



Sharing Our Success

2010 ANNUAL REPORT





MISSION

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

SERVICE STATEMENT

We belong to a dynamic team, committed to building long-term relationships, providing exceptional personalized service and exceeding the expectations of the people and communities we serve.

ABOUT

G&F Financial Group is a member owned financial institution with over 26,000 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 70 years.

G&F Financial Group has 12 branches located in Vancouver, Burnaby, Richmond, New Westminster, Surrey and Port Coquitlam. In addition to personal banking, we offer insurance, investment advisory, and commercial services.

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Board of Directors' Report



VINCE FIAMENGO
PRESIDENT
CHAIR, BOARD OF DIRECTORS

STEPPING UP TO THE CHALLENGE

Even though some of the effects from the economic downturn still linger to this day, we are confident of our future as the economy is beginning to show signs of a recovery. Through it all, our financial success and our continuing support of the community is an indication of our readiness to move beyond the challenges from the economic uncertainties of previous years and a testament to our solid financial strength for years to come.

SHARING OUR SUCCESS

As a credit union, we thrive on the success of our members and the communities that we serve. Helping others and giving back is not only a principle, but a key objective. From helping members with their finances to making a positive difference in communities, G&F Financial Group has never wavered in its ability to deliver these two promises. Sharing our success with others is what defines us as the credit union where members belong.

On behalf of the Board of Directors, I am pleased to report that G&F Financial Group has maintained its momentum in building a credit union that is financially sound, member focused, and community minded. Based on our 2010 results, we are pleased to declare a 4% dividend on Membership Equity Shares and a 1% dividend on Non-Equity Shares, resulting in a cumulative return of \$1.1 million directly to our members in the last 5 years.

Sharing success also extends to the community. The more we give back to a community, the more it gives back to us. This relationship is what drives us to empower the organizations and people in our communities to prosper. With social responsibility being the core of our organization, G&F Financial Group gives back every year by way of hundreds of events, interactions with numerous community groups and supports various charities through scholarships, donations and volunteerism from every location and at every level.

In 2010, the credit union and its Foundation distributed over \$307,000 to education, athletics, youth, health, community and arts and culture. Over one hundred events were attended by and affiliated with G&F Financial Group's support this past year. Phenomenal results were also achieved through the G&F Financial Group Golf Tournament and raffle, raising over \$24,000 for SOS Children's Village BC. For the third consecutive year, BC Children's Hospital also benefited from the fundraising efforts of our vendors, employees and members, raising \$32,274 for BC's sick kids. Rounding out the year, employees and the Foundation contributed over \$66,000 in donations for the United Way of Lower Mainland through payroll and other contributions.

CONTINUED GROWTH FOR THE FUTURE

As we move into a new fiscal year, we are mindful of the challenges and excited about the potential for growth in the years ahead. In closing, the Board of Directors would like to thank the management and staff for their exceptional efforts during the past year. In these uncertain times, their commitment to superior service and dedication to making a positive impact in the community is the reason for our success. The Board would also like to thank the membership for their support and patronage in 2010, and is looking forward to our continued partnership for years to come.

A handwritten signature in black ink that reads "Vince Fiamengo". The signature is written in a cursive, flowing style with a large initial "V" and a decorative flourish at the end.

Vince Fiamengo
President
Chair, Board of Directors

Chief Executive Officer's Report

WILLIAM KISS
INTERIM CHIEF EXECUTIVE OFFICER
CHIEF FINANCIAL OFFICER



GROWTH AMIDST UNCERTAINTY

While the global and national economies continue making a slow but steady recovery from the economic shock in 2008, G&F Financial Group has built on the momentum of the previous year to finish 2010 with considerable success. We have leveraged the solid foundation and stability of the credit union system, our credit union's strong financial position and favourable regional economic conditions to grow the credit union profitably. We confronted the challenges in the economy by focusing on the variables we could control – by helping members achieve financial wellness while providing excellent products and services. With this clear purpose, our goal of forging ahead guided us through much of the year which led to growth, insight, and innovation for the credit union amidst uncertainty in the markets.

It was another successful year for G&F Financial Group. The most significant result was a record level of net income at \$5 million in 2010 which has built on the improving trends achieved the past two years. The year began with a strong start from early growth in our residential mortgage portfolio. Relatively low interest rates and a surging real estate market in parts of the Lower Mainland resulted in growth of 3% in our loan portfolio bringing the total to \$844 million. We also experienced modest deposit growth of 2.6% with the overall portfolio reaching \$919 million. By year end, the assets of the Credit Union reached \$987 million.

