, technological advances offered new ways to bank, and deliver long-term value for members through telephone and online banking, mobile banking, and e-statements.

Through member satisfaction surveys and branch service indicators, G&F remains competitive through its product offerings while being committed to quality. Whether it is recognizing a member's face, or having a friendly conversation about financial planning, members always feel a sense of belonging at their local G&F Financial Group branch.

Regardless of the financial success or economic hardships of the times, G&F Financial Group continues to distinguish itself from other financial institutions by embracing the value of striving for excellence. This is evidenced in our employees'

To All The Employees of the credit union (because)
This is about the balance that I received when my dad opened an account for me when I was 13 years old and my wife & I started with this account because everyone who I dealt with were so great!! I just couldn't let it go.
Thank You For All The Years of the Greatest Service EVER!
UCKIMUSK



dedication in creating exceptional member service—another driving force that continually renews member and community relationships. Going forward, continuous exploration of emerging trends and development of services with substantial investment in improvements will be the key to maintaining this unrivalled success.

Rest assured, we will not relax our standards of the quality in our service or in our product offerings. At G&F Financial Group, we will continually seek opportunities that fit with the credit union's core business strategies and philosophy, and consistently deliver strong returns.



BRANCH NETWORKS

One of the original offices of G&F Financial Group operated alongside the United Fishermen's cooperative at the Ford Building at Hastings Street in Vancouver. From that location, the credit union experienced phenomenal growth over the last 68 years to 12 branches which span the municipalities of the Lower Mainland, including Vancouver, Burnaby, New Westminster, Port Coquitlam, Richmond, and Surrey. Each branch is a testament to G&F's history and the strong connection in the communities in which it operates.

The Hastings Street and Steveston branches were strategically situated close to the fishing communities in Vancouver and Richmond. The Vancouver location was chosen for its close proximity to the fishermen's cooperative that operated in the Ford Building at the intersection of Main and Hastings. Whenever fishermen received their cheques for their catch, many of them would make a deposit at G&F.

The Steveston branch was established in 1979 to serve the salmon fishermen in Richmond. This strong association to the fishing community is revealed on relief murals that adorn the outer walls of both the Hastings and Steveston branches. The interior of the Richmond Centre branch also showcases a glass relief mural that reflects the fish and ocean that played a large part in G&F's humble beginning. G&F Financial Group's merger with United Savings Credit Union added even more diversity to its history. The South Burnaby branch, which joined the credit union's branch network in the 2004 merger, is affiliated with the oldest established credit union in British Columbia, Common Good Credit Union.

The branches of more recent times will play an important role in G&F Financial Group's future. Both the Nordel and Port Coquitlam branch openings in 2004 have resulted in large membership increases, indicating both communities' need for a financial institution such as G&F. The Cloverdale branch opening in 2006 serves to expand our service offerings to those in the community of South Surrey, and enlarging our geographic footprint throughout that city, which includes the Fleetwood and Nordel locations. Other branches, such as New Westminster and Main Street, have experienced significant renovations. These changes were made to fulfill our promise to members by offering more convenience and a better overall banking experience.

Over the years, we have continued to offer numerous remote banking options for members, including 24/7 ATMs at every branch. The introduction of telephone and online banking brought the branch into members' homes, giving them greater access and control over their finances. A re-launch of the website in 2007 integrated the features of online banking with the website, thus allowing members to view the credit union's information at the same time they are logged in to online banking. These developments serve to increase security for members and to make the whole process of banking more responsive and efficient. With these improvements, G&F Financial Group members will always be comforted in knowing they can get their banking done in the most convenient, efficient, and comfortable manner.

COMMUNITY



SPARKING CHANGE IN THE COMMUNITY

G&F Financial Group was initially established during the tough economic times of the Depression. Its purpose was to help protect its members from sickness, unemployment, and financial distress. As the credit union's membership expanded over the years, its philosophy of looking out for the well being of members has expanded into looking after the communities it serves as well.

Realizing that the health of our organization relies on the health of our communities, the credit union is committed to making a positive and meaningful difference in the communities we serve. At the branch or corporate level, we continually strive to become community leaders in all of the municipalities we operate. With the focus on a variety of areas such as

youth, education, health, community development, and heritage and culture, these causes are supported through a variety of fundraising initiatives, volunteer work, sponsorships, donations, and donations-in-kind at G&F.

