VantageOne CREDIT UNION

Annual Report **2012**

Vernon Main Branch

Armstrong Branch

Arrow Lake Branch

Okanagan Landing Branch

Experience Extraordinary!

OUR MISSION

Meet our members' and clients' financial needs through quality service and knowledgeable advice.

OUR VALUES

Pride
Integrity
Enthusiasm
Service Innovation

OUR DIFFERENCE

Our Flexibility
Our People
Our Ownership
Our Values

Kal Lake Photo: Don Weixl

Sponsorships

2012 Corporate Sponsorships

Allan Brooks Nature Centre
Armstrong IPE
City Of Vernon Sponsorship
Forum for Young Canadians
FUNTASTIC
Hospice Walk for Life
Junction Literacy Centre
Kalavida Surf Shop
NOCLS Art and Wine Gala
Okanagan Landing Elementary School
Rotary Club of Vernon
SIFE Okanagan
United Way - Drive Thru Breakfast
VantageOne Centre
Vernon Secondary School
Vernon Canada Day Celebration
Vernon Community Music School Glee Club
Vernon Public Art Gallery

2012 Donations

BC PKU Day
Caetani House
Connie Kapak - BC Winter Games
ELKS Canada
Greater Vernon Chamber of Commerce
HBC Golf Tournament
JCI Vernon Hospital Gala
Kalamalka Rotary Club
Kindale Fall Celebration
Mae Wong
Municipal Pension Retirees Association
Okanagan Rhythmic Gymnastics - Kiah Ward
Ozone Drama Festival
Powerhouse Theatrical Society
Royal Canadian Legion
SPCA Yappy Hour
Students without Borders
United Way
United Way Online Auction
VJH – Annual Charity Classic Golf Tournament
Vernon Amateur Boxing Club
Vernon Community Choir
Vernon Kidney Walk
Vernon MS Society
Vernon Minor Hockey
Vernon Native Housing Society
Vernon Rotary Club
Vernon Secondary School
Vernon Vipers
Vernon Walk for ALS

2012 Tent Sponsorships

Allan Brooks Nature Centre
Armstrong IPE
Bimbleton
Business After 5
City of Vernon - Bike To Work Week
City of Vernon - Car Free Day
City of Vernon - Library Square
Community Corporate Rowing Challenge
Downtown Vernon Association
- Sunshine Festival
FUNTASTIC
Hike for Hospice
Kalamalka Classic Baseball tournament
Kalavida Surf Shop
Kamloops TRU: Akbal Mund – Wendys
Kindale
Lake2Lake
SPCA Paws for a Cause
Vernon Dragon Riders
Vernon Paddling Centre
Vernon Rotary Club
Vernon Soccer Association
Vernon Yacht Club
YAA Fest

Message from the Board Chair

On behalf of your Board of Directors, I am pleased to provide you with an update on activities over the past year.

From an economic perspective are we in recovery? Are we in a slowdown? What about the European Financial crisis? Which direction is the US going? What about the emerging economies such as China, Brazil and India? How does this all impact our region? All great questions that we as a board look to find some answers to as we move forward. We wish we had answers to all these important questions; however no clear answers currently exist. We have concluded that we are seeing a very slow economic recovery from the Financial Crisis in 2008, one where the restructuring of debt will continue and cause economies of the world to perform below peak capacity. This will result in an extended period of low interest rates and below average economic performance. So no quick fixes for the world economy. What does this mean for our region? Fortunately, we continue to be a desirable place to live as the largest segment of our population, the baby boomers, enter retirement and relocate to our area and others look to live here and work in the resource areas of Northern BC or Alberta. This has resulted in continued investment in our region with Target opening this spring and other retailers and hotels continuing to invest in Greater Vernon. These factors will allow our local economy to continue to move forward.

Faced with continued economic slowness and low interest rates the board is well aware of the increased competitiveness for business in the market which results in lower margins overall. As a result we have ensured a focus on operational efficiency as we look to continue to grow our business. We remain well positioned with a strong capital and liquidity base and expect to see more positive economic growth emerge in 2014 and 2015.

As a Credit Union, a key part of our organization is a continued focus on improving the health and well-being of the communities we serve. As a result we support many worthwhile organizations in the community through financial and non-financial support. A couple of our key sponsorships focus on Youth Literacy in the region and another supports integrating mentally handicapped adults into our community. Junction Literacy Centre provides an important service to the community to encourage youth reading. The development of young people's reading habits leads to more productive teenagers and adults and we have provided support through funding and collecting books for reading in our branches. The North Okanagan Community Life Society was formed in 1984 with a goal of supporting mentally handicapped adults integrating into our community. They have been very successful with their programs and we have provided financial, volunteer and funding support to assist with their endeavors. Finally, we provided banking services and sponsorship to the BC Winter Games Society which was able to leave a legacy of $119,000 in our community through their grant program that has benefited many sporting groups in our region.

We would also like to thank you, our members for choosing to bank with VantageOne. Our annual Great Gobble Giveaway turkey program has been continued and has now been running for over 10 years. We gave away over 6000 Turkeys to members and charity organizations in the Greater Vernon, Armstrong/Spallumcheen and Edgewood areas.

In closing, I want to thank my fellow Directors for their hard work, participation and energy over the past year. I would also like to thank the management and staff for their hard work, dedication and never-ending focus to "Be Extraordinary". Finally, I would like to thank you our members, you are our success and your continuing loyalty to VantageOne is greatly appreciated.

Respectfully submitted,

Don Main
Chairman of the Board

Message from the Chief Executive Officer

The past year continued to show our economic challenges are not over and that the recovery that was to be, hasn't fully materialized. As a result, we faced a challenging year for loan growth and remain in a very competitive low rate environment. To enhance our market position and growth potential in the Vernon market we are completing the implementation of a new convenience centre branch in the main shopping area of North Vernon. We were also recognized for our employees' outstanding efforts through the Greater Vernon Chamber of Commerce Business Awards.

Given an economic environment of slower growth and low interest rates, we are pleased to report our financial results for 2012. Last year we grew 4% in Assets ($10.5 Million) to $264 Million based on strong growth in our deposit portfolio. Our loan portfolio showed a decline for the year due to weakness in growth in both consumer and business lending. Turning to the income statement, low interest rates coupled with portfolio decline for the year resulted in a significant drop in loan interest income. Given the large increase in deposits we benefited from the low interest rate environment as deposit growth costs were less than anticipated. Operating costs were maintained to similar levels as 2011; however with the decrease in loan revenue we had a significant decline in our bottom line from the previous year. We expect the low interest rate environment to continue and put pressure on margin and our bottom line, fortunately we are well positioned to weather this unusual low interest rate environment and expect to see more positive loan growth in the coming year.

Vernon has seen significant growth over the past couple of decades that has resulted in the emergence of North Vernon as the shopping hub for our region. With all major retailers now positioned in this important area we wanted to make sure we didn't get left behind. Research studies show convenience is a driving force behind consumer behavior and as a result we secured a property in North Vernon on 26th Street for a future branch location. This convenience centre will be opening in May 2013 and will offer the convenience of services all in one location --- banking, investing, loans, mortgages, financial planning and real estate services, along with a drive thru ATM and night deposit. Any of our members can utilize this new location and we hope you enjoy the added convenience of being able to do all your business in the primary shopping area in our region.

Finally, a great recognition to the staff whose leadership enables our members to ***Experience Extraordinary***. We were pleased to be nominated for five awards in the Greater Vernon Chamber of Commerce 2013 Business Awards. We were nominated for Sterling Service, Employer of the Year, Community Supporter of the Year, Marketer of the Year and Professional Business of the Year. It was an honour to be nominated for these great awards and is a true reflection of the dedication our staff have to being Extraordinary and making VantageOne what it is today.

In closing I would like to first thank our leadership team for the hard work and dedication to achieving our goals. Thank you to our staff for embracing our vision and working hard every single day to make this a reality. Thank you to the Board of Directors who embrace their roles and provide outstanding leadership. Finally, thank you to our members who allow us to grow, expand our services and assist in making your dreams become reality.