Our membership also continued to recognize the value of our advisors. We experienced an increase in member business in our general insurance agency, life insurance and wealth management. The stock markets in Canada and North America were particularly buoyant and the TSX concluded the year up 14%. Many of our members took advantage of the advisory services of the Credit Union and our funds under management increased during 2010.

Canadian consumers have increased their personal debt over the past several years. This measure now sits at record levels. The Credit Union and membership have not been insulated from this trend as we experienced increased defaults and bankruptcies resulting in increased write-offs. In spite of these trends, our loan portfolio remains well managed.

YOUR COMMENTS, OUR INSIGHTS

Quality growth also comes from listening to our members. Our member surveys have always given us many insights into making positive changes in our operations and service offerings. This year was no exception. Increased popularity for a

more comprehensive financial planning approach and mobile banking options were top of mind for members, as with concerns on building more sustainable and socially responsible practices for the credit union.

In response to these needs, our Insurance division added an additional Life Insurance Specialist to assist with estate planning in addition to financial planning. We also provided our members with greater convenience by making online banking available for smart phones and adding a Mobile Relationship Manager to the Retail Credit department. On the environmental front, our newly formed Green Committee is taking strides in implementing several green initiatives that are lessening our impact on the environment as an organization.

LOOKING AHEAD

As the economy continues on its path to recovery, savings vehicles such as TFSAs and flexible income products will be growing in popularity with consumers. Prepared with this knowledge, we reintroduced escalator term deposits to give members the flexibility they seek in deposit products. With the future in mind, G&F will also continue to look at ways of growing new membership while addressing the needs of current members by expanding its geographic and electronic footprint throughout the Lower Mainland. The introduction of CHIP cards will also help bring a new standard of safety to the industry and level of security for members by lowering cases of debit card fraud. As always, we look forward to maintaining the same level of service excellence, expert advice, and dedication to community support as we have offered over the past 70 years.

In closing, I would like to thank the Board of Directors, management and staff for their hard work and support this past year. As a team, we have made continuous efforts to embark on improvements in our products and services, give support to the community, and continue to grow our success for many years to come.



William Kiss
Interim Chief Executive Officer
Chief Financial Officer



Community Highlights

G&F Financial Group is dedicated to building dreams for people – financially and via positive change in communities. Whether it is through sponsorships, donations, or volunteerism, our credit union is driven to empower these communities through its people and the charitable organizations that support them.

COMMUNITY MILESTONES

In October 2010, G&F Financial Group was recognized for five years of involvement with the Bowling for Big Brothers event. This recognition is a true testament to the credit union's unwavering commitment in giving back to the communities we serve. Events such as our Annual Golf Tournament, corporate fundraising campaigns for BC Children's Hospital and United Way of Lower Mainland are also supported passionately by staff. With their help and those of our members, over \$24,000 was raised for SOS Children's Village BC, \$32,000 for Children's Hospital and \$33,000 for United Way.



SUPPORTING EDUCATION

At G&F Financial Group, we recognize education's role in personal and community development. Scholarships are one way to make education possible for those faced with increasing costs from tuition and materials. Last year, our credit union distributed \$27,000 in education awards. In addition to offering scholarships for post-secondary institutions in-province, two \$1,500 awards were created to make education more accessible and manageable for students studying out-of-province.

DONATIONS AND VOLUNTEERISM

In total, over \$307,000 in funding and in-kind donations were given to causes relating to youth, education, health, athletics, and community development. The credit union, through both monetary and volunteer support, has participated in over one hundred events throughout the Lower Mainland. These efforts are just some of the many ways G&F Financial Group is connected to the communities where it operates. As your community credit union, we are here to make a difference.

Employee Highlights

EMPLOYEE HIGHLIGHTS

A recurring theme from G&F's Member Survey are the high praise members give on service excellence. When we looked at how we achieved this, the answer was simple. Our employees are passionate about helping others because we're passionate about developing their careers and providing them with work- life balance.

A NEW PLACE TO LEARN

During 2010, over \$71,000 was invested in a dedicated training facility at our 41st Avenue branch to give our employees more room to learn. As the demands of different systems and processes increase within the credit union, this facility provides our Training Team with the right tools and technologies to further employee development. A dedicated training facility also illustrates G&F's commitment to providing our employees with a conducive environment for learning. We created more room to learn, which means more room to grow.





