



up close and personal

FOCUSING ON WHAT REALLY MATTERS

en<sup>v</sup>ision  
CREDIT UNION

2008 ANNUAL REPORT

A heightened focus on our responsibility  
to stakeholders ensures that we advocate

**courageously**

for our member-owners' financial well-being,

**innovatively**

for our employees' wellness,

**passionately**

for the vitality of our communities and

**relentlessly**

in pursuit of good corporate citizenship.

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# credit unions are unique



...but this uniqueness isn't enough to ensure Envision continues to grow and thrive in an ever-changing, highly competitive market. Our success hinges on cultivating a culture that nurtures member-owner advocacy.

**For us it's business and it's personal.**

## MESSAGE FROM THE BOARD CHAIR

Envision made steady progress toward its strategic objectives in 2008. The pace of growth, however, was slower than in recent years because of the volatility and uncertainty we faced in the financial markets.



### STANDING TOGETHER IN UNCERTAIN TIMES

Envision was formed over 60 years ago based on the principle of neighbour helping neighbour. Since that time, we've partnered with our member-owners in good times and in hard times. Our commitment to helping our member-owners remains just as important to us today as it did in 1946.

While the volatility in the financial markets made headlines across the globe, I am pleased to report that Envision weathered the events of 2008 thanks to the considerable efforts of management and staff to meet budgets and achieve growth. As we work through the challenging economic environment, we will continue to work with you to ensure that you, too, ride out this storm successfully.

We are also facing challenges from within the financial services industry. Canada's banking industry continues to grow and change rapidly. With more than \$2.6 trillion in assets, Canada's domestic and foreign banks own large portions of the trust and brokerage business. Large Canadian banks have created operating alliances and established jointly owned subsidiaries and partnerships that enable them to meet efficiency objectives. Added to this is the continued pressure being placed on the federal government to allow bank mergers and liberalize bank-insurance regulations.

There's no denying that credit unions are facing unprecedented competition, both at the storefront and online. As a result of this and the ongoing economic challenges, margins have been compressed. In such an environment, it becomes increasingly difficult to maintain, let alone grow, market share. These changes within the Canadian banking industry call for credit unions such as Envision to thoughtfully plan and take action to ensure the well-being of our member-owners, our organization and the credit union system as a whole. Through all this, your Board of Directors remains committed to advancing the ideals of co-operative banking locally and across the country, to ensure our member-owners can continue to partner in confidence with their credit union.

#### TURNING OUR STRATEGY INTO REALITY

Envision stands strong today in large part because of its long-term strategy to diversify its revenue. This strategy helps us to diminish risk, stay competitive, and meet our member-owners' expectations. Our subsidiary companies are a growing source of revenue for us and offer more services than ever before, enabling us to deepen our relationships with our member-owners.

Likewise, our Pathways Partnership is maturing into a viable platform for building a healthy and financially sustainable organization. This unique interprovincial relationship with First Calgary Savings took on a new dimension in 2008 when your Board agreed to enter into partnership discussions with Valley First Credit Union, based in Penticton, British Columbia.

This three-way partnership will result in the largest interprovincial credit union network in Canada. It will yield economies of scale, which will bring added flexibility to help us to better manage our costs and, in turn, lower our organizational risk. It will also provide us with access to new markets and points of service, and expanded employee career opportunities. In addition, your Board of Directors is committed to preserving each credit union's local identity, community focus, and decision-making.

#### STRENGTHENING THE CREDIT UNION SYSTEM

I am encouraged with the continuing shift in Canada toward a more favourable regulatory framework that will strengthen the country's credit union system.

In November 2008, the B.C. government passed amendments to the Financial Institutions Act that provide 100% insurance protection on all B.C. credit union deposits. These measures affirm the strength of B.C. credit unions and provide important operational benefits. Envision, for example, is now more attractive than in the past to large depositors, such as municipalities, universities and hospitals, and to member-owners who wish to consolidate a greater proportion of their financial assets at Envision.

Significantly, the amendments also create parity with deposit insurance protection for Alberta credit unions, a key to the success of our partnership with First Calgary Savings. This follows the approval in 2007 of the Trade, Investment and Labour Mobility Agreement between British Columbia and Alberta, which seeks to improve the movement of goods, services, and investment between the two provinces. Together, these changes support our vision of an interprovincial financial network boasting shared sustainable growth, for both Envision and its current and future partners.