In 2002, the G&F Financial Group Foundation was founded to fund capital projects that would provide a legacy for the credit union's philanthropic activities. To date, the foundation has disbursed closed to \$350,000 to a variety of charities and causes, including the United Way, Mt. Pleasant Neighbourhood House, local schools, numerous post secondary scholarships, and many others. In 2008 alone, over \$40,000 was disbursed to a variety of organizations and charitable causes.

COMMUNITY



INVOLVEMENT



Our branches are equally dedicated in their efforts, with each branch sponsoring and volunteering for a number of worthwhile causes in its own respective neighbourhoods. In 2008, G&F employees attended and supported over 90 community events.

The commitment and dedication shown by our staff and in particular the branch managers are not without recognition. Several of our branches have been nominated for and have won a number of service and humanitarian awards. Community and charity highlights for 2008 include the following:

- * Partnering with the Credit Union Foundation of BC and Kwantlen University College Foundation in January, a \$20,000 endowment was created by G&F Financial Group that would allow annual disbursements of \$1,000 available in perpetuity as a resource for future generations of students
- * In April, the Port Moody Recreation Complex officially opened, featuring an indoor running track that was made possible, in part, as a result of G&F Financial Group's \$15,000 donation to the Port Moody Foundation in 2006
- * In May, the Douglas College Health Sciences Centre officially open, featuring a state-of-the art computer lab for nursing students from G&F Financial Group Foundation's \$15,000 donation
- * In June, G&F employees and members raised over \$15,000 for BC Children's Hospital in a corporate-wide campaign. Activities included slo-pitch, Jeans Day, and bingo for staff, as well as branch initiatives such as bake sales and raffles.



INVOLVEMENT

- * In September, G&F Financial Group's annual charity golf tournament raised a record-breaking \$19,000 for the Zajac Ranch for Children, a camp for children with life threatening illnesses and disabilities
- * In October, the G&F Financial Group Foundation donated \$7,000 to Surrey Memorial Hospital to replace two audiometers—used to test the hearing of patients
- * In November, G&F Financial Group was recognized by the Association of Neighbourhood Houses of Greater Vancouver through the Good Neighbour Award, after the credit union was nominated for its substantial contributions to the South Burnaby Neighbourhood House
- * In December, G&F employees raised over \$27,800 for the United Way, with the credit union corporately adding \$25,000 to make the donation amount close to \$53,000

These highlights only show a small percentage of the credit union's community involvement. However, it speaks volumes about G&F's dedication to creating a better environment through healthier and more vibrant communities for generations to come.



AUDITORS' REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Gulf and Fraser Fishermen's Credit Union:

We have audited the consolidated balance sheet of Gulf and Fraser Fishermen's Credit Union as at December 31, 2008 and the consolidated statements of changes in members' equity, income and comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2008 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Financial Institutions Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.



BERRIS MANGAN
CHARTERED ACCOUNTANTS

Vancouver, BC
February 6, 2009

These consolidated financial statements have been prepared by the management of Gulf and Fraser Fishermen's Credit Union which is responsible for their reliability, completeness and integrity. They were developed in accordance with requirements of the Financial Institutions Act of British Columbia and conform in all material respects with Canadian generally accepted accounting principles. The financial information presented in the annual report is consistent with the consolidated financial statements.

Systems of internal control and reporting procedures are designed to provide reasonable assurance that financial records are complete and accurate so as to safeguard the assets of the Credit Union. These systems provide assurance that all transactions are authorized and proper records are maintained. Internal audit procedures provide management with the ability to assess the adequacy of these controls. In addition, they are reviewed by the Credit Union's external auditors.

The Board of Directors has approved the consolidated financial statements. The Audit Committee of the Board has reviewed the statements with the external auditors, in detail, and received regular reports on internal control findings. Berris Mangan, Chartered Accountants, the independent external auditors appointed by the membership, examined the consolidated financial statements of the Credit Union in accordance with Canadian generally accepted auditing standards. They have had full and free access to the management and staff of the Credit Union and the Audit Committee of the Board. Their report appears as above.