LEARNING FROM EACH OTHER

To provide a better experience for members, we're also learning from each other. The credit union's inaugural Internal Quality Service Survey gave each department and branch the ability to give comments and feedback on how we work with one another. This valuable data fosters a positive working environment for all of us by being aware of the level of service we provide each other and how it is vital to the operation of G&F. Another initiative, the reorganization and update of our intranet site will enable more efficient file sharing, leading to faster and more accurate response times between departments and even members.

HEALTHY LIVES, HEALTHY WORKPLACE

To encourage a healthy work-life balance, the newly launched wellness program called "Get Fit Feel Good" encourages employees to engage in healthy lifestyle choices whether they're at the office or at home. These activities include categories such as Fit Body and Mind, Preventative Maintenance, Perfect Attendance, and Healthy Living to inspire our staff to pursue a variety of healthy, active, and positive activities. At G&F, employees play a critical role in our success. We recognize their commitment to excellence and are dedicated in their development as we continue to grow as a leading organization.





Member Highlights

At G&F Financial Group, we are driven to offer exemplary service and provide a diversity of products to accommodate the growing needs of our members. We also recognize that members' financial needs change for a variety of reasons. Whether it's economic conditions or a different life stage, our promise to members is to provide them with the right advice and products to help them achieve their goals and dreams. Understanding these needs and finding ways to accommodate them is monumental in our growth for the future. How our members feel about our products and services dictate our goals and our vision.



YOUR OPINION MATTERS

An important measure of our members' needs rest with the Member Survey. Member surveys and mystery shops are conducted regularly to ensure we are upholding our service excellence and uncovering new areas of need for our membership. We have also devised an organization-wide program that outlines a variety of standards that every employee must follow so suppliers, members, and guests are met with the same level of enthusiasm and professionalism at every interaction.



EXPANDED SERVICES

Our surveys have also uncovered various needs in the areas of lending and financial planning. The addition of a Mobile Relationship Manager allows members extended access to someone who is able to help provide professional mortgage and banking advice beyond branch hours and at their convenience. Life Insurance Specialists have also joined our Insurance division to addresses members' needs in the areas of financial and estate planning.

GROWTH FOR THE FUTURE

In the years ahead, we are also looking at an expanded branch network to provide more convenience for members. Existing branches are also under redesign for improved access. Beyond physical locations, the credit union will continue to invest in electronic channels in making banking easier and more accessible. All of these efforts have the goal of providing the best in services and products for our members at the credit union.



Building a Sustainable Legacy



At G&F Financial Group, the bottom line extends beyond financials and into the environment. Since the launch of paperless statements, our credit union has made it our responsibility to conserve energy and divert waste from landfills in fulfilling our social commitment to creating a healthier and greener future. This past year, G&F's newly established Green Committee led the efforts in the launch of four key initiatives: duplexing on all internal documents, proper recycling of materials at all locations (including batteries), reduction in power usage, and a phase-out of disposable water bottle use.

GOING GREEN

Made of representatives from various locations, the Green Committee received training and achieved certification from the David Suzuki Foundation's Workplace Conservation Program. It is also on track in completing the Climate Smart designation in calculating carbon emissions generated by the credit union and its employees. Team members also participate in sustainability fairs, seminars, and meetings to discover and implement new initiatives.





A SUSTAINABLE BOTTOM LINE

With these efforts in place, G&F is making major improvements in its quest to becoming more earth-friendly. It is estimated that one of the head office printers will save more than 66,000 sheets of paper for the year ahead from duplex printing. That is equivalent to saving 10 trees for just one printer at one location. From this increased awareness in recycling, we were also able to divert 54 cubic tonnes of waste from landfills and gain 8.8 tonnes of carbon credit. These phenomenal results illustrate our continued dedication in maintaining sustainability for the planet and on our bottom line.



Management's Responsibility for Financial Reporting

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.



William Kiss
Interim Chief Executive Officer
Chief Financial Officer

Independent Auditors' Report

TO THE MEMBERS OF GULF AND FRASER FISHERMEN'S CREDIT UNION:

We have audited the accompanying consolidated financial statements of Gulf and Fraser Fishermen's Credit Union, which comprise the consolidated balance sheet as at December 31, 2010 and the consolidated statements of changes in members' equity, income and comprehensive income 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, the consolidated financial statements present fairly, in all material respects, the financial position of Gulf and Fraser Fishermen's Credit Union as at December 31, 2010, and its financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Vancouver, B.C.
February 15, 2011

CONSOLIDATED BALANCE SHEET

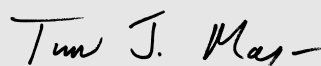
DECEMBER 31, 2010 (in thousands of dollars)