In closing, I would like to thank management and staff for their enormous efforts during a challenging year. I also thank our more than 120,000 member-owners for continuing to entrust their financial future to our credit union. And finally, to my fellow directors for their support and encouragement—thank you.

Sincerely,



**TERRY ENNS**  
Board Chair

## MESSAGE FROM THE PRESIDENT AND CEO

For our employees, 2008 was an especially challenging year. A perfect financial storm swept the globe, creating extraordinary operating conditions for our organization and anxious times for our member-owners.

Yet these circumstances brought out the best in our employees.



What stood out for me was our employees' commitment to what really matters: the financial well-being of our member-owners. I thank all of our employees for everything they've done.

Our operating performance in 2008 is further evidence of the work ethic of our employees. I am pleased to report that Envision achieved or surpassed many key performance indicators and continued to help build better communities during the year.

### EMPLOYEES: CREATING MEANINGFUL WORKPLACES

Envision has ranked among the 50 Best Employers in Canada for seven years running. In the latest survey, we came in at number 26. Our consistent placement in the top 50 is a ringing endorsement of our innovative

human resources practices, such as flexible work-life arrangements and employee well-being programs. Our flexible benefits have been recognized as one of the best pension and benefit plans in Canada.

Nothing, however, stays the same. I recognize that we must continue to motivate, retain, and attract top talent by creating a positive and meaningful place to work.

### MEMBER-OWNERS: FOCUSING ON WHAT MATTERS

As our organization grows and evolves, we must find new ways to measure our effectiveness in taking responsibility for our member-owners' financial well-being. In 2008, we began reporting our success in this regard in the form of a member satisfaction index based on a range of variables, including member-owner expectations and loyalty.

Our member satisfaction index in 2008 was 82, which is within our target range of 81 to 85. Hitting our target in an especially challenging environment tells me that we are focusing on what matters, when it matters to our member-owners. Whether solving seemingly insurmountable problems or simply answering a question promptly and directly, we continue to strive to make member-owner satisfaction an organizational strength.

The results of the index also confirm that we are on the right track with our products and services. In 2008, we opened new branches in Maple Ridge and Newton, developed innovative products such as the Step-Up™ Escalating Term Deposit, and deepened relationships with member-owners through our wealth management and insurance services.

#### FINANCIALS: STEADY GROWTH LEADS TO STABILITY

Our financial results mirror our member-owners' demand for financing for homes, vehicle business, and other assets. As spending decreased in 2008 in line with the slowdown in the economy, so did our asset and revenue growth. Deposits, however, did grow significantly as member-owners sought the safety of our deposit products. We nevertheless turned in an acceptable performance thanks to our long-term strategy to diversify income. Envision Insurance Services, for instance, continued to enjoy strong financial results, as did our wealth management operations. During a year when low interest rates again compressed our financial margin, we took action to mitigate the effect that these market conditions had on the credit union's performance. This included making the difficult choice to increase the pricing of our popular Redfrog mortgage.

Overall, our deposits for 2008 increased \$83.2 million, or 3.2%, and loans decreased \$28.5 million, or 1.1%. Borrowings decreased \$103.3 million, or 44.8%. Net income was \$11.7 million, a decrease of 9.9% from 2007.

#### COMMUNITIES: ROLLING UP OUR SLEEVES

I believe that giving back to our communities is a privilege, not an obligation. Armed with that conviction, I was happy to roll up my sleeves along with 100 fellow employee volunteers in Envision's second annual Days of Caring program. We painted, cleaned, gardened, and lent a hand at several non-profit organizations throughout the Lower Mainland.

I spent time painting the offices of Pacific Riding for Developing Abilities, which operates a therapeutic horseback riding facility for individuals with physical and cognitive challenges. I was proud to get a little paint on my jeans and prouder still of our committed and caring employees. From cash donations and employee volunteerism, to professional expertise and in-kind gifts, our contributions add up and make for strong, vibrant communities.

In 2008, we also stepped up our commitment to the environment, which you can read more about later in our annual report.

#### PATHWAYS: LEVERAGING STRENGTHS, SHARING IDEAS

It has been exciting to see the operational benefits of our partnership with First Calgary Savings take shape. We now share a common banking system and such corporate services as technology, marketing, communications, corporate citizenship, and human resources.

The synergy of our shared corporate structure is producing tangible results. In 2008, for example, our marketing team exceeded targets on several campaigns and garnered nine awards of marketing excellence for both credit unions.