Respectfully submitted,

Glenn Benischek
Chief Executive Officer

Grant Thornton

Grant Thornton LLP
200 - 1633 Ellis Street
Kelowna, BC
V1Y 2A8

T (250) 712-6800
(800) 661-4244 (Toll Free)
F (250) 712-6850
www.GrantThornton.ca

Independent auditors' report

To the members of VantageOne Credit Union

We have audited the accompanying consolidated financial statements of VantageOne Credit Union ("the Credit Union"), which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statement of earnings and comprehensive income, consolidated statement of changes in members' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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 auditors' 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 Credit Union'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 Credit Union's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 VantageOne Credit Union as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Kelowna, BC
February 27, 2013

Chartered accountants

VantageOne Credit Union
Consolidated statement of financial position

December 31	2012	2011
Assets		
Cash resources (Note 5)	**$ 26,502,948**	$ 15,717,066
Income taxes recoverable	**798,937**	-
Receivables and other assets	**321,025**	379,742
Investments (Note 6)	**22,021,237**	21,398,105
Derivative financial instruments (Note 7)	**1,651,206**	1,984,846
Loans (Note 8 and Note 9)	**207,651,073**	209,016,314
Deferred income tax (Note 14)	**356,000**	280,000
Property and equipment (Note 10)	**5,278,490**	5,228,943
Total assets	**$ 264,580,916**	$ 254,005,016
Liabilities		
Income taxes payable	**$ -**	$ 579,812
Deposits (Note 12)	**243,280,455**	231,811,198
Payables and other liabilities	**558,080**	481,672
Accrued pension liability (Note 13)	**84,500**	861,100
Members' shares (Note 16)	**83,677**	103,614
Total liabilities	**244,006,712**	233,837,396
Members' equity		
Members' shares (Note 16)	**959,551**	969,598
Retained earnings	**18,611,230**	18,043,912
Accumulated other comprehensive income	**1,003,423**	1,154,110
Total members' equity	**20,574,204**	20,167,620
	$ 264,580,916	$ 254,005,016

Commitments (Note 23)

On behalf of the Board

_______________ Director _______________ Director

VantageOne Credit Union

Consolidated statement of earnings and comprehensive income

Year ended December 31	2012	2011
Financial income		
Loans	**$ 8,819,330**	$ 9,410,773
Cash resources and investments	**1,784,198**	1,753,912
	10,603,528	11,164,685
Financial expense		
Deposits	**3,242,337**	3,144,796
Borrowings	**2,480**	6,868
Share dividends	**34,422**	24,719
Provision for credit losses (Note 9)	**573,688**	411,318
	3,852,927	3,587,701
Financial margin	**6,750,601**	7,576,984
Other income (Note 17)	**3,089,125**	3,366,389
Operating margin	**9,839,726**	10,943,373
Operating expenses (Note 18)	**9,263,849**	9,138,655
Earnings before income taxes	**575,877**	1,804,718
Income taxes (Note 14)		
Current income tax	**84,559**	424,981
Deferred income tax	**(76,000)**	(92,110)
	8,559	332,871
Net earnings	**567,318**	1,471,847
Other comprehensive income, net of tax		
Change in unrealized and realized gain (loss) on derivatives, net of (recovery) tax of $(257,889) (2011 – $317,358)	**(932,987)**	774,560
Actuarial gain (loss) on defined benefit pension plan	**782,300**	(484,100)
Comprehensive income	**$ 416,631**	$ 1,762,307

VantageOne Credit Union

Consolidated statement of changes in members' equity

Year ended December 31

	Members' shares	Retained earnings	Accumulated other comprehensive income	Total
Balance on December 31, 2011	**$ 969,598**	**$ 18,043,912**	**$ 1,154,110**	**$ 20,167,620**
Net earnings	-	567,318	-	567,318
Distributions to members	32,217	-	-	32,217
Change in members' shares, net	(42,264)	-	-	(42,264)
Other comprehensive income				
Change in unrealized losses on derivatives	-	-	(1,190,876)	(1,190,876)
Deferred tax recovery on items in other comprehensive income	-	-	257,889	257,889
Unrealized gains on retirement benefits	-	-	782,300	782,300
Balance on December 31, 2012	**$ 959,551**	**$ 18,611,230**	**$ 1,003,423**	**$ 20,574,204**

VantageOne Credit Union
Consolidated statement of cash flows

Year ended December 31	2012	2011
Increase (decrease) in cash resources		
Operating activities		
Earnings before income taxes	**$ 575,877**	$ 1,804,718
Income taxes paid	**(1,205,970)**	(130,146)
Proceeds from cancellation of derivative contracts	**-**	1,438,077
Adjustments for non-cash items		
Provision for credit loss	**573,688**	411,318
Depreciation	**574,802**	625,344
Change in interest accruals	**710**	(213,934)
Change in tax accruals	**1,379,300**	(612,193)
Payables and accruals	**(2,078,941)**	880,123
Amortization of transitional other comprehensive income amount	**-**	(104,914)
Unrealized gain (loss) on accrued pension liability	**782,300**	(484,100)
Gain on cancellation of derivative contracts	**(857,236)**	(414,242)
	(255,470)	3,200,051
Financing activities		
Deposits, net of withdrawals	**14,692,717**	9,524,001
Interest paid	**(3,244,107)**	(3,365,595)
Members' shares, net	**25,082**	53,499
Dividends paid	**(35,129)**	(44,820)
	11,438,563	6,167,085
Investing activities		
Loans, net of repayments	**(9,678,386)**	(15,976,629)
Investments and other	**(621,577)**	(998,469)
Interest received	**10,469,939**	10,863,622
Dividends received	**57,162**	25,854
Purchase of property and equipment	**(624,349)**	(1,164,676)
	(397,211)	(7,250,298)
Net increase in cash resources	**10,785,882**	2,116,838
Cash resources, beginning of year	**15,717,066**	13,600,228
Cash resources, end of year	**$ 26,502,948**	$ 15,717,066

1. Governing legislation and operations

The Credit Union is incorporated under the Credit Union Incorporation Act of British Columbia and the operation of the Credit Union is subject to the Financial Institutions Act of British Columbia. The Credit Union serves members principally in the North Okanagan. The Credit Union's head office is located at 3108 - 33rd Avenue, Vernon BC.

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on February 27, 2013.

2. Basis of presentation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments measured at fair value.

The Credit Union's functional and presentation currency is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. Summary of significant accounting policies

Basis of consolidation

The financial statements consolidate those of the Credit Union and all of its subsidiary undertakings drawn up to December 31, 2012. Subsidiaries are all entities over which the Credit Union has the power to control the financial and operating policies and include VantageOne Financial Corp., VantageOne Leasing Inc., and VantageOne Realty Inc. All subsidiaries have a reporting date of December 31.

Cash resources

Cash resources includes cash on hand, deposits with banks, other short-term highly liquid investments with original maturities of three months or less, callable investments; and for the purpose of the statement of cash flows, bank overdrafts that are repayable on demand.

(continued)

3. Summary of significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognized when the Credit Union becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are initially measured at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are initially measured at fair value.

Subsequent measurement of financial assets and financial liabilities is as described below.

Financial assets
For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held to maturity investments; and
- available-for-sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

At least at each reporting date, all financial assets except for those at fair value through profit or loss are subject to a review for impairment. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within 'financial income' or 'financial expense'.

(continued)

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Loans and receivables
All member loans and cash resources are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables.

Loans and receivables are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans and receivables are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest for all loans is accounted for on the accrual basis.

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

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in net earnings.

The accounting treatment for loan fees varies depending on the transaction. Significant fees that would result in an adjustment to the overall loan yield are capitalized and amortized using the effective interest method. Mortgage prepayment fees are recognized in other income when received, unless they relate to a minor modification to the terms of the mortgage, in which case the fees are capitalized and amortized over the average remaining term of the original mortgage.

(continued)

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Loans written off

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables.

Investments are classified as held-to-maturity if the Credit Union has the intention and ability to hold them until maturity. The Credit Union currently holds liquidity term deposits designated into this category.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows.

Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Credit Union's investments held with Central 1 Credit Union, CUPP Services Ltd., CEDA, and Stabilization Central Credit Union have been classified as available for sale.

These share investments are measured at cost less any impairment charges, as their fair value cannot currently be estimated reliably. Impairment charges are recognized in net earnings.

Financial liabilities

The Credit Union's financial liabilities include deposits, payables and other liabilities, and member's shares.