	2010	2009
ASSETS		
Cash resources (Note 3)	\$ 124,641	\$ 144,430
Loans (Notes 2(c) and 4)	843,794	819,404
Property held for sale (Note 5)	5,743	-
Investments (Note 6)	2,718	3,253
Receivables and prepaid expenses	2,218	2,474
Premises and equipment (Notes 2(f) and 7)	7,302	7,916
Future income tax asset (Note 13)	564	309
	\$ 986,980	\$ 977,786
LIABILITIES		
Deposits		
Deposits withdrawable on demand	\$ 398,321	\$ 398,625
Term deposits	315,170	296,952
Registered savings plans (Note 8)	200,474	193,457
Accrued interest	5,485	6,862
Share savings (Note 9)		
Members' non-equity shares	583	673
Members' equity shares	3,281	3,379
Dividends payable (Note 2(g))	123	134
Total members' accounts	923,437	900,082
Borrowings (Note 10)	-	20,000
Accounts payable and other liabilities (Note 11)	3,252	2,393
	926,689	922,475
MEMBERS' EQUITY		
Retained earnings (Note 12)	60,291	55,311
	\$ 986,980	\$ 977,786
Commitment (Note 14)		
Subsequent event (Notes 5 and 22)		

Approved on behalf of the Board



Vince Fiamengo
Director



Tim Major
Director

See notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2010 (in thousands of dollars)

	2010	2009
RETAINED EARNINGS		
Retained earnings at beginning of year	\$ 55,311	\$ 51,761
Net income for year	4,980	3,550
Retained earnings at end of year	60,291	55,311
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Accumulated other comprehensive income at beginning of year	-	(62)
Other comprehensive income for year	-	62
Total accumulated other comprehensive income	-	-
TOTAL EQUITY	\$ 60,291	\$ 55,311

See notes to consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2010 (in thousands of dollars)

	2010	2009
		(Note 23)
FINANCIAL INCOME		
Loan interest	\$ 36,897	\$ 38,277
Investment and cash resource income	2,155	2,508
	39,052	40,785
FINANCIAL EXPENSES		
Interest on members' deposits	15,194	20,252
Interest on borrowed money	79	388
	15,273	20,640
FINANCIAL MARGIN	23,779	20,145
OTHER INCOME (EXPENSE)		
Member Services Income	6,333	7,180
Other Income (Note 6)	1,050	1,054
Provision for doubtful loans (Note 4)	(100)	-
	7,283	8,234
OPERATING MARGIN	31,062	28,379
OPERATING EXPENSES		
Salaries and employee benefits	13,744	13,010
Office and other administrative	3,098	2,891
Occupancy	2,289	2,131
Data processing	1,505	1,493
Amortization	1,464	1,760
Advertising and promotion	877	811
Dues	737	763
Professional and other services	596	498
Miscellaneous expenses	512	353
Capital tax	49	233
	24,871	23,943
INCOME FROM OPERATIONS	6,191	4,436
DONATION TO G&F FINANCIAL GROUP FOUNDATION	(25)	(25)
DISTRIBUTION TO MEMBERS (Note 2(g))	(114)	(127)
	6,052	4,284
INCOME BEFORE INCOME TAXES	6,052	4,284
INCOME TAXES (RECOVERY) (Note 13)		
Current	1,327	619
Future	(255)	115
	1,072	734
NET INCOME FOR YEAR	4,980	3,550
OTHER COMPREHENSIVE INCOME		
Gains on derivatives designated as cash flow hedges	-	62
	-	62
COMPREHENSIVE INCOME	\$ 4,980	\$ 3,612

See notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010 (in thousands of dollars)

	2010	2009
OPERATING ACTIVITIES		
Net income for the year	\$ 4,980	\$ 3,550
Adjustments:		
Amortization	1,464	1,760
Provision for doubtful loans	100	-
Gain on sale of investments	(279)	-
Gain on sale of insurance license	-	(601)
Gain on sale of securitized loans	-	(150)
Future income tax expense (recovery)	(255)	115
	6,010	4,674
Changes in non-cash working capital:		
Decrease in:		
Accrued interest on loans	189	169
Receivables and prepaid expenses	256	3,978
Increase (decrease) in:		
Accrued interest on deposits	(1,377)	(3,255)
Accounts payable and other liabilities	859	(610)
	5,937	4,956
INVESTING ACTIVITIES		
(Acquisition) disposal of investments	814	(273)
Decrease (increase) in loans	(30,422)	73,096
Acquisition of premises and equipment	(850)	(506)
Proceeds on sale of insurance license	-	601
Proceeds on sale of securitized loans	-	3,974
	(30,458)	76,892
FINANCING ACTIVITIES		
Increase in members' accounts	24,743	11,214
Decrease in borrowings	(20,000)	(31,000)
Decrease in dividends payable	(11)	(4)
	4,732	(19,790)
INCREASE (DECREASE) IN CASH	(19,789)	62,058
CASH, BEGINNING OF YEAR	144,430	82,372
CASH, END OF YEAR	\$ 124,641	\$ 144,430