Richard Davies
Chief Executive Officer



William Kiss
Chief Financial Officer

CONSOLIDATED BALANCE SHEET

For the year ended DECEMBER 31, 2008 (in thousands of dollars)

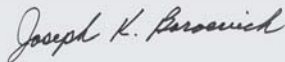
	2008	2007
ASSETS		
Cash resources	\$82,543	\$70,084
Loans (Notes 2(d) and 3)	896,493	841,629
Investments (Note 4)	2,980	3,115
Receivables and prepaid expenses	6,390	1,600
Premises and equipment (Notes 2(f) and 5)	9,170	10,130
Future income tax asset (Note 11)	424	477
	<u>\$998,000</u>	<u>\$927,035</u>
LIABILITIES		
Deposits		
Deposits withdrawable on demand	\$307,974	\$301,053
Term deposits	384,566	324,926
Registered savings plans (Note 6)	185,049	173,316
Accrued interest	10,117	8,947
Share savings (Note 7)		
Members' non-equity shares	736	840
Members' equity shares	3,547	3,674
Dividends payable (Note 2(g))	138	182
Total members' accounts	<u>892,127</u>	<u>812,938</u>
Loan payable (Note 8)	51,000	58,000
Accounts payable and other liabilities (Note 9)	3,174	5,969
	<u>946,301</u>	<u>876,907</u>
MEMBERS' EQUITY		
Retained earnings (Note 10)	51,761	49,926
Accumulated other comprehensive income (Note 2(h))	(62)	202
	<u>51,699</u>	<u>50,128</u>
	<u>\$998,000</u>	<u>\$927,035</u>

Commitment (Note 12)

Approved by the Directors



Vince Fiamengo
Chair, Board of Directors



Joseph Boroevich,
Chair, Audit Committee

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the year ended DECEMBER 31, 2008 (in thousands of dollars)

	2008	2007
RETAINED EARNINGS		
Retained earnings at beginning of year	\$49,926	\$46,526
Net income for year	1,835	3,400
Retained earnings at end of year	<u>51,761</u>	<u>49,926</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Accumulated other comprehensive income at beginning of year	202	(12)
Other comprehensive income for year	(264)	214
Total accumulated other comprehensive income	<u>(62)</u>	<u>202</u>
TOTAL EQUITY	<u>\$51,699</u>	<u>\$50,128</u>

See notes to consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME & COMPREHENSIVE INCOME

For the year ended DECEMBER 31, 2008 (in thousands of dollars)

	2008	2007
FINANCIAL INCOME		
Loan interest	\$48,791	\$48,999
Investment and cash resource income	3,716	3,647
	52,507	52,646
FINANCIAL EXPENSES		
Interest on members' deposits	28,262	26,786
Interest on borrowed money	2,654	3,214
	30,916	30,000
FINANCIAL MARGIN	21,591	22,646
OTHER INCOME (EXPENSE)		
Member Services Income	4,804	4,625
Other Income	654	607
Provision for doubtful loans (Note 3)	(500)	(500)
	4,958	4,732
OPERATING MARGIN	26,549	27,378
OPERATING EXPENSES		
Salaries and employee benefits	13,016	12,635
Office	2,600	2,765
Occupancy	2,027	1,972
Amortization	1,806	1,554
Data processing	1,482	1,504
Advertising and promotion	958	894
Professional and other services	958	692
Other	556	607
Capital tax	433	539
	23,836	23,162
INCOME FROM OPERATIONS	2,713	4,216
DONATION TO G&F FINANCIAL GROUP FOUNDATION	(75)	(75)
DISTRIBUTION TO MEMBERS (NOTE 2(g))	(136)	(158)
INCOME BEFORE INCOME TAXES	2,502	3,983
INCOME TAXES (NOTE 11)		
Current	614	536
Future	53	47
	667	583
NET INCOME FOR YEAR	1,835	3,400
OTHER COMPREHENSIVE INCOME		
Gains (losses) on derivatives designated as cash flow hedges	(264)	214
COMPREHENSIVE INCOME	\$1,571	\$3,614

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended DECEMBER 31, 2008 (in thousands of dollars)

	2008	2007
OPERATING ACTIVITIES		
Net income for the year	\$1,835	\$3,400
Adjustments:		
Amortization	1,806	1,554
Provision for doubtful loans	500	500
Future income taxes	53	47
	4,194	5,501
Changes in non-cash working capital		
Decrease (increase) in:		
Accrued interest on loans	320	(184)
Receivables and prepaid expenses	(4,790)	246
Increase (decrease) in:		
Accrued interest on deposits	1,170	(1,329)
Accounts payable and other liabilities	(2,795)	2,799
	(1,901)	7,033
INVESTING ACTIVITIES		
Acquisition of investments	(135)	(168)
Increase in loans	(55,684)	(68,535)
Acquisition of premises and equipment	(840)	(1,898)
	(56,659)	(70,601)
FINANCING ACTIVITIES		
Increase in members' accounts	78,063	64,481
Increase (decrease) in loan payable	(7,000)	3,018
Decrease in dividends payable	(44)	(6)
Decrease in patronage refund payable	—	(367)
	71,019	67,126
INCREASE IN CASH	12,459	3,558
CASH, BEGINNING OF YEAR	70,084	66,526
CASH, END OF YEAR	\$82,543	\$70,084

