

one pillar  
gives **strength.**

four pillars  
give **stability.**

2008  
annual  
report



COASTAL  
COMMUNITY  
CREDIT UNION

# Our Vision

The best choice for financial and community leadership.

# Our Mission

We provide quality financial solutions and unsurpassed service.

# Our Values

## Accountability

We maintain the highest level of financial accountability to our members and clients.

## Co-operation

We work together in a fair, open and caring way for the benefit of those we serve.

## Excellence

We strive for excellence in all our work, from the processes we use to the professionalism of our employees.

## Innovation

We are an empowering organization that encourages innovative ideas.

## Integrity

We are honest, trustworthy, ethical and respectful in our relationships with everyone.

## Responsiveness

We are responsive to the needs of our members and clients, and the well-being of our communities.

## Social Responsibility

We are a good corporate citizen with socially responsible practices.

*We recognize the success of our organization is driven by the commitment, attitude, and professionalism of our employees.*

# Our Fond Farewell to Garth Sheane

After leading Coastal Community through the massive integration that followed our tri-merger in 2005, Garth Sheane is retiring as President and CEO.

Mr. Sheane has dedicated almost four decades of his professional life to the credit union system, with 25 years in the CEO's chair. He came to Vancouver Island from Calgary in 1989 to become CEO of Evergreen Savings Credit Union and was instrumental in the tri-merger that formed Coastal Community.

Reflecting on the merger in 2005, Garth called it **"a tremendous opportunity to create a strong and vibrant regionally-owned and operated Credit Union."**

With the merger integration now complete and the organization well positioned for continued success, Mr. Sheane is leaving on a high note.

Mr. Sheane looks forward to spending more time with his wife, Judy, to enjoying his favourite pastimes, woodworking,

lapidary and – with a chartered director designation under his belt – to serving as a director on a corporate board, or two.

**All of us at Coastal Community wish Mr. Sheane much happiness in his retirement and success with his future plans.**

Member  
Experience

Community  
Experience

Employee  
Experience

Corporate  
Performance

Four Pillars Give Stability

# Report from the Board Chair

2008 was another rewarding year for Coastal Community Credit Union. We set out the year to enhance performance in our four core pillars, and I'm pleased that we progressed in each of these areas.

Introduced in 2007, our "Pillars of Success" are Member Experience, Community Experience, Employee Experience and Corporate Performance. The Pillars provide a framework for our organization to plan, prioritize and focus our energies, as well as to measure and report on our progress.

This past year presented some of the most challenging economic conditions in recent memory. I'm happy to report that Coastal Community's prudent management practices and regional focus resulted in continued financial strength, stability and growth, as well as sustained member confidence in our organization.

A key priority for the Board in 2008 was merger considerations. We engaged with Island Savings Credit Union in preliminary discussions, although we mutually agreed to discontinue talks due to the risks of undertaking a complex merger in the deteriorating economic climate. We also accepted an invitation by Quadra Credit Union to investigate a merger opportunity. Because of the much smaller scope of the project and the minimal risks associated with it, we decided to formally pursue the opportunity. The merger has since met with regulatory approval and received a favourable vote by Quadra members and will become effective on April 30, 2009.

Another key priority for the Board was the search to find a new leader for our organization, following the retirement announcement by Garth Sheane. I am extremely pleased to welcome Adrian Legin as Coastal Community's new President and Chief Executive Officer as of March 30, 2009.

I would like to bid Garth Sheane a fond farewell from the Board. We will miss Garth and are extremely grateful to him for his leadership and dedication in helping to create this successful organization.

Finally, I want to acknowledge and thank our members for their continued support and trust throughout the year. I also want to thank my fellow directors and all our employees who strive to make Coastal Community the best choice for financial and community leadership every day. Thank you for making 2008 another successful year.