This partnership has expanded to include Valley First Credit Union, which you can read more about in the Message from the Board Chair.

#### OUTLOOK: WORKING TOGETHER IN CHALLENGING TIMES

Our organization, employees, and member-owners must be prepared for economic slowdown in 2009. Uncertainty seems to have become our only certainty. I believe, however, that we have more to be thankful for than we have to fear. The timing and speed of an economic recovery are uncertain, but rest assured, a recovery will come. It has become clear that we are going through much more than a bump in the road—our economic landscape has fundamentally changed.

Additionally, Canada enjoys one of the strongest, most highly regulated financial environments in the world. This stability, along with a healthy credit union system and Envision's strong balance sheet, favourably positions our organization to ride out the rough spots and capitalize on the recovery when it occurs.

I take pride in knowing our business model is sufficiently sound to hold us in good stead during periods of slow economic growth. Our strategy ensures that we can protect the financial assets entrusted to us by our member-owners, while continuing to provide them with the products and services they need. I am expecting that the road ahead will include some difficult steps. At a time of new constraints, this will involve discipline and sacrifice.

I thank our member-owners for their tremendous trust and loyalty. None of what we have achieved in the past or will accomplish in the future is possible without your support.

Sincerely,



GORD HUSTON  
President and CEO

## EXECUTIVE TEAM



Rod Banman  
Senior Vice-President,  
Credit Services

Gord Huston  
President and CEO

John Dundas  
Senior Vice-President,  
Marketing and Communications

Jackie Barber  
Senior Vice-President,  
Human Resources

Rod Banman retired on January 31, 2009, after 30 years of credit union service.  
Thank you Rod for your leadership and valued contributions over the years.



**Mark McLoughlin**

Vice-President,  
Pathways and  
Corporate Development

**Tim Wasilieff**

CEO, inUnison Technology Services

**Tom Webster**

Chief Financial Officer

**Bev Brown**

Chief Operating Officer

**Barry Delaney**

Senior Vice-President,  
Corporate Secretary and Risk Services

## ADVOCATE



courageously

### CULTIVATING MEANINGFUL RELATIONSHIPS

There's a special kind of nurturing that goes into growing heather. No one knows that better than Dave Wilson, who's been growing the plant for over 30 years at his nursery near Chilliwack, British Columbia.

"Heather plants require a specialized feeding program and very strict watering regimen," says Dave. "They need a lot of attention and grooming to produce a high-quality plant. Customer service is a big part of our business—our customers keep coming back to us because they know that our plants are consistently high quality every delivery, every season."

Each year, Wilson's Nursery Ltd., the business owned by Dave and his wife, Irene Mills, sells approximately 300,000 heather plants and 30,000 garden-hardy miniature roses. That's a lot of care and consistency. It comes as no surprise, then, that Dave and Irene value the same care and consistency in their business relationships, too.

For years now, they've used the same nursery suppliers—and the same professional team, consisting of a lawyer, accountant, and Envision. Dave counts on this group of seasoned professionals to understand what Wilson's Nursery Ltd. needs to grow and cultivate prosperity.

And prosper they have. "We're by far the largest grower of heather in North America and we have the largest selection of garden-hardy miniature roses anywhere," says Dave, who adds their roses are distributed nationally and the heather is shipped across Canada and the United States. "Our business

## FOR MEMBER-OWNERS' FINANCIAL WELL-BEING



Over the years, Envision has continued to provide support and advice that fit the couple's business plans. "Envision hasn't tried to grow us into something we're not. They appreciate the niche market we've developed," says Dave. "They know our business cycle, which includes the same challenges and worries as other agricultural producers. Although the current Envision employee we deal with may not have a

**"Envision's guidance and support over the years has been vital to us and our business," Dave says. "We're hoping that the future will bring a little more free time—we know Envision will be there to do whatever they can to help make that happen."**

has also expanded to include a mail order branch of our wholesale nursery, which ships plants by mail across Canada."

Dave and Irene began their relationship with Envision decades ago when they connected with an Envision representative whose knowledge of horticulture gave him an appreciation for the nursery business. He understood the type of cash flow structure Dave and Irene needed to run the nursery. "He knew what we needed and had a solid grasp of our business," says Dave. "That makes a really big difference for any business owner."

green thumb, we've always been confident that he understands our business."