Supplemental Information (Note 19)

See notes to consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended DECEMBER 31, 2008 (in thousands of dollars)

1. NATURE OF BUSINESS

Gulf and Fraser Fishermen's Credit Union (the "Credit Union") is incorporated under the British Columbia Credit Union Incorporation Act. The operation of the Credit Union is regulated under the British Columbia Financial Institutions Act. The Credit Union provides financial services to members principally in the Lower Mainland and Greater Victoria regions of British Columbia.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of Consolidation

The consolidated financial statements include the accounts of the Credit Union, Gulf and Fraser Insurance Services Ltd. and Gulf and Fraser Holdings Ltd. Gulf and Fraser Insurance Services Ltd. is a wholly owned subsidiary of the Credit Union. Gulf and Fraser Holdings Ltd. was a wholly owned subsidiary of Gulf and Fraser Insurance Services Ltd. During 2007, Gulf and Fraser Holdings Ltd. was wound up into the Credit Union. All assets and liabilities of the subsidiary were assumed by the Credit Union, and Gulf and Fraser Holdings Ltd. was dissolved.

b) Changes in Accounting Policy—Capital Disclosures and Financial Instruments

Effective January 1, 2008, the Credit Union adopted three new presentation and disclosure standards which are contained in Canadian Institute of Chartered Accountants handbook Section 1535—Capital Disclosures, Section 3862—*Financial Instruments – Disclosures*, and Section 3863—*Financial Instruments – Presentation*.

Section 1535 requires the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the entity's objectives as well as its policies and procedures for managing capital. Upon adoption of this standard, no changes were made to previously reported balances.

Sections 3862 and 3863, which replaced Section 3861—*Financial Instruments, Disclosure and Presentation*, require organizations to provide new disclosures related to the risks associated with financial instruments and how the entity manages those risks. Upon adoption of these standards, no changes were made to previously reported balances.

c) Classification and Measurement of Financial Assets and Liabilities

All financial assets must be classified at initial recognition as trading, available for sale (AFS), held to maturity (HTM), or loans and receivables based on the purpose for which the instrument was acquired and its characteristics. All financial assets and all derivatives are measured at fair value with the exception of loans and receivables, debt securities classified as HTM, and AFS equities that do not have quoted market values in an active market. All financial liabilities are carried at amortized cost other than derivatives or liabilities that are designated as AFS, in which case they are carried at fair value. Interest expense is recognized on an accrual basis using the effective interest rate method.

d) Loans and Revenue Recognition

Loans are recorded at amortized cost and stated net of an allowance for doubtful loans. Interest income from loans is recorded on the accrual method, except where a loan is impaired.

An allowance is provided on loans for which collection is doubtful in management's opinion. The allowance consists of specific and general provisions. The specific provision is determined on the basis of specific loans which may not be fully collectible. The specific provision is the difference between the carrying value of an impaired loan and its estimated realizable amount. The general provision is determined by management's opinion based on historical loss experience, current economic conditions and trends, and known risks in the loan portfolio. Loans determined to be uncollectible are written off.

e) Investments

Investment in equity shares are designated as AFS securities. Equity shares held by the Credit Union do not have quoted market values in an active market and are carried at cost.

f) Amortization

Amortization is provided for on the following basis:

Buildings	Straight line over 25–45 years
Furniture and equipment	Straight line over 2–10 years
Leasehold improvements	Straight line over 5 years

The Credit Union reviews for the impairment of premises and equipment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable from expected future cash flows, and makes any appropriate adjustments to the carrying amount at that time.

g) Distribution To Members

Distribution to members consists of dividends and patronage refunds. Distributions are accounted for by a charge to earnings in the year of declaration by the Board of Directors.

h) Accumulated Other Comprehensive Income (AOCI)

AOCI is included on the consolidated balance sheet as a separate component of members' equity, and includes the effective portion of gains and losses on derivative instruments designated within effective cash flow hedges.