Sincerely,



John Newall  
Board Chair  
April 15, 2009

*"Our vision of being the best choice for financial and community leadership took major strides forward during 2008."*



## Message from the President and CEO

*"We have achieved our goal to create a strong, leading regional Credit Union that is dedicated to the well-being of our communities and represents the unique interests of the residents of Vancouver Island."*

**The opportunity to help create a strong, leading regional Credit Union on Vancouver Island has been one of the highlights of my career. It is tremendously gratifying to see the vision of our merger four years ago come to fruition.**

In 2008 the integration of our Insurance and Investments divisions marked the effective completion of our merger. This has been a highly complex undertaking that required the integration of the operations of three Credit Unions and various Insurance and Investments companies. With the 'heavy lifting' behind us, I'm pleased to say that we are poised to fully realize the benefits of the merger and positioned for ongoing success.

Members and clients now enjoy a consistent and complete range of financial solutions and services, from banking to investments, insurance and business services. The implementation of our new integrated systems will enhance the member and client experience, while providing cost savings and efficiency gains across our business lines.

**The strength of our organization is built upon our Pillars of Success, which combine to create stability, growth and sustainability for the future. In 2008 our efforts were focused on building our four core areas of business and I'm pleased to say that we have enhanced each pillar.**

As always, Coastal Community is guided by long-term sustainable business decisions, and the benefit of this approach has never been more evident than in late 2008 when the volatility in the financial markets began. Our fundamental co-operative principles of prudent management, fiscal responsibility to members and, above all, a dedicated regional focus have served to keep your Credit Union strong and stable in this uncertain economy.

I congratulate Mr. Legin on his appointment as CEO of Coastal Community and wish him much success in his new position. I feel confident that I am leaving the organization in capable hands.

To our members and clients for their steadfast support, it has been my pleasure serving you these many years. And to Coastal Community's Board and employees for their commitment and service, it has been my pleasure working with you. My heartfelt thank you to all.

Sincerely,



Garth Sheane  
Outgoing President and Chief Executive Officer  
March 13, 2009



To deliver a superior member and client experience and reinforce Coastal Community’s position as a leading regional financial institution, we made improvements across all our business lines – Banking, Insurance, Investments and Business Services.

In particular, the integration of our Insurance and Investments business lines consolidated our services under the Coastal Community name. In our Investments division, which operates under Coastal Community Financial Management Inc., Credential Securities was announced as our supplier of choice for wealth management and investment products.

With the integration of our business divisions complete, members and clients now associate the Coastal Community name with a complete range of financial solutions and services.

We expanded our already wide range of financial solutions with several new or enhanced products and services. For personal members, a new deposit account, readvanceable mortgage and electronic banking enhancements proved popular; while business members enjoyed a new comprehensive merchant transaction processing service. We also opened the Financial Management Services Centre to provide dedicated care to our clients and comprehensive support for our financial consultants.

To ensure that we continuously improve our services to members and clients, Coastal Community regularly monitors industry trends and conducts surveys. We are pleased to report that in our 2008 satisfaction survey, members scored Coastal Community higher than in 2007 across the majority of areas surveyed. For example, members who gave us a high mark on overall service increased from 80% in 2007 to 84% in 2008, while members who said they would recommend Coastal Community to others increased from 72% to 75%.

At Coastal Community, delivering the best member experience is critical to building strength, stability and growth for the future.

Garth Sheane (left)  
Outgoing President and CEO

Rob Grundison (right)  
Senior Vice President, Operations



“The ability to anticipate needs and exceed member expectations is at the heart of our business. The driving force of our success is member satisfaction.”

Key Highlights

- Improved member satisfaction levels
- Integration projects within the Insurance and Investments business lines
- Launched the High Interest Savings Account and CreditMaster® Mortgage
- Opened the Financial Management Services Centre for Investment Clients and hosted our first financial literacy seminar, *Master Your Finances*
- Introduced new electronic services: Mobile Banking and e-statements
- Introduced Moneris Solutions® merchant transaction services

*"Staying connected with the diverse communities we serve gives us a unique perspective on local needs. Investing in our communities is vital to fulfilling our role as a community leader."*

**Key Highlights**

- Our combined Community Investment programs contributed \$350,000 to over 100 community groups and initiatives in 2008
- Launched four new Community Connection Councils
- Supported children and youth through leadership and education programs
- Employees volunteered thousands of hours for community service and fundraising
- Provided \$31,000 in scholarships to 11 Vancouver Island students
- Developed Corporate Social Responsibility Strategy with input from employee groups and member councils

**At Coastal Community we have long recognized the importance of a steadfast commitment to the communities where we live and work.**

In 2006 we formed the Coastal Spirit Fund to address the social, economic and environmental well-being of our Island communities. Over the past three years more than \$450,000 has been awarded through the program to help support over 150 community initiatives. These funding decisions are made with the help of local councils and then distributed regionally to support the unique needs of the communities we serve.