(continued)

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through net earnings that are carried subsequently at fair value with gains or losses recognized in net earnings. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in net earnings are included within financial income or financial expense.

Derivative financial instruments
A specific accounting treatment is required for derivatives designated as hedging instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness. All other derivative financial instruments are accounted for at fair value through profit or loss.

Hedges
The Credit Union, in accordance with its risk management strategies, enters into various derivative financial instruments to protect itself against the risk of fluctuations in interest rates.

The Credit Union manages interest rate risk through interest rate swaps. These derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value, in both cases shown on the statement of financial position.

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Credit Union's risk management objective and strategy for undertaking the hedge;
- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect net earnings;
- The effectiveness of the hedge can be reliably measured; and
- The hedge is expected to be highly effective at inception and remains highly effective on each date it is tested. The Credit Union has chosen to test the effectiveness of its hedges on a quarterly basis.

The swap contracts can be designated as fair value hedge instruments or cash flow hedge instruments. The Credit Union has not entered into any fair value hedges at this time.

Cash flow hedges modify exposure to variability in cash flows for variable rate interest bearing instruments or the forecasted assurance of fixed rate liabilities. The Credit Union's cash flow hedges are primarily hedges of floating rate commercial and personal loans.

(continued)

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Hedges *(continued)*
For cash flow hedges that meet the hedging documentation criteria, gains and losses resulting from changes in the fair value of the effective portion of the derivative instrument are recorded in other comprehensive income until the hedged item is recognized in net earnings, at which time such change is recognized as interest income. The ineffective portion is recognized immediately in net earnings as cash resources and investments income.

If the Credit Union closes out its hedge position early, the cumulative gains and losses recognized in other comprehensive income are frozen and reclassified from the cash flow hedge reserve within other comprehensive income to net earnings using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognized in net earnings within interest expense or interest revenue.

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognized in other comprehensive income is transferred immediately to profit or loss.

Property and equipment

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, with the exception of land and buildings under construction which are not depreciated. Depreciation is recognized in net earnings and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Buildings and renovations	5 to 40 years
Office equipment	2 and 5 years
Furniture and fixtures	15 years
Leasehold improvements	10 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary. Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in net earnings.

Impairment of non financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows. Impairment charges are included in net earnings, except to the extent they reverse gains previously recognized in other comprehensive income.

(continued)

3. Summary of significant accounting policies (continued)

Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax liabilities comprise those obligations to fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless it affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Credit Union and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income, based on the forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Credit Union has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Deposits

All member deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

(continued)

3. Summary of significant accounting policies (continued)

Post employment benefit and short-term employee benefits

Post employment benefit
The Credit Union sponsors a defined benefit pension plan which is administered by CUMIS. A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement in return for their service in the current and prior periods. It is funded through payments to trustee administered funds which are determined by actuarial valuations.

The liability recognized in the statement of financial position for the defined benefit plan is the present value of the defined benefit obligation ("DBO") at the reporting date less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of government bonds that have terms to maturity approximating to the terms of the related pension liability. The defined benefit obligation is determined using the project unit credit method on an annual basis by an independent actuary. The actuarial valuation of plan obligations is dependent upon a series of assumptions, the key ones being price inflation, earnings growth, mortality and investment returns assumptions. Different assumptions could significantly alter the amount of difference between plan assets and obligations, and the pension cost charged to the statement of earnings and comprehensive income.

Actuarial gains and losses related to the defined benefit pension plan are recorded directly in equity through other comprehensive income as they arise. Post employment benefit expenses are included in 'salaries and benefits'.

Short-term employee benefits
Short-term employee benefits, including holiday entitlement, are current liabilities included in 'payables and other liabilities', measured at the undiscounted amount that the Credit Union expects to pay as a result of the unused entitlement.

Provisions

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Credit Union and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

(continued)

3. Summary of significant accounting policies (continued)

Provisions (continued)

Any reimbursement that the Credit Union can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Membership shares

Membership shares are classified as liabilities or as members' equity according to their terms. Where shares are redeemable at the option of the member, either on demand or on withdrawal from membership, the shares are classified as liabilities. Where shares are redeemable at the discretion of the Credit Union board of directors, the shares are classified as equity.

Distributions to members

Patronage rebates and dividends on shares classified as liabilities are charged against earnings, when approved by the Board of Directors.

Revenue recognition

Revenue from the provision of services to members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured.

Leased assets

Amounts due from lessees under finance leases are recorded as loans and receivables at the amount of the Credit Union's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Credit Union's net investment outstanding in respect of the leases.

All leases in which the Credit Union is the lessee are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(continued)

3. Summary of significant accounting policies (continued)

Foreign currency translation

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income.

Standards and interpretations not yet effective

Certain new standards, amendments and interpretations have been published that are mandatory for the Credit Union's accounting periods beginning on or after January 1, 2013 or later periods that the Credit Union has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the Credit Union are:

IFRS 9 Financial Instruments

IFRS 9 is part of phase I of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS in respect of financial assets. All financial assets that are currently in the scope of IAS 39 will be classified as either amortized cost or fair value. The available for sale, held-to-maturity, and loans and receivables categories will no longer exist. Classification of financial assets is based on an entity's business model for managing the financial assets and their contractual cash flow characteristics. Reclassifications between the two categories are prohibited unless there is a change in the entity's business model.

The standard is effective for annual periods beginning on or after January 1, 2015 with earlier adoption permitted.

IFRS 13 Fair Value Measurement

IFRS 13 defines fair value, provides guidance on the measurement of fair value, and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The standard is effective for annual periods beginning on or after January 1, 2013 and is required to be applied prospectively.

(continued)

3. Summary of significant accounting policies (continued)

Standards and interpretations not yet effective (continued)

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities

In May 2011, this IASB introduced IFRS 10 *Consolidated Financial Statements*, which replaces IAS 27 *Consolidated and Separate Financial Statements*, and SIC 12 *Consolidation – Special Purpose Entities*. The new standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements.

Under IFRS 11, which replaces IAS 31 *Interests in Joint Ventures*, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting. The new standard eliminates the option to proportionately consolidate interests in certain types of joint ventures.

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 requires an entity to disclose information that enables users of financial statements to evaluate the judgments and assumptions made in determining how to classify involvement with another entity; the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows.

These standards are effective for annual periods beginning on or after January 1, 2013. Early adoption is only permitted if IFRS 10, IFRS 11 and IFRS 12 are applied at the same time.

Certain new standards, amendments and interpretations have been published that are mandatory for the Credit Union's accounting periods beginning on or after January 1, 2013 or later periods that the Credit Union has decided to early adopt.

IAS 19 Employee Benefits

The amended version of IAS 19 *Employee Benefits* is intended to improve the recognition, presentation and disclosure of defined benefit plans. The amended standard will result in immediate recognition of all estimated changes in the cost of providing defined benefits and all changes in the value of plan assets. The various methods which allow deferral of some of the gains or losses under the previous standard have been eliminated. The new standard also results in a new presentation approach that distinguishes the different types of gains and losses arising from defined benefit plans and requires all gains and losses to be presented in profit or loss apart from 'remeasurements' that are presented in OCI.

The standard is effective for annual periods beginning on or after January 1, 2013 with earlier adoption permitted.

4. Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The effect of a change in an accounting estimate is recognized prospectively by including it in net earnings in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At December 31, 2012, management assesses that the useful lives represent the expected utility of the assets to the Credit Union. The carrying amounts are analyzed in Note 10. Actual results, however, may vary due to technical obsolescence, particularly for software and IT equipment.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities.

In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Member loan loss provision

In determining whether an impairment loss should be recorded the Credit Union makes judgment on whether objective evidence of impairment exists individually for financial assets that are individually significant. Where this does not exist the Credit Union uses its judgment to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

(continued)

4. Significant management judgement in applying accounting policies and estimation uncertainty (continued)

Provisions

The Credit Union is currently defending certain lawsuits where the outcome may vary from amounts recognized in the financial statements. None of the provisions will be discussed here in further detail so as not to seriously prejudice the Credit Union's position in the related disputes.

Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in income taxes payable.