Supplemental information (Note 21)

See notes to consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (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 and its wholly owned subsidiaries, Gulf and Fraser Insurance Services Ltd, 0887291 BC Ltd (Note 5) and 0887287 BC Ltd (Note 5).

b) 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, other than derivatives, are carried at amortized cost. Interest income and expense are recognized on an accrual basis using the effective interest rate method.

c) 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.

d) Securitization of Loans

The Credit Union sells mortgage loan receivables to Central 1 Credit Union ("Central 1"), who in turn packages these mortgages into pools of mortgage backed securities. These are then issued by Central 1 to investors through the Canada Housing Trust ("CHT"). These transactions are accounted for as sales and the related loans are removed from the balance sheet when the Credit Union is deemed to surrender control over such assets and consideration has been received by the Credit Union in exchange.

The Credit Union determines fair value of mortgages sold based on the present value of future expected cash flows using management's best estimate of key assumptions such as repayment rates, discount rates and excess spread. Gains and losses on securitization transactions are recognized in other income and depend in part on the previous carrying amounts of the loans involved in the sale, which is allocated between the loans sold and the retained interests, based on their relative fair values at the date of transfer.

The Credit Union retains interests in the securitized loans, together with an obligation to service these loans on a fee for service basis. Retained interests are classified as AFS assets and are recorded at fair value at the time of sale, with subsequent changes in fair value flowing through other comprehensive income. The carrying value of the retained interests is reviewed periodically for impairment and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (in thousands of dollars)

adjusted as required. Where the Credit Union continues to service the loans, servicing revenue is recognized and amortized over the servicing period. Income from securitized assets comprised of income from retained interests and servicing income, and is reported in the consolidated statement of income.

e) Investments

Investment in equity shares are designated as AFS securities. Equity shares and other investments 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 on equity and non-equity shares. 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 net unrealized gains and losses on AFS securities, and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (in thousands of dollars)

k) Future Accounting Changes

International Financial Reporting Standards (IFRS)

The CICA has announced the convergence of Canadian Generally Accepted Accounting Principles (GAAP) with International Financial Reporting Standards (IFRS) for publicly accountable enterprises. The Credit Union's consolidated financial statements will be prepared in accordance with IFRS for the fiscal year beginning January 1, 2011 and will include comparative information for the prior year.

During the 2009 year, the Credit Union commenced its transition initiative supported by a formal governance structure and project plan. The project plan includes three phases: (1) Scope and Plan, (2) Design and Build, and (3) Implement and Review. The Scope and Plan phase was completed during the 2009 year, the Design and Build phase was completed in the 2010 year and the project continues to progress on track with the Implement and Review phase.

The impact of transition to IFRS on the Credit Union's financial statements for the current standards is not yet determinable. The Credit Union continues to monitor the International Accounting Standards Board's proposed changes to standards during Canada's transition to IFRS. These proposed changes may have a significant impact on the implementation plan and future financial statements.

3. CASH RESOURCES	2010	2009
Cash	\$ 3,202	\$ 3,308
Central 1 Credit Union cash	18,629	16,672
Central 1 Credit Union term deposits	101,961	123,360
Accrued interest on term deposits	849	1,090
	\$ 124,641	\$ 144,430

Cash resources with Central 1 Credit Union in term deposits as at December 31, 2010 totals \$101,961 (2009: \$123,360), and bears interest at 0.25% to 4.90% with maturities from January 4, 2011 to December 29, 2015.

4. LOANS	2010	2009
Residential mortgages	\$ 497,355	\$ 478,491
Commercial mortgages	222,563	214,583
	719,918	693,074
Other loans	10,607	12,765
Lines of credit	114,985	115,379
Accrued interest	1,711	1,900
	847,221	823,118
Less: allowance for doubtful loans	(3,427)	(3,714)
	\$ 843,794	\$ 819,404

The activity in the allowance for doubtful loans during the year and the resulting year-end balance is as follows:

Allowance for doubtful loans, beginning of year	\$ 3,714	\$ 4,067
Provision for credit losses	100	-
Write-offs, net of recoveries	(387)	(353)
Allowance for doubtful loans, end of year	\$ 3,427	\$ 3,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (in thousands of dollars)

5. PROPERTY HELD FOR SALE

The Credit Union obtained an Order Absolute of Foreclosure on September 14, 2010 on the Oceanfront Grand Resort & Marina (Oceanfront) in the name of 0887291 BC Ltd, a corporation wholly owned by the Credit Union which received title to the property. In addition, 0887287 BC Ltd, a corporation wholly owned by the Credit Union, was established on September 14, 2010 to operate the ongoing business of the Oceanfront hotel.