**In 2008 we added four new Community Connection Councils, bringing the total to seven in Campbell River, Comox Valley, Nanaimo, North Island, Oceanside, South Island and West Coast. This provides complete representation of the regions where we operate.**

These volunteer councils give us a deep understanding of local needs and issues, and help us direct funding and resources accordingly. They also provide valuable input into our programs and strategies to help us improve our support.

We also set out to enhance community experience as measured by our members' satisfaction with our involvement in this area. We are proud our members approve of our involvement in the community, giving us high marks for community support that increased from 77% in 2007 to 83% in 2008.

**At Coastal Community our commitment to the communities we serve builds lasting strength, stability and growth.**



In 2008 we set out to improve the employee experience through the development of a plan to cultivate a positive corporate culture as measured by employee engagement and satisfaction levels.

We formed an Employee Culture Task Force to direct and monitor the development of a strategy and programs that support a strong and positive corporate culture.

The primary objective of this initiative is to foster an environment where employees are proud to work for and be associated with Coastal Community.

The research work of the Employee Culture Task Force is now complete. In 2009 we will begin implementing the recommendations and programs identified by this ground breaking project. This will solidify our reputation as one of Vancouver Island's most progressive employers and ensure we continue to attract and retain top quality employees at all levels of the organization.

We also began taking part in best employers' surveys in 2008 to find out from our employees what we're doing right and where we can improve. The surveys are an important tool that provides us with valuable insight to help us optimize the employee experience. With our first survey results serving as benchmarks, our participation in the surveys will be ongoing as we strive to build a healthy employee culture.

**At Coastal Community, we know that a healthy, happy employee experience is essential to building strength, stability and growth for the future.**

Joe Cristiano (left)  
Senior Vice President, Marketing

Bruno Dragani (right)  
Senior Vice President, Human Resources

*"Our employees are the face of Coastal Community and our success depends on them. Motivated, empowered and accountable employees deliver a vastly superior quality of service for our members and clients."*

#### Key Highlights

- Developed corporate culture plan and employee engagement index
- 625 employees attended the *You Are Simply The Best* employee appreciation event
- Introduced a Learning Management System and employee development programs
- Launched comprehensive new employee benefits and group RSP plans
- Implemented an online performance management system
- Implemented and integrated Human Resources policies and procedures

*"The secret to our success? We remain true to our purpose to stay connected with our members, clients and employees, and firmly rooted in the communities we serve, while managing our operations with fiscal responsibility for the long-term."*

#### Key Highlights

- Assets up significantly by 8.3% to \$1.56 billion compared to \$1.44 billion in 2007
- Net income up 15% from \$3.9 million in 2007 to \$4.5 million in 2008
- Return on Average Assets increased from 0.34% in 2007 to 0.35% in 2008
- Capital Adequacy increased from 10.21% in 2007 to 11.06% in 2008
- Loan losses remain low relative to the industry

As a strong regional financial co-operative, Coastal Community was well positioned to withstand the challenging economic conditions of 2008. We are a member-owned organization and we do not take unnecessary risks in a bid to maximize short-term profits.

Our dedicated regional focus has helped provide stability in these turbulent markets for our organization and members to safely navigate the rough economy.

Prudent financial management proved its worth again in 2008. Coastal Community's performance improved or was maintained across all key benchmarks. Asset growth, net income, return on assets, and capital adequacy levels all increased over 2007, while liquidity was healthy and well within statutory requirements.

While Coastal Community's performance revealed an improving trend across all key areas, accounting reporting changes and unprecedented drops in the prime lending rate due to the financial market turmoil prevented us from achieving budget.