Defined benefit liability

Under the Credit Union's defined benefit plans, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Credit Union, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The defined benefit liability is based on standard rates of inflation and mortality. It also takes into account the Credit Union's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

5. Cash resources

The Credit Union's cash and current accounts are held with Central 1. The average yield on the accounts at December 31, 2012 is 0.87% (2011 – 0.77%).

	2012	2011
Cash and current accounts	**$ 5,875,065**	$ 4,512,874
Term deposits and accrued interest		
Callable or maturing in - three months or less	**18,204,913**	10,501,820
- more than three months	**2,422,970**	702,372
	$ 26,502,948	$ 15,717,066

6. Investments

The following tables provide information on the investments by type of security and issuer. The maximum exposure to credit risk would be the fair value as detailed below.

	2012	2011
Term deposits and accrued interest		
Non-callable or original maturities greater than three months	**$ 21,014,708**	$ 20,366,882
Shares		
CEDA	**10**	10
Central 1 Credit Union	**907,793**	938,407
CUPP Services Ltd.	**98,468**	92,548
Stabilization Central Credit Union	**258**	258
	$ 22,021,237	$ 21,398,105

Non-callable term deposits are due between one month and five years. The carrying amounts for deposits at approximate fair value due to having similar characteristics as cash resources.

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors.

Central 1 shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares however, fair value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis.

The Credit Union is not intending to dispose of any Central 1 shares as the services supplied by Central 1 are relevant to the day to day activities of the Credit Union.

Dividends on these shares are at the discretion of the Board of Directors of Central 1.

7. Derivative financial instruments

The Credit Union uses derivative financial instruments for hedging purposes to manage interest rate exposure. All derivative financial instruments used for hedge accounting are recognized initially at fair value and reported subsequently at fair value in the statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognized in other comprehensive income and included within the accumulated other comprehensive income in members' equity. Any ineffectiveness in the hedge relationship is recognized immediately in profit or loss. At the time the hedged item affects profit or loss, any gain or loss previously recognized in other comprehensive income is reclassified from members' equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognized as a result of the hedged transaction, the gains and losses previously recognized in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognized in other comprehensive income is transferred immediately to profit or loss.

As at December 31, 2012, the Credit Union had entered into forward interest rate swap contracts for a total of $40,000,000 (2011 - $40,000,000) of notional principal whereby it has agreed to pay at floating interest rates based on Banker's Acceptance rates and receive at fixed interest rates. These swap contracts have fixed interest rates ranging from 3.23% to 3.795% and will mature from February 20, 2014 to June 10, 2016. The agreements are secured by a general security agreement covering all assets of the Credit Union.

8. Loans

	2012	2011
Personal loans		
Residential mortgages	**$ 140,688,003**	$ 140,340,226
Other	**6,667,014**	7,737,992
Commercial loans		
Mortgages	**39,564,570**	41,980,072
Other	**11,508,345**	10,822,256
Leases	**9,790,274**	8,781,707
	208,218,206	209,662,253
Accrued interest receivable	**523,531**	421,519
Deferred loan fees	**(37,820)**	(48,723)
	208,703,917	210,035,049
Allowance for impaired loans (Note 9)	**(1,052,844)**	(1,018,735)
Net loans to members	**$ 207,651,073**	$ 209,016,314

(continued)

8. Loans (continued)

Terms and conditions

Member loans can have either a variable or fixed rate of interest with a maturity date of up to ten years.

The Credit Union's prime rate at December 31, 2012 was 3.25% (2011 – 3.25%) and is formulated on the Bank of Canada prime rate. Loan rates are based on current Credit Union prime rate with a range based on lending criteria.

The interest rate offered on fixed rate loans being advanced at December 31, 2012 ranges from 1.59% to 16.00%.

Residential mortgages are loans and lines of credit secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Personal loans consist of term loans and lines of credit that are non real estate secured and have various repayment terms. Some of the personal loans are secured by wage assignments and personal property or investments, and others are secured by wage assignments only.

Commercial loans consist of term loans, operating lines of credit and mortgages to individuals, partnerships and corporations, and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, charges on specific equipment, investments, and personal guarantees.

(continued)

8. Loans (continued)

Average yields to maturity

Loans bear interest at both variable and fixed rates with the following average yields at:

	2012		2011	
	Principal	**Yield**	Principal	Yield
Variable rate	**$ 92,014,404**	**3.86 %**	$ 93,504,640	4.01 %
Fixed rate due less than one year	**38,965,191**	**4.97 %**	37,351,330	5.16 %
Fixed rate due between one and five years	**77,238,611**	**4.76 %**	78,806,283	5.13 %
	$ 208,218,206	**4.40 %**	$ 209,662,253	4.64 %

Credit quality of loans

It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions. A breakdown of the security held on a portfolio basis is as follows:

	2012	2011
Unsecured loans	**$ 5,948,457**	$ 7,224,263
Loans, secured by real estate	**187,202,758**	188,462,464
Loans, otherwise secured	**2,709,940**	3,482,058
Residential mortgages, insured by government	**653,772**	634,261
Loans, secured by deposit and government securities	**1,913,006**	1,077,500
Leases	**9,790,273**	8,781,707
	$ 208,218,206	$ 209,662,253

Fair value

The fair value of member loans and leases at December 31, 2012 was $210,848,000 (December 31, 2011 - $211,663,000).

The estimated fair value of the variable rate loans is assumed to be equal to book value as the interest rates on these loans re-price to market on a periodic basis. The estimated fair value of fixed rate loans is determined by discounting the expected future cash flows at current market rates for products with similar terms and credit risks.

9. Allowance for impaired loans

	2012	2011
Collective provision	**$ 48,187**	$ 119,471
Specific provision	**1,004,657**	899,264
Total provision	**$ 1,052,844**	$ 1,018,735

Change in specific provision and collective provision for impairment:

	Beginning balance	Provision	(Write-offs)/ Recoveries	2012 Ending balance	2011 Ending balance
Residential mortgages	$ 140,813	$ 226,159	$ -	**$ 366,972**	$ 140,813
Commercial mortgages	696,801	222,116	(461,914)	**457,003**	696,801
Leases	181,121	48,167	(419)	**228,869**	181,121
	$ 1,018,735	$ 496,442	$ (462,333)	**$ 1,052,844**	$ 1,018,735

	2012	2011
Percentage of total loans and accrued interest	**0.50%**	0.48%

Impaired loans and related allowances

	Loan balance	Specific allowance	2012 Carrying amount	2011 Carrying amount
Residential mortgages	$ 1,970,318	$ 318,785	**$ 1,651,533**	$ 598,098
Commercial mortgages	2,078,600	457,003	**1,621,597**	1,827,551
Leases	248,869	228,869	**20,000**	72,323
	$ 4,297,787	$ 1,004,657	**$ 3,293,130**	$ 2,497,972

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Key assumptions in determining the allowance for impaired loans collective provision

A collective provision is established to cover estimated loan losses which have not yet been specifically identified as impaired. In determining the allowance for impaired loans, management considers factors such as the composition and credit quality of the portfolio, current economic conditions and trends and historical loss experience.

For purposes of the collective provision loans are classified into separate groups with similar risk characteristics, based on the type of product and type of security.

10. Property and equipment

	Land	Building and renovations	Leasehold improvement	Office equipment	Furniture and fixtures	Total
Cost						
Balance at December 31, 2011	$ 1,395,487	$ 6,223,034	$ 1,447,349	$ 3,524,628	$ 820,865	$ 13,411,363
Additions	-	269,860	273	353,892	324	624,349
Disposals	-	-	-	(11,504)	-	(11,504)
Balance on December 31, 2012	**$ 1,395,487**	**$ 6,492,894**	**$ 1,447,622**	**$ 3,867,016**	**$ 821,189**	**$ 14,024,208**
Accumulated depreciation						
Balance at December 31, 2011	$ -	$ 3,929,424	$ 303,043	$ 3,275,742	$ 674,211	$ 8,182,420
Depreciation	-	184,869	74,693	293,536	21,704	574,802
Disposals	-	-	-	(11,504)	-	(11,504)
Balance on December 31, 2012	**$ -**	**$ 4,114,293**	**$ 377,736**	**$ 3,557,774**	**$ 695,915**	**$ 8,745,718**
Net book value						
December 31, 2011	$ 1,395,487	$ 2,293,610	$ 1,144,306	$ 248,886	$ 146,654	$ 5,228,943
December 31, 2012	**$ 1,395,487**	**$ 2,378,601**	**$ 1,069,886**	**$ 309,242**	**$ 125,274**	**$ 5,278,490**

Building and renovations includes $486,470 of buildings under construction. On December 1, 2011, the Credit Union purchased a new property for future development of a new branch. At year end, the property was still undergoing significant renovations. As it was not available for use, no depreciation has been recorded.