Dave and Irene have continued to build new greenhouses and make other significant business purchases with the help of financing from Envision. They also hold personal accounts, and in 1996, Envision provided the mortgage that helped them build a new home.

After spending more than three decades carefully nurturing the family business, retirement is coming into view and the couple is looking forward to cultivating new pastimes. "Envision's guidance and support over the years has been vital to us and our business," Dave says. "We're hoping that the future will bring a little more free time—we know that Envision will be there to do whatever they can to help make that happen."

## ADVOCATE



innovatively

### ADVENTURES FAR AWAY AND CLOSE TO HOME

Janice Iverson couldn't sleep. It wasn't work pressures that kept her awake. Instead, it was the symphony of sounds that arose each night deep in the jungles of Costa Rica, along with the slithering and furry visitors that could have come calling. Why? Her home at that time was a giant treehouse perched metres up in the jungle canopy that gave new meaning to the concept of open design.

"You'd think being on an eight-month sabbatical, practicing the fine art of doing nothing, that I'd sleep like a baby. But it was a bit nerve-racking until I finally decided what will be, will be," laughs Janice, Assistant Vice-President, Corporate Citizenship, now back in her office in Langley.

That was just one of the many lessons she experienced from January to September of 2008—a period that included exploring California, her new neighbourhood in the Fraser Valley, and the west coast of British Columbia. Just a year earlier, Janice had assumed responsibility for Corporate Citizenship at both Envision and First Calgary Savings and moved from Calgary to B.C.

The move was one thing, but taking an unpaid sabbatical meant stepping away from the rigours and routines of a 22-year career. Reflecting back on the experience, Janice says while it gave her the chance

**“Both Envision and First Calgary Savings are committed to working through our personal life stages with us, whether it’s a honeymoon leave early in our careers or elder care leave later on.”**

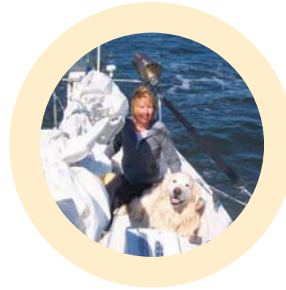
to relax, and satisfy her curiosity and sense of adventure, it also revealed a great deal of insight into her profession and the philosophy of the two organizations she works for.

“I believe that people are hard-wired to work and contribute to society. So the angst I sometimes felt trying to master my new lifestyle of freedom was a good angst that energized me for the return to my role,” says Janice.

It was also a great exercise in trust. Trust that her employer would be flexible and supportive of her need for time away. Trust that when she returned, they would still want her. Trust that her teams at Envision and First Calgary Savings would effectively execute the plans mapped out for the year.

The process was a success in all aspects. Janice credits this success to her teams at both Envision and First Calgary Savings for moving corporate citizenship initiatives forward, as well as the vision and values of the two organizations.

## FOR OUR EMPLOYEES’ WELLNESS



“Both Envision and First Calgary Savings are committed to working through our personal life stages with us, whether it’s a honeymoon leave early in our

careers or elder care leave later on. They’re open to the reality that every individual has a story that’s continually unfolding. I believe it’s an environment that leads to healthy people and progressive and vibrant organizations,” says Janice. “I’ve already told my team and my boss that I’d welcome the opportunity to return the favour by supporting other employees with similar dreams. In the meantime, I’m very happy to be back contributing to the success of two great organizations.”





#### NEW BEGINNINGS BACK HOME

Kelly Derbyshire was looking forward to a fresh start and getting back to her roots—but not to ‘paying the dues’ of change.

When she decided to move from Langley, British Columbia, back to her hometown of Calgary, Alberta, Kelly expected to take on all the tasks

associated with relocating, such as finding a place to live and a new job. The move also meant leaving her position as an Executive Assistant at Envision. It was a job she enjoyed, but these were challenging times, and family and friends were calling her home.

But things turned out much better than she had anticipated. When Kelly met with her boss, Bev Brown, Chief Operating Officer at Envision, to submit her resignation, she got a pleasant surprise.

“Bev didn’t want me to quit,” Kelly says. “She said I was a great employee and she wanted to make sure they kept me.”

Bev offered to speak with her colleagues at partner credit union First Calgary Savings to see if she could find Kelly a position at a similar level.

Kelly was thrilled with Bev’s suggestion. “It was just one more thing I didn’t have to think about in the midst of a major change,” she says. “It speaks volumes about the people at Envision.”