Oceanfront is being actively marketed by the Credit Union, therefore it is classified as an “asset held for sale” on the balance sheet. The value of \$5,743 represents the estimated fair value of the hotel property and no gain or loss was recorded by the Credit Union as a result of the foreclosure.

On February 3, 2011, the Board of Directors of the Credit Union approved a conditional sale of Oceanfront that, if completed, would recover substantially all of the recorded fair value of the hotel property.

6. INVESTMENTS	2010	2009
Central 1 Credit Union - at cost	\$ 2,305	\$ 2,479
Other - at cost	413	774
	\$ 2,718	\$ 3,253

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. During the 2010 year, the Credit Union received the proceeds on the sale of its shares in Cumis Group Ltd. to Central 1. The sale of shares resulted in a gain of \$279, which is included in other income.

7. PREMISES AND EQUIPMENT

			2010	2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 3,468	\$ -	\$ 3,468	\$ 3,468
Buildings	4,787	3,084	1,703	1,753
Furniture and equipment	9,424	7,378	2,046	2,452
Leasehold improvements	3,019	2,934	85	243
	\$ 20,698	\$ 13,396	\$ 7,302	\$ 7,916

8. REGISTERED SAVINGS PLANS

	2010	2009
Registered Retirement Savings Plans	\$ 144,364	\$ 147,652
Registered Retirement Income Funds	35,579	34,669
Registered Education Savings Plans	3,656	3,309
Tax Free Savings Account	16,875	7,827
	\$ 200,474	\$ 193,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (in thousands of dollars)

9. 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 one dollar 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.

10. BORROWINGS

	2010	2009
Central 1 Credit Union - operating line and term loan facility	\$ -	\$ -
Central 1 Credit Union - discretionary term loan	-	20,000
	\$ -	\$ 20,000

The Credit Union maintains an operating line and term loan facility of \$19,733 (2009: \$19,900) with Central 1 Credit Union, bearing interest that varies with the bankers acceptance rate. This facility is secured by an assignment of book accounts.

During the 2009 year, the Credit Union entered into a discretionary one year closed term loan with Central 1 Credit Union in the amount of \$20,000 bearing interest at an effective interest rate of 0.80% based on Central 1 Credit Union's cost of funds by participating in the Bank of Canada's Term Purchase and Resale Agreement Auction under the same security arrangement as the above facility. During the 2010 year, the term loan was repaid by the Credit Union.

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2010	2009
Accounts payable and accrued liabilities	\$ 3,220	\$ 2,358
Deferred revenue	32	35
	\$ 3,252	\$ 2,393

12. 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, 2010, the Credit Union's estimated capital ratio of 18.08% (2009: 17.11%) 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. As a result of this business combination, included within the Credit Union's retained earnings and prescribed capital base is \$17,291 of contributed surplus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (in thousands of dollars)

13. INCOME TAXES	2010		2009			
Details of the components of income taxes are as follows:						
Combined basic federal and provincial statutory income tax	\$	1,725	28.5%	\$	1,285	30%
Decrease in tax due to:						
Preferred rate deduction available to credit unions		(471)	(7.8%)		(605)	(14.1%)
Non deductible and other items, net		(182)	(3.0%)		54	1.3%
Total income taxes	\$	1,072	17.7%	\$	734	17.2%

At December 31, 2010, taxes payable (receivable) of \$809 (2009: \$(45)) 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:

	2010		2009	
Future Income Tax Assets				
Allowance for doubtful loans	\$	235	\$	158
Premises and equipment		417		248
Other		(88)		(97)
Net Future Income Tax Asset	\$	564	\$	309

Losses carried forward for income tax purposes:

At December 31, 2010, a wholly owned subsidiary of the Credit Union has losses carried forward for income tax purposes of \$83 available for deduction against future years' taxable income. If unutilised, these losses will expire in the fiscal year ending 2030.