11. Leases

Operating leases as lessee

The Credit Union's future minimum operating lease payments including sales tax are as follows:

	Minimum lease payments due			
	Within 1 year	1 to 5 years	After 5 years	Total
December 31, 2012	$ 188,692	$ 408,319	$ -	$ 597,011

Lease payments recognized as an expense during the period amount to $196,191 (2011 - $188,746). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Credit Union.

The Credit Union's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

Finance leases as lessor

The Credit Union's future minimum finance lease receivables are as follows:

	Minimum lease payments due					
	Within 1 year	1 to 5 years	After 5 years	Non-performing leases	Unearned finance income	Total
December 31, 2012	$ 4,406,400	$ 6,083,491	$ -	$ 290,838	$ (990,455)	$ 9,790,274

The interest rate inherent in the leases is fixed at the contract date for all of the lease term.

Finance lease receivable balances are secured over the equipment leased. The Credit Union is not permitted to sell or repledge the collateral in the absence of default by the lessee.

12. Deposits

	2012	2011
Term	**$ 88,681,491**	$ 89,979,048
Demand	**108,688,518**	100,446,758
Registered savings plans	**44,747,050**	40,227,362
	242,117,059	230,653,168
Accrued interest and dividends	**1,163,396**	1,158,030
	$ 243,280,455	$ 231,811,198

Terms and conditions

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semi annually, monthly or upon maturity. The interest rates offered on term deposits issued on December 31, 2012 range from .2% to 4.0%.

The registered retirement savings plans ("RRSP") accounts can be fixed or variable rate. The fixed rate RRSPs have terms and rates similar to the term deposit accounts described above. The variable rate RRSPs bear interest at rates up to 2.1% at December 31, 2012.

Registered retirement income funds ("RRIFs") consist of both fixed and variable rate products with terms and conditions similar to those of the RRSPs described above. Members may make withdrawals from a RRIF account on a monthly, semiannual, or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements.

The tax-free savings accounts can be fixed or variable rate with terms and conditions similar to those of the RRSPs described above.

Included in demand deposits is an amount of $1,782,055 denominated in US dollars.

(continued)

12. Deposits (continued)

Average yields to maturity

Members' deposits bear interest at fixed rates with the following average yields at:

	2012		2011	
	Principal	**Yield**	Principal	Yield
Fixed rate due less than one year	**$ 103,156,320**	**1.52%**	$ 79,962,000	1.56%
Fixed rate due between one and seven years	**62,693,778**	**2.35%**	77,972,000	2.39%
Non interest sensitive	**76,266,961**	**0.00%**	72,719,168	0.00%
	$ 242,117,059	**1.26%**	$ 230,653,168	1.34%

All member deposits are with members located in and around the North Okanagan region, British Columbia.

Fair value

The fair value of member deposits at December 31, 2012 was $242,586,000 December 31, 2011 - $234,207,000).

The estimated fair value of the fixed rate deposits is determined by discounting the expected future cash flows at current market rates for products with similar terms and credit risks.

13. Accrued pension liability

The Credit Union makes contributions to CUMIS on behalf of their employees which participate in the defined benefit pension plan. CUMIS administers the plan including the payment of the pension benefits on behalf of employers and employees. Contributions are paid into the plan in accordance with the recommendations of an independent actuary. The latest formal actuarial valuation for contribution purposes was carried out as at July 1, 2009.

The DBO was determined using the following actuarial assumptions:

	2012	2011
Discount rate	**4.00%**	4.75%
Expected rate of return on plan assets	**5.00%**	6.00%
Expected rate of salary increases	**2.00%**	4.00%
Inflationary increases	**2.00%**	3.00%

(continued)

13. Accrued pension liability (continued)

Statement of financial position

The reconciliation of the Credit Union's defined benefit obligation and plan assets to the amounts presented on the statement of financial position for each of the reporting periods are presented below:

	2012	2011
Defined benefit obligation	**$ 3,142,500**	$ 3,698,800
Fair value of plan assets	**3,058,000**	2,837,700
Deficit	**$ (84,500)**	$ (861,100)

Reconciliation of change in plan assets:

	2012	2011
Fair value of plan assets January 1	**$ 2,837,700**	$ 2,779,200
Expected investment return	**172,100**	168,200
Benefit payments	**(74,800)**	(69,100)
Employer contributions	**115,700**	97,400
Member contributions	**21,400**	19,600
Actuarial losses	**(14,100)**	(157,600)
Fair value of plan assets December 31	**$ 3,058,000**	$ 2,837,700

(continued)

13. Accrued pension liability (continued)

Statement of financial position (continued)

Expected returns on plan assets are based on a weighted average of expected returns of various assets in the plan, and include an analysis of historical returns and predictions about future returns. The actual return on plan assets, net of expenses, was $158,000 (2011 - $10,600).

Plan assets can be broken down into the following major categories of investments:

	2012	2011
Retirement Security Fund	**77.64%**	80.88%
Special Equity Fund	**3.59%**	2.77%
Non North American Equity Fund	**3.05%**	2.44%
Canadian Equity Core Fund	**9.48%**	8.91%
Global Equity Fund	**2.86%**	2.32%
Dividend Income Fund	**3.24%**	2.68%
US Equity Fund	**0.14%**	- %
Total plan assets	**100%**	100%

Reconciliation of change in defined benefit obligation:

	2012	2011
Defined benefit obligation January 1	**$ 3,698,800**	$ 3,152,800
Interest on liabilities	**180,300**	177,600
Benefit payments	**(74,800)**	(69,100)
Contributions	**21,400**	19,600
Service cost	**113,200**	91,400
Actuarial losses	**(796,400)**	326,500
Defined benefit obligation December 31	**$ 3,142,500**	$ 3,698,800

(continued)

13. Accrued pension liability (continued)

Statement of comprehensive income

The charge to the income statement comprises:

		2012		2011
Service cost	**$**	**113,200**	$	91,400
Interest on assets		**(172,100)**		(168,200)
Interest on liabilities		**180,300**		177,600
Expense	**$**	**121,400**	$	100,800

The expense is grouped with salaries and benefits within operating expenses.

Amounts recognized in other comprehensive income:

		2012		2011
Actuarial loss on plan assets	**$**	**(14,100)**	$	(157,600)
Actuarial gain (loss) on liabilities		**796,400**		(326,500)
Amount recognized in other comprehensive income	**$**	**782,300**	$	(484,100)

Other defined benefit plan information

Based on historical data, the Credit Union expects contributions of approximately $232,600 to be paid for 2013.

14. Income taxes

The significant components of deferred tax expense included in net income are composed of:

		2012		2011
Allowance for loan provision	**$**	**32,000**	$	47,000
Deferred items		**3,000**		7,000
Other		**321,000**		226,000
	$	**356,000**	$	280,000

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 25% (2011– 26.5%) are as follows:

	2012	2011
Combined federal and provincial statutory income tax rate	**25.0 %**	26.5 %
Rate reduction	**(11.5)%**	(13.0)%
Other	**(12.01)%**	4.9 %
	1.49%	18.4%

The Credit Union has losses carried forward for tax purposes expiring in the following years:

2030	$	134,544
2031		209,286
2032		158,648
	$	502,478

The potential tax benefits of the losses carried forward have been recorded in the deferred income taxes asset.

15. Borrowings

The Credit Union has available to it, through the Central 1 Credit Union, an operating line and term facility of $11,800,000 (5% of total assets as at February 2010) secured by an assignment of loans to members, accounts receivable and a demand debenture in favour of Central 1 Credit Union. At year end, the balance outstanding was $nil (2011 - $nil).

16. Members' shares

Membership shares are classified as liabilities or as member equity according to their terms. Where shares are redeemable at the option of the member, either on demand or on withdrawal from membership, the shares are classified as liabilities. Where shares are redeemable at the discretion of the Credit Union board of directors, the shares are classified as equity.