Fortunately this was offset by good cost control and strong, balanced growth in deposits and loans, reflecting positive member support, new product sales and terrific employee service.

**Coastal Community's financial performance is stable, and being positioned for the year ahead and for the long-term.**



## Outlook for 2009

For 2009 we expect the global environment will continue to be marked with economic uncertainty and difficulty, and our region will be significantly affected. It will be a challenging time for many individuals, businesses and community organizations.

Coastal Community is well positioned to operate in this uncertain economic environment. Our primary objective for 2009 is to continue our focus on strengthening our four pillars. We'll achieve this by building caring and strong member and client relationships, supporting our communities, and enhancing employee engagement, while continuing to build a financially strong and stable organization for our members and clients for the long-term.

**With the economy expected to continue to be challenging through 2009, we will be monitoring our corporate performance vigilantly and adjusting our plans as necessary to preserve our long-term strength and stability.**

To enhance overall service quality for our members and clients, and the financial strength of our organization, we are making changes to optimize our service delivery network.

These changes are part of an overall process to measure capacity and demand and then to reallocate resources more effectively. The changes will result in efficiencies and cost savings as well.

Another significant change in 2009 is the appointment of Coastal Community's new President and Chief Executive Officer. Adrian Legin will assume his responsibilities on March 30, 2009, overseeing many strategic initiatives scheduled for the year. We look forward to the expertise and leadership he brings to our organization.

**At Coastal Community we are ready for the challenges ahead and look forward to the opportunities the future holds.**

Paul Duncan (left)  
Senior Vice President, Finance

Sandra Miles (right)  
Executive Assistant to the CEO

*"Coastal Community's strong performance through the economic downturn that began late in 2008 demonstrated the strength and stability of our credit union business model. We are solidly positioned for the future."*

### Key Highlights

- Introduce Tax-free Savings Account, Euro Currency Account and online banking enhancements
- Develop new Insurance product lines
- Financial management seminars for members and clients
- Develop Corporate Social Responsibility plans to deliver community benefits
- Optimize our service delivery network for greater effectiveness and efficiency
- Key regulatory projects for increased security and accountability

## Coastal Community Credit Union Board of Directors

Back row from left to right: Susanne Jakobsen (Vice Chair), Judy Fraser, Lorne Purchase, John Newall (Board Chair), Doug Lang, Gail Preus, Richard Kerton, Mary Ashley, and Norm Reynolds. Seated: Cheryl Tellier and Richard Allen. Missing: Evelyn Clark.



## Welcome to our new President and CEO, Adrian Legin

**Our search is over! On March 30, 2009, Mr. Adrian Legin takes on his role as President and CEO of Coastal Community Credit Union.**

He brings a wealth of experience in both the public and private sectors, most recently as Executive Vice President of Retail Operations with Conexus Credit Union in Regina where he oversaw consumer and commercial banking, financial planning, investment, real estate, mortgage broker and insurance services.

In addition to his work at Conexus, Adrian Legin has also served in leadership positions with various community and industry groups, including Regina Palliative Care, the University of Regina's Building Dreams and Futures Campaign, and the Regina Regional Economic Development Authority.

Speaking of his new assignment, Mr. Legin observed, "Coastal Community Credit Union has grown from the mergers of three successful Credit Unions, each focused on providing exceptional service and making a positive difference in their communities. I look forward to working with the Board and the rest of the Coastal Community team to build on this proud legacy."



# Management's Responsibility for Financial Reporting

The condensed consolidated financial statements and other financial information in this annual report have been prepared by the management of Coastal Community Credit Union, which is responsible for their reliability, completeness and integrity. They were developed in accordance with requirements of the Financial Institutions Act of British Columbia and conform in all material respects with Canadian generally accepted accounting principles.

Systems of internal control and reporting procedures have been designed to provide reasonable assurance that the financial records are complete and accurate so as to safeguard the assets of the Credit Union. These systems include establishment and communication of standards of business conduct throughout all levels of the organization to provide assurance that all transactions are authorized and proper records maintained. Further, the systems of control are reviewed by the Credit Union's external auditors.