With a job-in-waiting as the Executive Assistant to Jackie Barber, Senior Vice-President, Human Resources, Kelly packed up and moved at the end of September 2008. She started her new position a couple of weeks later.



That feeling of family is something Kelly believes sets both Envision and First Calgary Savings apart. “Both organizations genuinely want you to succeed and be happy,” she says. “They go above and beyond—both personally and professionally.”

For Kelly, knowing that the credit unions wanted to keep her as an employee has made her view her workplace in a new light. “I think my situation really demonstrates what both Envision and First Calgary Savings are truly made of and how much they value their employees.”

**That feeling of family is something Kelly believes sets both Envision and First Calgary Savings apart.**

**“Both organizations genuinely want you to succeed and be happy,” she says.**

**“They go above and beyond—both personally and professionally.”**

Having a new job to go to was a blessing. “Going through a tough transition and not having to worry about my career was a big load off my shoulders,” she says. “It was incredible. They were flexible with the timing and it’s been a great experience—this is a place where everyone truly is like a family.”

Now that she’s settled in her new position, Kelly’s looking toward the future. “I can see myself with First Calgary Savings indefinitely. It’s a wonderful place to be.”



## ADVOCATE



passionately

### LEGACY OF A GENERATION

What can a seven-year-old child and a 70-year-old senior—who start as strangers, but agree to meet once a week during school—possibly share in common? You'd be amazed. Try knitting, shooting hoops, reading books, baking, doing crafts, playing board games,

listening to stories, or going for a walk. Those activities are just the beginning of the bond that grows in *Between Generations*, the aptly named program that matches volunteer mentors who are 55 or older with children in grades one to six.

In Calgary, *Between Generations* has been a thriving success for the past five years and is the result of a dynamic collaboration between First Calgary Savings and Big Brothers and Big Sisters (BBBS) of Calgary and Area. There are now 10 schools participating, with over 45 mentors and more than 90 students involved in the program.

After hearing about the success of *Between Generations* in Calgary, conversations sprung up between Envision and Big Brothers and Big Sisters, Upper Fraser Valley: could a *Between Generations* program succeed in B.C.? That question has been answered with a resounding “Yes”. The same winning ingredients are now in place and already making a difference in the lives of nine children and their 13 volunteer mentors in six schools in communities such as Chilliwack, Hope, and Agassiz.

During school time, *Between Generations* volunteer mentors meet with the same students for an hour once a week. The local BBBS provides all the supplies for

## FOR THE VITALITY OF OUR COMMUNITIES



In B.C., David Bahr, Executive Director, BBBS, Upper Fraser Valley, says though the program is just taking hold, they are already seeing clear signs of the difference *Between Generations* makes. “Each child knows exactly when their mentor is coming to visit. The schools have told us that students with a history of absenteeism may miss other days, but they’ll never miss a *Between Generations* day.”

**The *Between Generations* program truly proves that when you have a whole group of people with heart, dedicated to a common purpose, you give kids hope. That’s a gift we know can change lives forever.**

activities, the schools provide the space for the visit, and the *Between Generations* format provides a foundation for the rich rewards that all involved clearly enjoy.

“You rarely see volunteer retention of 90% or 100% for programs, but that’s what we’ve consistently experienced with *Between Generations*,” says Sharon Moore, Executive Director, BBBS, Calgary and Area. “The volunteers stay committed because they see the benefits to the children, how it builds their confidence and self-esteem.”

The type of children who participate in *Between Generations* ranges from those who come from difficult personal circumstances, to kids who do well academically but are very shy. This mentoring is credited with helping students improve their grades, behaviour, and relationships at school.

David says the program is currently focused on students who come from challenging personal and financial situations. In addition, his organization has developed a partnership with the Chehalis Indian Band, and two elders from that community have already agreed to help introduce *Between Generations* in their local school.

“I think all of our volunteers are pleasantly surprised at how much *Between Generations* enriches their lives and gives them an opportunity to give something back,” says David.



David and Sharon agree that *Between Generations* is successful by design and due to the unique relationship and dedicated support of First Calgary Savings and Envision. Both credit unions have made a multi-year commitment to *Between Generations*, to provide human and financial resource support, including a range of communications vehicles promoting the program and helping recruit volunteers.

“Big Brothers and Big Sisters has national sponsors, but to see two organizations working together across regions with a common grassroots focus is very refreshing,” says David. “It’s clear these two organizations match their message of community involvement with their hands and their resources.”