The Credit Union may issue two classes of shares designated as membership equity of $1 par value.

- Membership equity shares are a requirement for membership in the Credit Union and are redeemable on withdrawal from membership.
- Allocation shares are issued by the Credit Union to members through dividends.

Equity shares are not guaranteed by the Credit Union Deposit Insurance Corporation of British Columbia.

Distributions to Members

	2012 Net		2011 Net	
	Income	**Equity**	Income	Equity
Dividends on all membership type shares	**$ 1,674**	**$ 27,393**	$ 2,072	$ 28,101

17. Other income

	2012	2011
Account service fees	**$ 793,641**	$ 817,206
Amortization of AOCI transition amount	**-**	104,914
Foreign exchange	**143,216**	150,292
Insurance commissions, fees and lease revenue	**1,563,125**	1,632,569
Loan administration fees	**128,600**	161,775
Rental income	**427,317**	466,197
Safety deposit rentals	**33,226**	33,436
	$ 3,089,125	$ 3,366,389

18. Operating expenses

	2012	2011
Advertising	**$ 336,840**	$ 362,415
Depreciation	**574,802**	625,344
Data processing	**412,508**	377,751
Dues and assessments	**451,850**	459,874
Human resource and administration	**275,358**	215,051
Maintenance, supplies and security	**348,496**	322,127
Member relations	**173,366**	185,520
Premises, occupancy and office	**999,513**	1,006,522
Professional fees and insurance	**471,520**	523,314
Salaries and benefits	**5,219,596**	5,060,737
	$ 9,263,849	$ 9,138,655

19. Related party transactions

The Credit Union's related parties include key management, as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management, post-employment benefit plans for the Credit Union's employees and others as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The Credit Union entered into the following transactions with key management personnel, which are defined by IAS 24 *Related Party Disclosures*.

	2012	2011
Compensation		
Salaries and other short-term employee benefits	**$ 1,014,991**	$ 1,022,230
Total pension and other post-employment benefits	**$ 167,335**	$ 167,646
Loans and leases to key management personnel		
Aggregate value of loans and leases advanced	**$ 3,440,765**	$ 3,241,631
Interest received on loans and leases advanced	**$ 114,315**	$ 82,153
Aggregate value of un-advanced loans and leases	**$ 674,066**	$ 563,034

The Credit Union's policy for lending to key management personnel is that all such loans and leases were granted in accordance with normal lending terms.

	2012	2011
Deposits from key management personnel		
Aggregate value of term and savings deposits	**$ 2,227,151**	$ 1,888,770
Total interest paid on term and saving deposits	**$ 51,967**	$ 20,652

The Credit Union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted in accordance with the same conditions which apply to Members for each type of deposit.

20. Financial instrument classification and fair value

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified, is determined based on the lowest level of significant input to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of three levels.

The only financial instruments carried at fair value were Level 2 derivative financial instruments.

There were no transfers between Level 1 and 2 for the years ended December 31, 2012 and 2011.

The following table presents a reconciliation of derivative financial instruments:

	2012	2011
Balance, beginning of the year	**$ 1,984,846**	$ 1,811,101
Gains (losses) recognized in other comprehensive income	**(333,640)**	265,820
Purchases	**-**	1,457,181
Sales	**-**	(1,549,256)
Balance, end of the year	**$ 1,651,206**	$ 1,984,846

The Credit Union has considered whether its investments have incurred a significant or prolonged decline in their fair market value and it has determined that there is no objective evidence of impairment of its investments.

21. Financial instrument risk management

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's finance function. The Board of Directors receives quarterly reports from the Credit Union's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counter party to honour its financial or contractual obligation to the Credit Union. Credit risk primarily arises from loans receivable. Management and the Board of Directors reviews and updates the credit risk policy annually. The maximum exposure of the Credit Union to credit risk before taking into account any collateral held is the carrying amount of the loans as disclosed on the statement of financial position.

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

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, and policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

The Credit Union's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity, and loan administration;
- Loan lending limits including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness;

(continued)

21. Financial instrument risk management (continued)

Credit risk (continued)

- Loan collateral security classifications which set loan classifications, advance ratios and amortization periods;
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;
- Loan delinquency controls regarding procedures followed for loans in arrears; and
- Audit procedures and processes are in existence for the Credit Union's lending activities.

With respect to credit risk, the Board of Directors receives monthly reports summarizing new loans, delinquent loans and overdraft utilization. The Board of Directors also receives an analysis of bad debts and allowance for doubtful loans quarterly.

For the current year, the amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is $nil.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity risk

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

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective firm specific and market conditions and the related behaviour of its members and counterparties. The Credit Union has set a minimum liquidity ratio of 8%.

(continued)

21. Financial instrument risk management (continued)

Liquidity risk (continued)

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities;
- Monitoring the maturity profiles of financial assets and liabilities; and
- Monitoring the liquidity ratios monthly.

The Board of Directors receives monthly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was in compliance with the liquidity requirements throughout the fiscal year.

As at December 31, 2012, the position of the Credit Union is as follows:

	Maximum exposure
Qualifying liquid assets on hand	$ 41,642,591
Total liquidity requirement 8%	(18,441,482)
Excess liquidity – actual less requirement	$ 23,201,109

The maturities of liabilities are shown below under market risk. The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market risk

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

(continued)

21. Financial instrument risk management (continued)

Market risk (continued)

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

Interest rate risk
Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union incurs interest rate risk on its loans and other interest bearing financial instruments. At December 31, 2012, the Credit Union had outstanding forward interest rate swap contracts in the notional principal amount of $40,000,000 (2011 - $40,000,000 non-forward interest swaps) maturing at various times through to 2016. As at December 31, 2012, the interest rate swaps have a fair market value gain of $1,651,206 (2011 - $1,984,846). Interest rate swaps involve the exchange of interest flows between two parties on a specified notional principal amount for a pre-determined period at agreed upon fixed and floating rates. Principal amounts are not exchanged and are not indicative of a credit exposure. The Credit Union's goal is to manage the interest rate risk of the statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

The Credit Union's position is measured monthly. Measurement of risk is based on rates charged to clients as well as funds transfer pricing rates.

The Credit Union is exposed to interest rate risk as a consequence of the mismatch, or gap between the assets, liabilities and off balance sheet instruments scheduled to re-price on particular dates. The following table details the Credit Union's exposure to interest rate risk.

Maturity dates substantially coincide with interest adjustment dates. Amounts with floating interest rates, or due on demand, are classified as maturing within three months, regardless of maturity. Amounts that are not interest sensitive are grouped together, regardless of maturity.

The table below does not incorporate management's expectation of future events where re-pricing or maturity dates of certain loans and deposits differ significantly from the contractual date.

(continued)

21. Financial instrument risk management (continued)

Market risk (continued)

	Average Rates	Interest sensitive balances in $000's Within 3 Months	4 months to 1 year	Over 1 Year	Not interest sensitive	Total
Assets						
Cash resources	1.04%	$ 23,310	$ 2,200	$ 200	$ 793	$ 26,503
Loans	4.41%	100,032	30,788	77,239	(407)	207,652
Other	1.61%	-	4,004	16,050	10,372	30,426
		123,342	36,992	93,489	10,758	264,581
Liabilities						
Deposits	1.29%	55,239	47,917	62,694	77,430	243,280
Other	0.00%	-	-	-	726	726
		55,239	47,917	62,694	78,156	244,006
Balance sheet mismatch		68,103	(10,925)	30,795	(67,398)	20,575
Derivatives		(10,000)	-	10,000	-	-
Interest sensitivity position 2012		**$ 58,103**	**$ (10,925)**	**$ 40,795**	**$ (67,398)**	**$ 20,575**
Interest sensitivity position 2011		$ 76,028	$ (4,645)	$ 16,227	$ (67,442)	$ 20,168

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The Credit Union utilizes interest rate swaps to assist in managing this rate gap. One of the roles of a Credit Union is to intermediate between the expectations of borrowers and depositors.