i) Future Income Taxes

The Credit Union and its subsidiaries follow the liability method of accounting for income taxes. Under this method, a current income tax liability is recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities, as well as for the benefit of tax losses available to be carried forward to future years that are likely to be realized. Future income 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.

j) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date the financial statements and the reported amount of revenues and expenses during the reporting year. Actual results could differ from those estimates.

k) Future Accounting Changes

Goodwill and Intangible Assets

In October 2008, the Canadian Institute of Chartered Accountants issued Handbook Section 3064 "Goodwill and Intangible Assets", replacing Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Provisions concerning goodwill are unchanged from the previous Section 3062. Section 3064 will be effective on a prospective basis for the Credit Union's fiscal year beginning January 1, 2009. The new section is not expected to have a material impact on the Credit Union's financial statements.

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board announced that Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. As a credit union we are specifically scoped into the definition of a publicly accountable enterprise. As such, we will be required to prepare our year ended December 31, 2011 financial statements including comparative information in compliance with IFRS. We are currently assessing the potential impact of the transition to IFRS on our financial statements, disclosures, and broader financial reporting systems and controls.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended DECEMBER 31, 2008 (in thousands of dollars)

3. LOANS

	2008	2007
Residential mortgages	\$524,955	\$508,302
Commercial mortgages	252,114	220,387
Less: syndicated	(18,628)	(4,695)
	<u>758,441</u>	<u>723,994</u>
Other loans	17,540	19,572
Lines of credit	122,510	99,437
Accrued interest	2,069	2,389
	<u>900,560</u>	<u>845,392</u>
Less: allowance for doubtful loans	(4,067)	(3,763)
	<u>\$896,493</u>	<u>\$841,629</u>

The activity in the allowance for doubtful loans during and resulting year end balances are as follows:

	2008	2007
Allowance for doubtful loans, beginning of year	\$3,763	\$3,327
Provisions for credit losses	500	500
Write-offs (net of recoveries)	(196)	(64)
Allowance for doubtful loans, end of year	<u>\$4,067</u>	<u>\$3,763</u>

4. INVESTMENTS

	2008	2007
Central 1 Credit Unions—at cost	\$2,469	\$2,493
Other	511	622
	<u>\$2,980</u>	<u>\$3,115</u>

Shares in Central 1 Credit Union are a required investment condition of membership in Central 1 Credit Union and provincial legislation. The amount of the investment is determined based on the Credit Union's membership and asset base and is realizable only on withdrawal from membership.

5. PREMISES AND EQUIPMENT

	2008		2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$3,468	\$—	\$3,468	\$3,468
Buildings	4,638	2,683	1,955	2,182
Furniture and equipment	8,393	5,158	3,235	3,659
Leasehold improvements	3,016	2,504	512	821
	<u>\$19,515</u>	<u>\$10,345</u>	<u>\$9,170</u>	<u>\$10,130</u>

6. REGISTERED SAVINGS PLANS

	2008	2007
Registered Retirement Savings Plans	\$147,410	\$135,159
Registered Retirement Income Funds	34,606	35,536
Registered Education Savings Plans	3,033	2,621
	<u>\$185,049</u>	<u>\$173,316</u>

7. SHARE SAVINGS

Members' non equity shares are withdrawable on demand by the member and may be redeemed by the Credit Union.

Members' equity shares are voting, have a par value of \$0.001 and may be withdrawn by the member subject to certain restrictions. Equity shares may be issued in the form of patronage refunds or dividends by the Credit Union.

8. CREDIT FACILITIES

The Credit Union maintains an operating line and term loan facility of \$110,000 (2007: \$110,000) with Central 1 Credit Union, bearing interest that varies with the bankers acceptance rate. This facility is secured by an assignment of book accounts and a debenture in favour of Central 1 Credit Union.

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2008	2007
Accounts payable and accrued liabilities	\$3,160	\$5,809
Deferred revenue	14	160
	<u>\$3,174</u>	<u>\$5,969</u>

10. CAPITAL MANAGEMENT

The *Financial Institutions Act* requires the Credit Union to maintain a prescribed capital base at all time. This base consists primarily of equity shares and retained earnings. The level of capital required is based on a percentage of the total value of risk weighted assets. Each asset of the Credit Union is assigned a risk factor based on the probability that a loss may occur on the ultimate realization of that asset. The *Financial Institutions Act* Regulations prescribe a total capital ratio of 8%, to avoid certain operating restrictions. To manage the Credit Union's capital, the Credit Union reviews the ratio monthly and monitors major movements in the risk weighted asset levels. At December 31, 2008, the Credit Union's estimated capital ratio of 14.39% exceeded the required capital ratio.