14. 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:

2011	\$	933
2012		949
2013		921
2014		698
2015 and subsequent years		529
	\$	4,030

15. OTHER INFORMATION

- a) At December 31, 2010, outstanding loans to directors, officers, employees and related parties, as specified under the Financial Institutions Act of British Columbia, totalled \$15,614 (2009: \$16,493).
- b) 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.
- c) During the year, directors, in their capacity as directors, received aggregate remuneration of \$231 (2009: \$229).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (in thousands of dollars)

16. 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, 2010, 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 increase or decrease shift in interest rates over the next 12 months on financial margin, assuming that no further hedging is undertaken. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and the risk management initiatives.

Impact of:	2010		2009	
	Financial Margin		Financial Margin	
	Amount	Percentage of Base Forecast	Amount	Percentage of Base Forecast
100 bp increase in rates	\$ 1,579	6.40%	\$ 1,129	4.84%
100 bp decrease in rates	\$ (1,960)	(7.90)%	\$ (633)	(2.71)%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (in thousands of dollars)

17. 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:

	Weighted Average Rate	Within 1 Year	1 to 2 Years	2 to 3 Year	3 to 4 Years	Over 4 Years	Not Interest Sensitive	Total
Assets								
Cash resources	1.60%	\$ 87,733	\$ 10,799	\$ 9,299	\$ 8,899	\$ 4,199	\$ 3,712	\$ 124,641
Loans	4.52%	488,434	93,177	57,597	100,967	104,873	(1,254)	843,794
Investments and other		-	-	-	-	-	11,243	11,243
Premises and equipment		-	-	-	-	-	7,302	7,302
		<u>576,167</u>	<u>103,976</u>	<u>66,896</u>	<u>109,866</u>	<u>109,072</u>	<u>21,003</u>	<u>986,980</u>
Liabilities and Members' Equity								
Deposits	1.63%	577,942	169,952	40,688	6,257	6,780	121,818	923,437
Other		-	-	-	-	-	3,252	3,252
Members' Equity		-	-	-	-	-	60,291	60,291
		<u>577,942</u>	<u>169,952</u>	<u>40,688</u>	<u>6,257</u>	<u>6,780</u>	<u>185,361</u>	<u>986,980</u>
Interest Sensitivity Position		\$ (1,775)	\$ (65,976)	\$ 26,208	\$ 103,609	\$ 102,292	\$ (164,358)	\$ -

18. 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, 2010 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:

	Book Value	Fair Value	Fair Value Over (Under) Book Value
Assets			
Cash resources	\$ 124,641	\$ 125,429	\$ 788
Loans	843,794	854,478	10,684
Investments and other	2,718	2,718	-
	<u>\$ 971,153</u>	<u>\$ 982,625</u>	<u>\$ 11,472</u>
Liabilities and Members' Equity			
Deposits	\$ 923,437	\$ 925,468	\$ 2,031
Other	3,252	3,252	-
	<u>\$ 926,689</u>	<u>\$ 928,720</u>	<u>\$ 2,031</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (in thousands of dollars)

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, 2010. The fair value of loans and member deposits with variable rates of interest approximates their carrying value.

19. OFF BALANCE SHEET	2010	2009
Funds Under Administration		
Funds under administration by the Credit Union comprise loans that have been securitized or syndicated 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.		
Securitized Loans (Note 20)	\$ 1,780	\$ 3,043
Syndicated Loans	82	15,141
Investment portfolios and mutual funds, at market value	86,911	80,648
	\$ 88,773	\$ 98,832

Letters of Credit

In the normal course of business, the Credit Union issues letters of credit on behalf of its members. Letters of credit are not reflected in the balance sheet. At December 31, 2010, the Credit Union has outstanding letters of credit on behalf of members in the amount of \$8,697 (2009: \$7,899).

20. LOAN SECURITIZATION	2010	2009
The following table summarizes residential loans securitized during the year:		
Net cash proceeds received	\$ -	\$ 3,974
Retained rights to excess interest	-	197
Deferred servicing revenue	-	(41)
	-	4,130
Mortgages securitized	-	(3,980)
Net gain on sale	\$ -	\$ 150

The key assumptions used to value the retained interests at the date of securitization were as follows:

Prepayment rate	20%
Excess spread	2.42%
Discount rate	2.28%
Weighted average life of loans (years)	2.15

At December 31, 2010, the total principal outstanding in respect of securitized loans amounted to \$1,780 (2009: \$3,043). The retained interest in securitization, included in receivables and prepaid expenses, amounted to \$60 (2009: \$171). Deferred servicing revenue included in accounts payable and other liabilities are \$10 (2009: \$26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010 (in thousands of dollars)

21. NOTE TO THE STATEMENT OF CASH FLOWS	2010	2009 (Note 23)
Income taxes paid, net	\$ 475	\$ 595
Dividends paid	\$ 131	\$ 138
Interest paid	\$ 16,650	\$ 23,895

22. SUBSEQUENT EVENT

On February 10, 2011, a senior employee ceased to be employed by the Credit Union. In accordance with the terms of the employment contract, the Credit Union estimates related severance costs to be approximately \$600.