An analysis of the Credit Union's risk due to changes in interest rates determined that an increase in interest rates of 1% could result in an increase to net earnings of $332,000 while a decrease in interest rates of 1% could result in an increase to net earnings of $321,000.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

(continued)

21. Financial instrument risk management (continued)

Currency risk

Currency risk relates to the Credit Union operating in different currencies and converting non Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The Credit Union's foreign exchange risk is related to United States dollar deposits and loans denominated in United States dollars. Foreign currency changes are continually monitored by the investment committee for effectiveness of its foreign exchange mitigation activities and holdings are adjusted when offside of the investment policy.

The Credit Union's position is measured monthly. Measurement of risk is based on rates charged to clients as well as currency purchase costs.

The Credit Union's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure to 5% in U.S. funds.

For the year ended December 31, 2012, the Credit Union's exposure to foreign exchange risk is within policy.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Equity risk

The Credit Union's investment policy allows investments in the following categories:

Central1 Credit Union shares and deposits, assets/liability hedges, mortgage backed securities, subsidiaries, and associated companies, real property, bonds, bankers' acceptances, and commercial paper. There are no limits to investment to Central1 investments, and hedges; all other investments are limited to 5% of total assets.

Equities are monitored by the Board of Directors and holdings are adjusted following each quarter when the investments are offside of the investment policy.

22. Capital management

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

In the management of capital, the Credit Union included retained earnings, accumulated other comprehensive income, and equity shares totaling $20,574,204 (2011 - $20,167,620).

The Credit Union is required under provincial legislation to maintain a minimum capital base equal to 8% of the total risk-weighted value of assets, each asset being assigned a risk factor based on the probability that a loss may be incurred on ultimate realization of that asset.

The Credit Union's current capital base is equal to 18.95% (2011 – 15.53%) of the total value of risk-weighted assets.

The Credit Union employs a Capital Management Plan and a Capital Appreciation Plan that are reviewed by management and the Board of Directors. The Capital Appreciation Plan forecasts the Credit Union's capital position over a five year period.

The Capital Management Plan dictates management's approach to growth, loan mix, credit quality, fixed assets, profitability objectives, dividend/patronage rebate policy and has a significant influence on member service objectives. It also establishes the criteria to maintain a cushion beyond the minimum statutory capital requirements. Management and the Board of Directors ensure the Credit Union's Investment and Lending Policy and credit risk profile reflect loan portfolio composition and levels of risk that are consistent with the Credit Union's Capital Management Plan objectives. There has been no change in the overall capital requirements strategy employed during the year ended December 31, 2012.

Management will continue to develop business plans targeting capital adequacy ratio which exceed the minimum ratio established by legislation or regulations. Capital adequacy ratio is driven by the risk weighting of the Credit Union's assets. Accordingly, capital adequacy objectives must take into account factors such as loan mix, investment quality and the level of fixed assets.

Decisions relating to strategic objectives that impact the risk weighting of the Credit Union's assets are analyzed by management to determine their effect on the Credit Union's capital adequacy ratio.

23. Commitments

Credit facilities

The Credit Union has authorized lines of credit with Central 1 totaling $24,684,044. These credit facilities are secured by a registered assignment of book debts and a general security agreement covering all assets of the Credit Union.

Member loans

The Credit Union has the following commitments to its members at the year-end date on account of loans, unused lines of credit and letters of credit:

Unadvanced loans	$ 1,009,261
Unused lines of credit	$ 44,320,243
Letters of credit	$ 759,875

Contractual obligations

The Credit Union leases land and building for their Armstrong and Okanagan Landing Branches at yearly rentals of $60,480 and $62,799 respectively with no inflation adjustments. The leases expire for Armstrong Branch in 2016 and for Okanagan Landing Branch in 2017.

Off balance sheet

Funds under administration

Off balance sheet funds under administration by the Credit Union is comprised of a loan that has been syndicated and is administered in the capacity as an agent. Off balance sheet funds are not included in the balance sheet and the balance as at year end is as follows:

	2012	2011
Syndicated loans	**$ 4,474,831**	$ 6,038,284

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 on the balance sheet. At December 31, 2012, the Credit Union has outstanding letters of credit on behalf of members in the amount of $759,875 (2011 - $704,850). These letters of credit have various levels of security.

(continued)

23. Commitments (continued)

Data processing services

The Credit Union is committed to acquiring online data processing services until December 31, 2013 at an approximate cost of $240,000 per year. Data processing charges are based on the level of equipment and services utilized and on the number of Credit Union members.

24. Post-reporting date events

No adjustment events have occurred between the reporting date and the date of authorization.

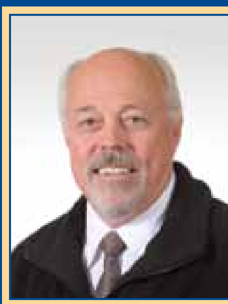
25. Comparative figures

Certain comparative figures from the prior year have been reclassified to conform to the presentation format adopted for the current year.

VantageOne Centre

Our Board of Directors

Don Main
Chair



Simo Korpisto
Vice - Chairman

Dennis Mori
Director

Millie Barker
Director

Mark Wakefield
Director

Cheryl Turcotte
Director

Jason Gilbert
Director

Our Staff Vernon Main Branch

Glenn Benischek – *Chief Executive Officer*

Rheisa Campbell – *Chief Financial Officer*

Beki Held – *Human Resources Manager*

Galina Labun – *Marketing Manager*

Franny Coleridge – *Compliance & Risk Manager*

Greg Sol – *Branch Manager, Vernon Main*

Kara Leahy – *Business Services & Credit Manager, Vernon Main*

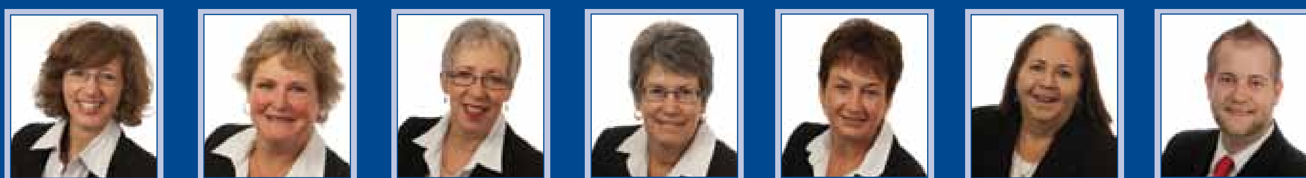
Heather Sidor – *Branch Manager, Okanagan Landing/Arrow Lake*

Fran Stecyk – *Branch Manager, Armstrong*

Dianne Grebinski – *Branch Manager, North Vernon*

Sandy Humphrey – *Leasing Manager, VantageOne Leasing Inc.*

Mike Beck – *Managing Broker/Realtor®, VantageOne Realty Inc.*



Cathy Drader – *Executive Assistant*

Alli Maris Krastel – *Human Resources Coordinator*

Lila Jolicoeur – *Systems Support Analyst*

Lonnie Bedard – *Finance Administration Assistant - Clearing*

Cindy Smaha – *Finance Administration Assistant - Payroll*

Jamie Halldorson – *Finance Administration Assistant*

Michael Bellamy – *Marketing Coordinator*

Bonnie Thomas – *Business Services Account Manager*

Amy Gillies – *Account Manager II, Business Services*

Krista Horton – *Business Services Representative*

Kathy Weaving – *Work Leader, Business Services*

Heidi Herman – *Business Services Assistant*

Debbie Mihalcea – *Business Services Assistant*

Joanne Ponton – *Account Manager, Vernon Main Branch*

Leona Bird – *Account Manager III, Retail*

Nancie West – *Account Manager III, Retail*

Zena Novakowski – *Account Manager III, Retail*

Adelle Adkins – *Account Manager II, Retail*

Tiffany Dye – *Retail Services Support, Vernon Main Branch*

Sheila Marchand – *Retail Services Support, Vernon Main Branch*

Holly Gilmore – *Retail Services Support*

Jackie Stewart – *Information Representative, Vernon Main Branch*

Lori Anne Glazin – *Work Leader - Member Services, Vernon Main Branch*

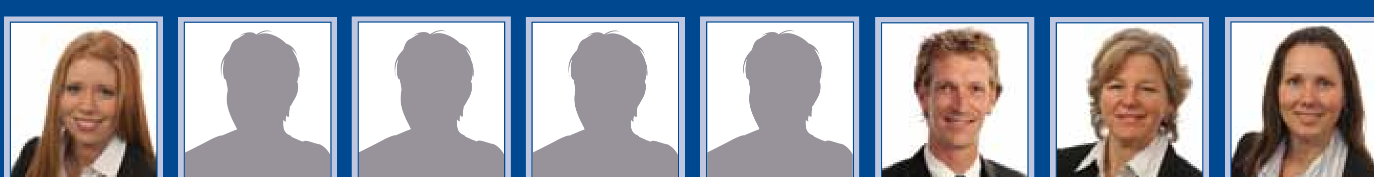
Gill Holbrooke – *Teller - Centre Desk, Vernon Main Branch*