*“I thought all my friends had to be seven or eight. I learned that a friend can be any age.”*

*Between Generations* connects the people who’ve shaped our past with the children who will shape our future. The personal relationships built through this program demonstrate the life-changing impact that’s possible when people are willing to give of themselves

*Between Generations* in Calgary is celebrating its fifth anniversary in 2009. Taking a step back, Sharon reflects on the award-winning program’s exciting start and constant growth. “This program truly proves that when you have a whole group of people with heart, dedicated

*“I feel like I’m really making a difference in a child’s life. It’s the highlight of my week. I just love being involved in such a win-win program.”*

and stand behind another person. These types of relationships are fundamental to how both credit unions work with their member-owners and live in their communities.

to a common purpose, you give kids hope. That’s a gift we know can change lives forever.”



## ADVOCATE

relentlessly



### ACHIEVING A GREENER WORLD ONE STEP AT A TIME

“We’re member-owned, member-centred organizations that treat our communities not just as places of business, but as communities where we live—and we don’t want to pollute our own ‘house.’ We want to have as little impact as possible on the environment.”

For Alex Bitiukov, Manager of Research and Insights for Envision and First Calgary Savings, that’s the fundamental starting point for his organizations’ environmental initiatives. Alex speaks from experience, as he’s a member of Envision’s Environmental Advocacy Team. Kristin Raugust, Human Resources Coordinator for Envision and First Calgary Savings, and member of the First Calgary Savings Environmental Advocacy Team, echoes his sentiment.

"You won't see a lot of grand gestures. You won't see big media campaigns announcing our latest go-green project. Instead, I'd say we're quietly working at putting our respective houses in order," says Kristin, who adds that team members come from many areas of the organization. "We're remaining true to our credit union roots—taking prudent and practical steps that will help us achieve progress over time."

The environmental goals, plans, and actions of each credit union are guided by impact assessments conducted in concert with the Pembina Institute, a national not-for-profit organization focused on developing a sustainable energy future through education, consulting, and advocacy. The assessment involved gathering data that measures greenhouse gas emissions across all areas of business and operations. It resulted in both organizations gaining a better understanding of their respective environmental footprints, which are quite similar. Both, for instance, have room to lighten their impact in areas such as heat,

## IN PURSUIT OF GOOD CORPORATE CITIZENSHIP



"What I've personally enjoyed about working with Envision and First Calgary Savings is that they're approaching their environmental challenges with a fresh mindset, passion, and commitment," adds Alison. "Their plans aren't being driven by what looks best from the outside, but rather what's going to work best on the inside—for their people and their member-owners. I believe this is what will set Envision and First Calgary Savings up for long-term success."

**You won't see a lot of grand gestures. You won't see big media campaigns announcing our latest go-green project. Instead, we're quietly working at putting our respective houses in order. We're remaining true to our credit union roots—taking prudent, practical steps that will help us achieve progress over time.**

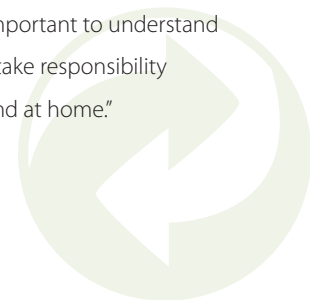
water, electricity, employee commuting, business travel, and paper use. The environmental footprints also form the foundation for future goal-setting, targets, and initiatives launched by each team.

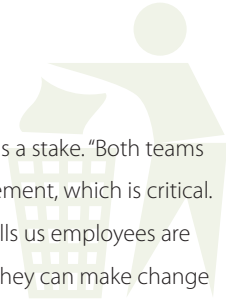
Alison Cretney, Senior Project Manager, Pembina Institute, conducted the assessments with Envision and First Calgary Savings. Having worked with numerous companies, Alison says the two credit unions are definitely on the right track.

"We all know that you must learn to walk before you can run. An organization needs to demonstrate progress, build confidence internally, and then move forward with more substantive change down the road."

### GOING GREEN IS EVERYBODY'S BUSINESS

Ask Alex why a grassroots approach is so important and he gets straight to the point. "No one person or team owns the environmental progress we're trying to achieve. This is not about us telling other areas of our business what to do. Instead, we're encouraging business units to make environmental factors an integral part of their decision-making—to take ownership of the small changes that add up. I think it's important to understand that each of us individually must take responsibility for making a difference at work and at home."