23. COMPARATIVE FIGURES

Certain 2009 comparative figures have been restated to conform with the current year's presentation.

FIVE YEAR FINANCIAL REVIEW

Year Ended December 31, 2010 (in thousands of dollars)

Consolidated Balance Sheet (Unaudited)

	2010	2009	2008	2007	2006
Cash and investments	\$127,359	\$147,683	\$85,352	\$73,199	\$69,472
Loans	843,794	819,404	896,493	841,629	773,410
Other Assets	15,827	10,699	15,984	12,207	12,156
Total Assets	\$986,980	\$977,786	\$997,829	\$927,035	\$855,038
Member Deposits	\$923,437	\$900,082	\$892,127	\$812,938	\$749,993
Other Liabilities	3,252	22,393	54,003	63,969	58,519
Members' Equity	60,291	55,311	51,699	50,128	46,526
Total Liabilities and Members' Equity	\$986,980	\$977,786	\$997,829	\$927,035	\$855,038

Consolidated Statement of Income (Unaudited)

	2010	2009	2008	2007	2006
Interest Income	\$39,052	\$40,785	\$52,507	\$52,646	\$45,107
Interest Expense	15,273	20,640	30,916	30,000	22,643
Other Income	7,283	8,234	4,958	4,732	4,676
Operating Expenses	24,871	23,943	23,836	23,162	22,489
Earnings before Income Tax and Distributions	\$6,191	\$4,436	\$2,713	\$4,216	\$4,651

Selected Statistical Data (Unaudited)

(as a percentage of average assets)

	2010	2009	2008	2007	2006
Financial Margin	2.42	2.07	2.21	2.50	2.79
Other Income	0.74	0.85	0.51	0.52	0.58
Operating Expenses	2.53	2.46	2.44	2.56	2.79
Income before Distribution and Taxes	0.63	0.46	0.28	0.47	0.58

Allowance for Losses on Loans

	2010	2009	2008	2007	2006
Closing Balance	\$3,427	\$3,714	\$4,067	\$3,763	\$3,327

Board of Directors



VINCE FIAMENGO
PRESIDENT



LEWIS BUBL 
1ST VICE PRESIDENT



HOWARD NORMANN
2ND VICE PRESIDENT



JOSEPH BOROEVICH
DIRECTOR



VILA NOVA CARVALHO
DIRECTOR



BRIAN HAMAGUCHI
DIRECTOR



TIM MAJOR
DIRECTOR



AUBREY SEARLE
DIRECTOR



JOHN SECORD
DIRECTOR



GARY WILLIAMSON
DIRECTOR



MERCEDES WONG
DIRECTOR



FLOYD YAMAMOTO
DIRECTOR

CORPORATE OFFICE

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604-517-5100

GULF AND FRASER INSURANCE SERVICES LTD.

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SENIOR MANAGEMENT TEAM

William Kiss Interim Chief Executive Officer & Chief Financial Officer

Jeff Shewfelt Vice President, Sales and Service

Juliana Yung Vice President, Commercial Credit

Bill Hartley Vice President, Human Resources

Ron Lee Associate Vice President, Finance

Peter Kobayashi Associate Vice President, Retail Credit

Chris Goodman Associate Vice President, Technology

BRANCH LOCATIONS

Burnaby

South Burnaby Branch
7375 Kingsway
604-521-2315

Southpoint Branch
6911 Southpoint Drive
604-528-8383

New Westminster

New Westminster Branch
760 6th Street
604-526-2122

Port Coquitlam

Port Coquitlam Branch
400-2748 Lougheed Highway
604-941-8300

Richmond

Richmond Centre Branch
7971 Westminster Highway
604-278-0220

Steveston Branch
3471 Chatham Street
604-271-5911

Surrey

Cloverdale Branch
500-6456 176th Street
604-575-3900

Fleetwood Branch
101-15910 Fraser Highway
604-599-6177

Nordel Crossing Branch
101-12020 Nordel Way
604-507-8688

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2735 East 41st Avenue
604-437-4774

Main Street Branch
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