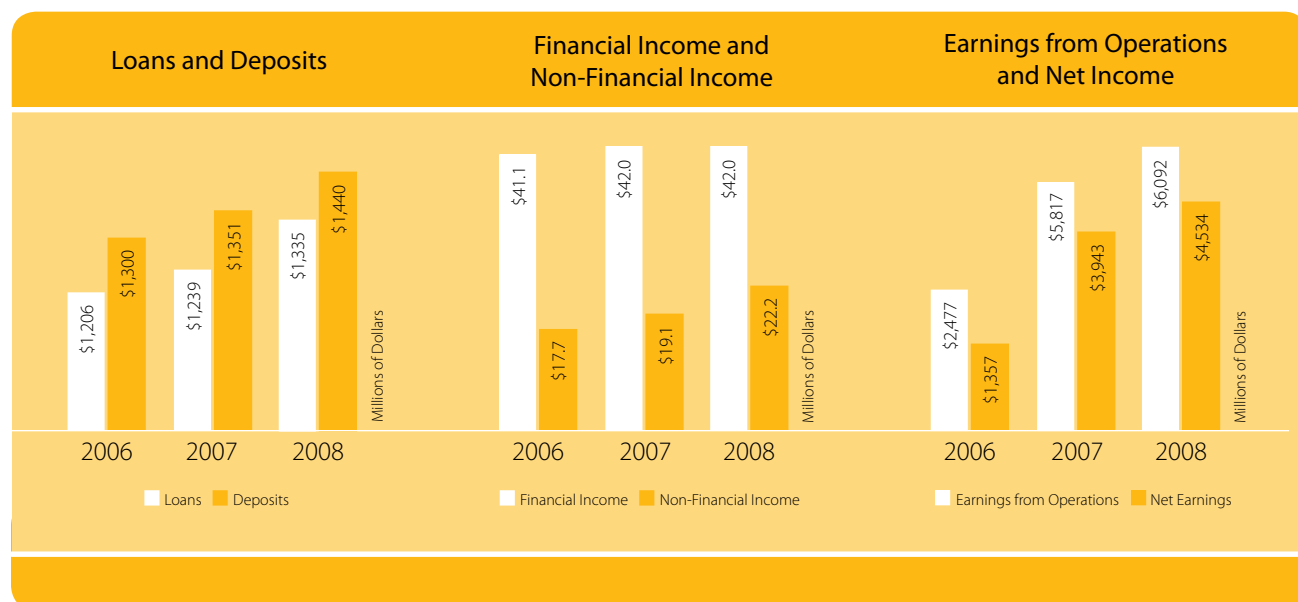
The Board of Directors has approved the consolidated financial statements. The Audit and Finance Committee of the Board has reviewed the statements with the external auditors in detail, and received regular reports on internal control findings. BDO Dunwoody LLP, the external auditors, have examined the Credit Union's consolidated financial statements and attached notes of the Credit Union in accordance with Canadian generally accepted auditing standards. They have had full and free access to employees of the Credit Union and the Audit and Finance Committee of the Board. Their report outlines the scope of their examination and their opinion.



Garth Sheane  
President and Chief Executive Officer  
March 13, 2009



Paul Duncan  
Senior Vice President, Finance



# Auditors' Report

## To the Members of Coastal Community Credit Union:

The accompanying condensed consolidated balance sheet as at December 31, 2008 and condensed consolidated statements of earnings and cash flows for the year then ended are derived from the complete financial statements of Coastal Community Credit Union as at December 31, 2008 and for the year then ended on which we expressed an opinion without reservation in our report dated February 20, 2009. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the condensed financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These condensed financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the Credit Union's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.