Effective May 1, 2004, Gulf and Fraser Fishermen's Credit Union acquired the assets and assumed the liabilities of United Savings Credit Union. The equity shares of United Savings were exchanged, on a share for share basis, with equity shares of Gulf and Fraser Fishermen's Credit Union. As a result of this business combination, included within the Credit Union's retained earnings is \$17,291 of contributed surplus which consists of \$16,883 of retained earnings from the former United Savings Credit Union and \$408 of contributed surplus representing the net of \$1,911 fair value adjustment to its assets and liabilities and \$1,503 of the costs associated with this merger.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended DECEMBER 31, 2008 (in thousands of dollars)

11. INCOME TAXES

Details of the components of income taxes are as follows:

	2008	2007
Combined Basic Federal and Provincial Statutory Income Tax	\$788 31.5%	\$1,426 34.1%
Decrease in tax due to:		
Preferred rate deduction available to credit unions	(659) (26.4%)	(454) (10.9%)
Non deductible and other items, net	538 21.6%	(389) (9.2%)
Total income taxes	<u>\$667 26.7%</u>	<u>\$583 14.0%</u>

At December 31, 2008, taxes payable of \$371 (2007: \$537) are included in accounts payable and other liabilities.

The income tax effects of temporary differences that give rise to the net future income tax asset (liability) are presented below:

	2008	2007
Future Income Tax Assets		
Allowance for doubtful loans	\$225	\$95
Premises and equipment	278	395
Other	(79)	(13)
Net Future Income Tax Asset	<u>\$424</u>	<u>\$477</u>

12. COMMITMENT

The Credit Union has committed to the following minimum lease payments for various branch premises over the next five years of approximately the following amounts:

2009	\$893
2010	852
2011	692
2012	705
2013 and subsequent years	1,446
	<u>\$4,588</u>

13. OTHER INFORMATION

- At December 31, 2008, outstanding loans to directors, officers, employees and related parties, as specified under the Financial Institutions Act of British Columbia, totaled \$13,662 (2007: \$12,923).
- Employees of the Credit Union are eligible for reduced interest rates on personal loans, lines of credit and mortgages. Directors are not eligible for these benefits. Employees and directors must comply with the credit policies of the Credit Union.
- During the year, directors, in their capacity as directors, received aggregate remuneration of \$229 (2007: \$134).

14. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The three primary types of risk inherent in the Credit Union environment include credit, liquidity and market.

Credit Risk

Credit risk is the risk that the Credit Union will incur a loss because a member fails to meet an obligation. Risk management policies are implemented by management and the Board. These policies include evaluating the member's ability to repay the loan when it is originally granted and subsequently renewed and regularly monitoring member information such as delinquent and over limit amounts. Concentrations of credit risk arise when members are engaged in similar economic activities or in similar geographic areas. The Credit Union's market service area is primarily the Lower Mainland and Greater Victoria regions of British Columbia and as a result, repayment by members is dependent in part upon the general economic conditions of these geographic regions.

Liquidity Risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet its obligations to members. To mitigate this risk, the Credit Union is required to maintain, in the form of cash and term deposits, an 8% liquidity at all times, based on total members' deposits and non equity shares. At December 31, 2008, the Credit Union's liquidity exceeded the required level.

Market Risk

Market risk refers to the risk of loss resulting from changes in interest rates, foreign exchange rates and market prices. The level of market risk to which the Credit Union is exposed varies depending on market conditions and the composition of the Credit Union's investment, lending and deposit portfolios.

The Credit Union's business is predominantly conducted in Canadian currency. However, some of the Credit Union's deposits are denominated in US funds. The Credit Union hedges its exposure to negative impacts from US currency fluctuations by maintaining US dollar denominated investments in amounts which approximate its US deposits. Therefore, exposures to foreign currency fluctuations are managed to immaterial levels on an ongoing basis.

Interest rate risk is the potential impact on the Credit Union's earnings and economic value due to changes in interest rates. The Credit Union continuously monitors its exposure to interest rate changes and their potential effects on financial margin by modeling its assets, liabilities and equity against the impact of various possible rate increases or decreases. The Credit Union has formal internal policies that establish acceptable levels of interest rate risk. These policies are directed at ensuring that expected financial margin has a high probability of falling within an acceptable range. There are further policies designed to ensure that the market value of equity is not eroded by interest rate changes beyond an acceptable range. The Credit Union also consults with independent experts with regards to both the quality and interpretation of its internal interest rate risk management programs.