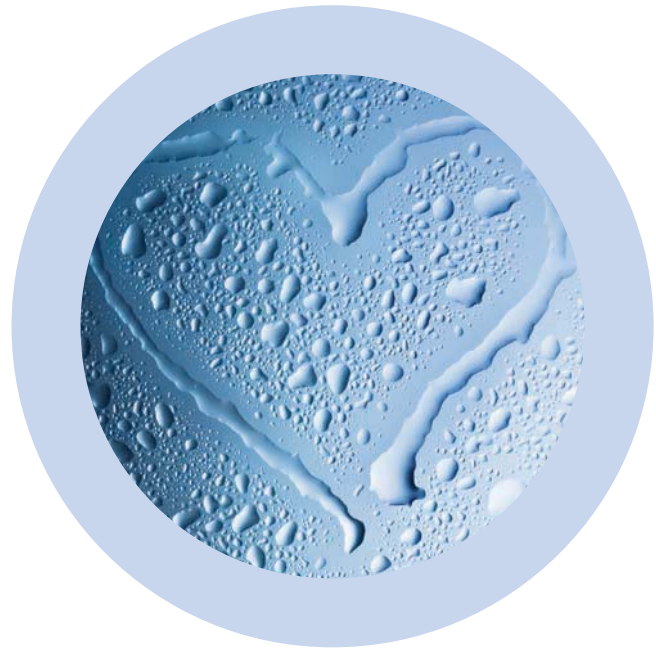


Kristin agrees that everyone has a stake. "Both teams are championed by senior management, which is critical. We're also getting feedback that tells us employees are anxious to learn more about how they can make change happen. They're keen to contribute ideas or point out where there's room for improvements that start with one person or one department taking the initiative. There's a very engaging conversation going on throughout our organization that will continue to build momentum."

An area in which Envision has really stepped up and taken leadership is the organization's pursuit of Leadership in Energy and Environmental Design (LEED) certification with every new branch they build.

"We're achieving a high standard of construction based on our awareness and understanding that such projects are part of being a responsible corporate citizen. We're making a commitment now and for the future," says Alex. First Calgary Savings is pursuing a similar type of commitment.

Both credit unions are also monitoring their corporate air travel habits very carefully and using video conferencing as an effective means of managing costs and helping the environment. In addition, scaled donations are being made to a corporate carbon offset plan that funds reforestation, landfill, and river projects, to name a few examples.



Alex and Kristin agree these are still relatively early days in the environmental journey of both organizations, particularly for First Calgary Savings. But both organizations gained momentum in 2008 and began to see results. Change is happening.

For Alex and Kristin, it's a hopeful sign for the future. "It's exciting to work for an organization that's made helping protect our planet a long-term priority," says Kristin. "Now the values I apply at home are aligned with my workplace, which is important to me. Working together, we know real progress is possible."



## YEAR IN REVIEW

### ABOUT ENVISION

Envision Credit Union is the third-largest credit union in British Columbia, as measured by total assets, and has 21 branches and 20 insurance offices throughout the province. It has \$3.8 billion in assets under administration, approximately 120,000 member-owners, and more than 800 employees. Envision owns a number of subsidiary companies, including Envision Insurance Services Ltd., Envision Investment Services Ltd., CU DealerLink Ltd., Envision Leasing Ltd., and 65% of inUnison Technology Services Ltd.

### VISION AND STRATEGY

Our goal is to be the best financial institution in Canada. We align our business strategies with our vision of being:

- the best place our employees have ever worked
- the best service provider our member-owners have ever experienced
- industry leaders in financial success
- leaders in corporate citizenship

## OPERATIONS YEAR IN REVIEW

### MEMBER-OWNER SATISFACTION: TUNING IN TO VOICES OF EXPERIENCE

Whether it is helping students save for their education, parents balance budgets with family priorities, or a couple enjoy retirement, we desire to make meaningful contributions to the financial well-being of our member-owners.

Through regular telephone surveys, we evaluate our effectiveness in fulfilling our responsibility and measure our progress towards reaching our objective of being the best service provider our member-owners have ever experienced. Among other questions, we ask member-owners about their experience at Envision and their willingness to recommend our credit union to others. This feedback is then compiled to create a member satisfaction index. The index helps us to understand what is important to our member-owners and target areas that need improvement. We are pleased to report that our member satisfaction index was 82 in 2008, which is in line with our expectations.