*BDO Kennedy LLP*

Chartered Accountants  
Nanaimo, British Columbia  
February 20, 2009



# Coastal Community Credit Union

## Condensed Consolidated Financial Statements

### Condensed Consolidated Balance Sheet

December 31, 2008, with comparative figures for 2007	2008	2007
<b>Assets</b>		
Cash resources	\$ 133,502,667	\$ 125,588,908
Loans, net of allowance for credit losses	1,335,060,855	1,239,170,667
Investments	55,908,150	40,138,399
Premises and equipment, net of amortization	20,549,218	22,544,232
Other assets	13,010,103	10,582,910
	<u>\$ 1,558,030,993</u>	<u>\$ 1,438,025,116</u>
<b>Liabilities</b>		
Member deposits	\$ 1,439,849,269	\$ 1,350,511,088
Short-term borrowings from Central1 Credit Union	48,036,261	21,002,836
Accounts payable and accrued liabilities	9,594,568	11,037,481
	<u>1,497,480,098</u>	<u>1,382,551,405</u>
<b>Members' Equity</b>		
Contributed surplus	755,171	755,171
Retained earnings	59,603,144	55,068,978
Accumulated other comprehensive income (loss)	192,580	(350,438)
	<u>\$ 1,558,030,993</u>	<u>\$ 1,438,025,116</u>

On behalf of the Board,



John Newall  
Chair



Richard Kerton  
Director

The complete audited consolidated financial statements are available to members upon request.

## Condensed Consolidated Statement of Earnings

Year ended December 31, 2008, with comparative figures for 2007	2008	2007
Financial income	\$ 82,056,102	\$ 81,682,302
Financial expense	40,028,143	39,651,435
Financial margin	42,027,959	42,030,867
Other income, net of other expenses	22,242,927	19,077,334
Provision for credit losses, net of recoveries	(1,499,098)	(97,017)
Operating margin	62,771,788	61,011,184
Operating expenses	56,679,465	55,193,985
Earnings from operations	6,092,323	5,817,199
Net gain on sale of assets	317,138	164,955
Non-controlling interest	(373,363)	(361,254)
Distribution to members	(154,437)	(255,985)
Earnings before income taxes	5,881,661	5,364,915
Income taxes	1,347,495	1,421,596
Net earnings	\$ 4,534,166	\$ 3,943,319

## Condensed Consolidated Statement of Cash Flows

Year ended December 31, 2008, with comparative figures for 2007	2008	2007
Cash provided by (used in):		
Operations:		
Net earnings	\$ 4,534,166	\$ 3,943,319
Items not involving cash	5,556,195	3,924,131
Change in non-cash operating working capital	(3,955,461)	(62,396)
	6,134,900	7,805,054
Financing:		
Deposits	89,338,181	49,674,128
Short-term borrowings	27,033,425	(18,011,781)
	116,371,606	31,662,347
Investments:		
Loans	(97,389,286)	(34,677,092)
Investments	(15,769,751)	1,965,458
Purchase of premises and equipment	(2,683,710)	(3,553,564)
Proceeds on dispositions	1,250,000	1,175,000
	(114,592,747)	(35,090,198)
Increase in cash position	7,913,759	4,377,203
Cash resources, beginning of year	125,588,908	121,211,705
Cash resources, end of year	\$ 133,502,667	\$ 125,588,908



Coastal Community is Vancouver Island's largest regionally-based credit union and has been serving Island communities for more than 60 years. With more than 80,000 members, 625 employees, and over \$1.5 billion in assets, Coastal Community offers complete financial services and solutions through an extensive network of community branches, insurance and investment offices, and business centres across Vancouver Island.

**Head Office**

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For more information and a downloadable version of our Annual Report, please visit Coastal Community online at [www.cccu.ca](http://www.cccu.ca)



**one pillar gives strength | member experience**

"The driving force of our success is member satisfaction."

**one pillar gives strength | community experience**

"Staying connected and investing in our communities is vital to our role as community leaders."

**one pillar gives strength | employee experience**

"Motivated, empowered and accountable employees deliver a vastly superior quality of service; our success depends on them."

**one pillar gives strength | corporate performance**

"The secret to our success? We stay connected with our members, clients, employees, and communities while managing with fiscal responsibility."

**four pillars give stability**

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**COASTAL  
COMMUNITY**  
CREDIT UNION



**Recycled**  
Supporting responsible use  
of forest resources  
[www.fsc.org](http://www.fsc.org) Cert no. SW-COC-001563  
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