The following table summarizes the pre tax impact of an immediate and sustained parallel 100 basis point increase or decrease shift in interest rates over the next 12 months on financial margin.

Impact of:	Financial Margin	
	Amount	Percentage of Base Forecast
100 bp increase in rates	\$1,325	5.93%
100 bp decrease in rates	\$(1,346)	(6.02)%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended DECEMBER 31, 2008 (in thousands of dollars)

15. INTEREST RATE SENSITIVITY

Interest rate risk is the risk that the value of the Credit Union's assets will fluctuate due to changes in market interest rates. The Credit Union manages this risk through the maturity terms of interest sensitive assets and liabilities, and interest rate swaps. The Credit Union's management estimates the interest rate risk as follows:

ASSETS	WEIGHTED	WITHIN 1 YEAR	1 TO 2 YEARS	2 TO 3 YEARS	3 TO 4 YEARS	OVER 4 YEARS	NOT INTEREST SENSITIVE	TOTAL
	AVERAGE RATE							
Cash resources	2.97%	\$39,683	\$12,114	\$10,941	\$7,600	\$5,500	\$6,705	\$82,543
Loans	4.94%	548,693	110,724	94,891	101,743	42,448	(2,006)	896,493
Investments and other		–	–	–	–	–	9,794	9,794
Premises and equipment		–	–	–	–	–	9,170	9,170
		588,376	122,838	105,832	109,343	47,948	23,663	998,000
LIABILITIES AND MEMBERS' EQUITY								
Deposits	3.00%	586,263	121,445	43,189	7,440	5,027	128,763	892,127
Other	2.04%	51,000	–	–	–	–	3,174	54,174
Members' Equity		–	–	–	–	–	51,699	51,699
		637,263	121,445	43,189	7,440	5,027	183,636	998,000
Interest Sensitivity Position		\$(48,887)	\$1,393	\$62,643	\$101,903	\$42,921	\$(159,973)	\$ –

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following information represents the estimated fair values of the Credit Union's financial instruments. Fair values have not been disclosed for those assets and liabilities which are not considered financial instruments. The under noted fair values, presented for information only, reflect conditions that existed only at December 31, 2008 and do not necessarily reflect future value or the amounts which the Credit Union might receive or pay if it were to dispose of any of its financial instruments prior to maturity:

ASSETS	BOOK VALUE	FAIR VALUE	FAIR VALUE
			OVER (UNDER) BOOK VALUE
Cash resources	\$82,543	\$85,070	\$2,527
Loans	896,493	898,808	2,315
Investments and other	2,980	2,980	–
	\$982,016	\$986,858	\$4,842
LIABILITIES AND MEMBERS' EQUITY			
Deposits	\$892,127	\$899,986	\$7,859
Other	53,175	53,176	1
	\$945,302	\$953,162	\$7,860

The fair values of highly liquid or short term items approximate their carrying values. Such items would include cash, investments, other assets and other liabilities. The fair value of loans and member deposits with fixed rates has been calculated using present value techniques and are based on market conditions at December 31, 2008. The fair value of loans and member deposits with variable rates of interest approximate their carrying value.

17. OFF BALANCE SHEET

Funds under Administration

Funds under administration by the Credit Union comprise loans that have been syndicated, sold, and administered in the capacity as an agent. It also includes investment portfolios and mutual fund accounts that are managed on behalf of members. Funds under administration are kept separate from Credit Union assets and therefore are not reflected in the consolidated balance sheet.

	2008	2007
Syndicated Loans	\$18,628	\$4,695
Investment portfolios and mutual funds, at market value	65,145	76,716
	\$83,773	\$81,411

Letters of Credit

In the normal course of business, the Credit Union enters into various off balance sheet commitments such as letters of credit. Letters of credit are not reflected in the balance sheet. At December 31, 2008, the Credit Union has outstanding letters of credit on behalf of members in the amount of \$8,875 (2007: \$8,554).

18. DERIVATIVE FINANCIAL INSTRUMENTS

On June 2, 2008 the Credit Union entered into a hedging transaction, whereby it used a cross currency swap contract in the amount of \$20,000 USD (receiving \$20,000 USD and paying \$19,800 CAD, maturing on March 2, 2009), to hedge a \$20,000 USD term deposit maturing on the same date.