Karley Waughman – *Teller - Frontline, Vernon Main Branch*

Linda Barta – *Teller - Frontline, Vernon Main Branch*

Helen Popilchak – *Teller - Frontline, Vernon Main Branch*

James Stuart – *Teller - Frontline, Vernon Main Branch*



Lisa Langford – *Teller - Frontline, Vernon Main Branch*

Sean Sheehan – *Teller - Frontline, Vernon Main Branch*

Linda Sim – *Teller - Frontline, Vernon Main Branch*

Glenda Chambers – *Teller - Frontline, Vernon Main Branch*

Michael Leutenegger – *Teller - Frontline, Vernon Main Branch*

Reagan Fey – *Work Leader - Call Centre, Vernon Main Branch*

Angie Neilly – *Call Centre Representative, Vernon Main Branch*

Tereasa Neu – *Call Centre Representative, Vernon Main Branch*

Okanagan Landing Branch


Heather Sidor
Branch Manager
Okanagan Landing/Arrow Lake


Barb Camalush
Account Manager III
Okanagan Landing


Kristine Lidstone
Account Manager II
Okanagan Landing


Donna Bouchard
Member Service Representative
Okanagan Landing


Nadine Burton
Member Service Representative
Okanagan Landing


Shannon Crosby
Member Service Representative
Okanagan Landing


Gwen Langley
Teller - Frontline
Okanagan Landing


Miranda Maxson
Teller - Frontline
Okanagan Landing


Susan Demosky
Teller - Frontline
Okanagan Landing

Armstrong Branch

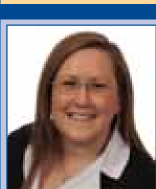

Fran Stecyk
Branch Manager
Armstrong


Sally Richards
Account Manager III
Armstrong


Christine Harward
Account Manager II
Armstrong


Glenda Hatten
Member Service Representative
Armstrong


Laurie Desjardins
Member Service Representative
Armstrong

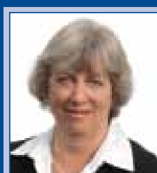

Kristy Danbrook
Member Service Representative
Armstrong

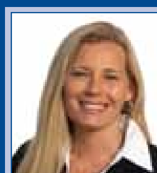

Julie Stratford
Teller - Frontline
Armstrong

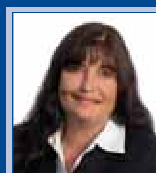

Shelly Siddall
Teller - Frontline
Armstrong

Arrow Lake Branch


Heather Sidor
Branch Manager
Okanagan Landing/Arrow Lake

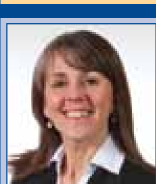

Debra Milne
Account Manager II
Arrow Lake

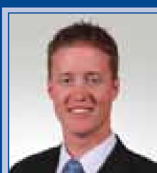

Holly Brindamour
Teller - Frontline
Arrow Lake


Karlene Harper
Teller - Frontline
Arrow Lake


Amanda Warren
Teller - Frontline
Arrow Lake

VantageOne Financial Corp.


Clemence Bedard
Certified Financial Planner
VantageOne Financial Corp.


Devin Lukens
Financial Advisor
VantageOne Financial Corp.


Celeste Faechner
Financial Advisor
VantageOne Financial Corp.


Terry Lawson
Office Administrator
VantageOne Financial Corp.

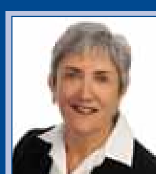

Jolanda Nobels
Office Administrator
VantageOne Financial Corp.

VantageOne Realty


Mike Beck
Managing Broker/Realtor®
VantageOne Realty Inc.


Howard Neufeld
Realtor®
VantageOne Realty Inc.


Trish Glazier
Realtor®
VantageOne Realty Inc.


Kathy Thachuk
Real Estate Administrator
VantageOne Realty Inc.

VantageOne Leasing Inc.


Sandy Humphrey
Leasing Manager
VantageOne Leasing Inc.

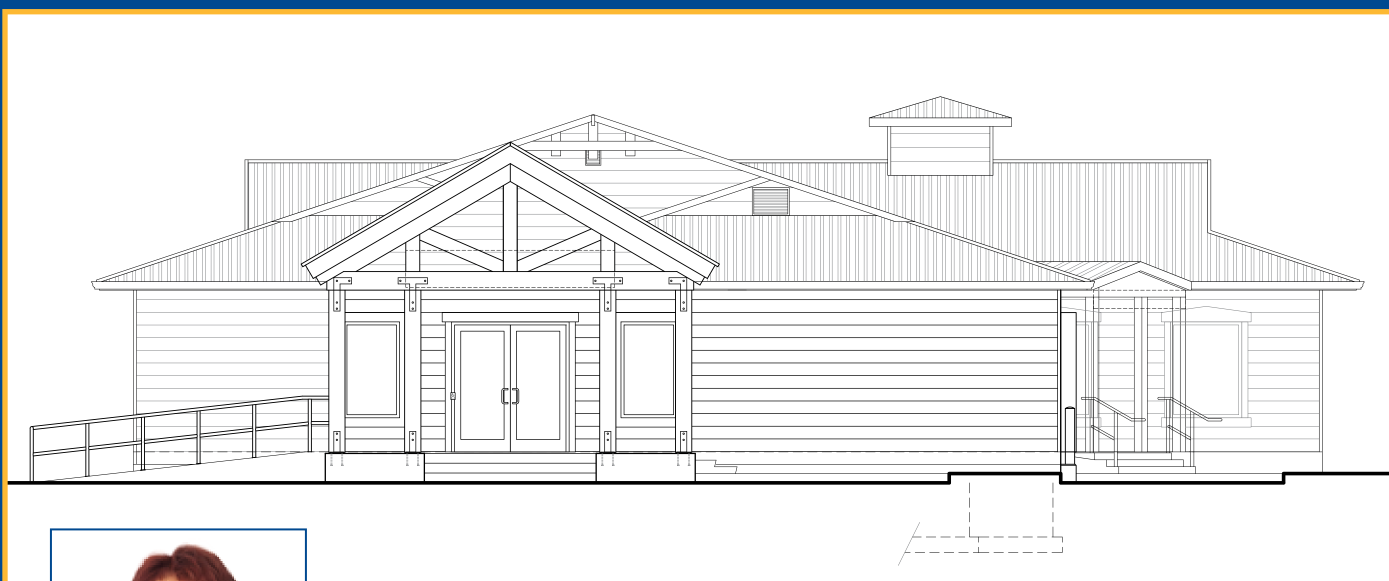

Lane Kenyon
Account Manager
VantageOne Leasing Inc.


Jenna Noakes
Lease Administrator
VantageOne Leasing Inc.

New Branch...New Location!

We want to ensure we continue growing with our community. In 2009 we engaged a facility consultant to identify traffic patterns and growth patterns in our community. As a result, the board approved the purchase of a property in north Vernon on 26th Avenue. This location will provide added convenience to the majority of our members and will provide a strong location for our real estate division.

North Vernon Branch opening Spring 2013!



Dianne Grebinski
North Vernon
Branch Manager

Born and raised in Kelowna, Dianne started her banking career with the Bank of Montreal in 1973 as a teller. With the Bank of Montreal, she worked in Enderby, Merritt, Salmon Arm, Kelowna and Vernon, working up to a regional sales leader role. In 2006, after deciding it was time for a change and new challenges, she moved to Valley First as a commercial account manager at the Vernon branch, serving Armstrong and Lumby Members. Dianne joined VantageOne as a commercial account manager in the summer of 2011. She looks forward to the challenge of opening the North Vernon Branch in her new role as a full service (retail & commercial services) Branch Manager.