At year end the term deposit liability had a fair value of \$24,400 CAD. The swap receivable also had a fair value of \$24,400 CAD.

At year end this derivative contract was marked to market, which involves present valuing the price of the equivalent forward rate at year end. The difference between the forward rate and the swap rate is a loss of \$264 (2007 - gain of \$214), which is included in other comprehensive income for the year.

19. NOTE TO THE STATEMENT OF CASH FLOWS

	2008	2007
Income taxes paid (received)	\$694	\$409
Dividends paid	\$180	\$531
Interest paid	\$29,746	\$31,415

20. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation.

FIVE YEAR FINANCIAL REVIEW

For the year ended DECEMBER 31, 2008 (in thousands of dollars)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	2008	2007	2006	2005	2004
Cash resources	\$85,523	\$73,199	\$69,472	\$71,357	\$102,582
Loans	896,493	841,629	773,410	669,064	575,626
Other Assets	15,984	12,207	12,156	10,077	10,624
Total Assets	\$998,000	\$927,035	\$855,038	\$750,498	\$688,832
Member Deposits	\$892,127	\$812,938	\$749,993	\$683,677	\$645,218
Other Liabilities	54,174	63,969	58,519	23,765	4,028
Members' Equity	51,699	50,128	46,526	43,056	39,586
Total Liabilities and Members' Equity	\$998,000	\$927,035	\$855,038	\$750,498	\$688,832

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	2008	2007	2006	2005	2004
Interest Income	\$52,507	\$52,646	\$45,107	\$36,265	\$27,780
Interest Expense	30,916	30,000	22,643	16,465	11,689
Other Income	4,958	4,732	4,676	5,655	4,512
Operating Expenses	23,836	23,162	22,489	20,364	16,867
Earnings before Income Tax and Distributions	\$2,713	\$4,216	\$4,651	\$5,091	\$3,736

SELECTED STATISTICAL DATA (UNAUDITED)

(AS A PERCENTAGE OF AVERAGE ASSETS)

	2008	2007	2006	2005	2004
Financial Margin	2.24	2.50	2.79	2.78	3.07
Other Income	0.51	0.52	0.58	0.79	0.86
Operating Expenses	2.48	2.56	2.79	2.86	3.22
Income before Distribution and Taxes	0.28	0.47	0.58	0.71	0.71

ALLOWANCE FOR LOSSES ON LOANS

	2008	2007	2006	2005	2004
Closing Balance	\$4,067	\$3,763	\$3,327	\$3,304	\$3,494



BOARD OF DIRECTORS



Vince Fiamengo
Chair and President



Lewis Bublé
1st Vice President



Aubrey Searle
2nd Vice President



Joseph Borevich
Director



Vila Nova Carvalho
Director



Brian Hamaguchi
Director



Tim Major
Director



Howard Normann
Director



John Secord
Director



Gary Williamson
Director



Mercedes Wong
Director



Floyd Yamamoto
Director

NOTES

BRANCH LOCATIONS & INFORMATION

Corporate Office

7375 Kingsway
Burnaby BC V3N 3B5
604.517.5100

Executive Management Team

Richard Davies	Chief Executive Officer
William Kiss	Chief Financial Officer
Jeff Shewfelt	Vice President Sales and Service
Juliana Yung	Vice President Commercial Credit

Other Services

Investment Advisory Services
Gulf & Fraser Insurance Services
604.254.8224

Chris Goodman	AVP, Technology
Bill Hartley	AVP, Human Resources
Ron Lee	AVP, Finance
Kathy O'Flaherty	AVP, Retail Credit

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2735 E. 41st Ave., Vancouver
604.437.4774

Main Street

1-2949 Main St., Vancouver
604.879.7131

Hastings

803 E. Hastings St., Vancouver
604.254.9811

New Westminister

760 6th St., New Westminister
604.526.2122

South Burnaby

7375 Kingsway, Burnaby
604.521.2315

Southpoint ELCO

6911 Southpoint Dr., Burnaby
604.528.8383

Richmond Centre

7971 Westminister Hwy, Richmond
604.278.0220

Steveston

3471 Chatham St., Steveston
604.271.5911

Port Coquitlam

400-2748 Lougheed Hwy., Port Coquitlam
604.941.8300

Fleetwood

101-15910 Fraser Hwy., Surrey
604.599.6177

Nordel Crossing

101-12020 Nordel Way, Surrey
604.507.8688

Cloverdale

500-6456 176th St., Surrey
604.575.3900

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