### RETAIL BANKING: CREATING BETTER WAYS TO BANK

The diversity of our member-owners' needs has grown substantially. Our priority in 2008 was to continue to deliver high-quality financial products and services that make it easier for member-owners to achieve their unique and individual goals, and to increase the depth of our relationships with our existing member-owners.

We opened conveniently located branches in Newton and Maple Ridge in 2008, bringing the total number of Envision branches to 21. Our Newton Branch complements our existing locations in Surrey and Delta, while our Ridge Meadows Branch brings our service closer to home for member-owners living on the north side of the Fraser River.

Many of our retail marketing programs in 2008 were conducted in partnership with First Calgary Savings to pool ideas and reduce costs. Our marketing team not only generated better than expected results, it also earned seven credit union marketing awards—including two for Envision's 2008 RRSP campaign. In addition, Envision's RRSP campaign received a silver award in the financial services—wealth management category from the Canadian Marketing Association. Our Big Change™ account feature, which makes saving easier for our member-owners, also garnered an innovation award from Central 1 Credit Union, the umbrella organization for B.C. and Ontario credit unions.

## YEAR IN REVIEW

Deposit growth was a large focus for our retail branches in 2008. Our Step-Up™ Escalating Term Deposit, introduced in 2008, proved to be a big hit with its guaranteed growth and two-tiered, escalating interest rate. A product awareness campaign, which supported an operational focus on deposit growth, exceeded its target five times over. The tremendous response persuaded us to make the term deposit a core product offering.

### BUSINESS BANKING: JOINING FORCES TO ADD VALUE

In 2008, we continued to transition our business banking services from primarily lending to a complete range of financial services. Our goal is to give small- and medium-sized business owners the financial tools they need to improve competitiveness and growth. With this in mind, we created more account options and a new equipment leasing program. We also aligned our services more closely with internal and external partners in areas such as insurance, payroll processing, foreign exchange, and credit cards.

Internally, we streamlined our account review process so our managers can spend more time helping our member-owners solve problems and build their businesses. We also expanded our employee training program to better prepare junior staff members for promotion to senior positions that will be vacated by retiring employees.

### HUMAN RESOURCES: FOSTERING FLEXIBILITY AND SHARED VALUES

Envision is engaged in what's often called "the war for talent." Winning this battle requires that we first attract top talent and then retain employees by asking, how do we ensure ongoing alignment between our corporate values and our employees' values?

Our approach to employee well-being addresses this question by providing a framework for an overall approach to healthy work-life flexibility. This approach embraces activities like Days of Caring, which builds camaraderie while employees give back to the community. We also work to keep our talent pipeline full by running career development workshops and offering opportunities for employees at all levels to take on new responsibilities through deliberate development roles.

These and other activities helped us keep employee engagement high in 2008. Our goal is to rank in the top 20 companies who make the *Globe and Mail's Report on Business* magazine's 50 Best Employers in Canada survey. In the most recent survey, we placed at number 26. This marks our seventh consecutive year on the 50 Best Employers list. Although the ranking was lower than in the previous year's survey, our annual internal Organizational Effectiveness Survey placed employee engagement at 76%, which compares favourably to the average score of 77% for the 50 Best Employers in Canada.

Last year, the human resources departments of Envision and First Calgary Savings came together to form a single department serving both organizations. This laid the groundwork for new human resource practices that will help us align the talent and cultures of both partners. Our shared approach to combining the best of our respective organizations will also serve us well as we look to bring on additional partners, such as Valley First.

## SUBSIDIARY OPERATIONS YEAR IN REVIEW

Our subsidiary companies help us increase profitability, diversify sources of income, and reduce operating costs. These companies also enable us to offer member-owners easy access to a broad range of financial services such as insurance, investment management, and automobile financing. Envision's revenue from subsidiary companies in 2008 reached \$35.7 million, a 21.2% increase over 2007.

Longer-term, we expect our subsidiaries will be instrumental in creating a strong interprovincial financial services network built on the unique values and closely aligned expectations of our credit union partners.

## YEAR IN REVIEW

### INVESTMENT SERVICES: MANAGING MONEY, EXPECTATIONS, AND RISK

Envision Investment Services Ltd. set aggressive growth targets for its wealth management business in 2008. We met the majority of these objectives, however, the decline in capital markets prevented us from building our book of business. We nevertheless increased the rate of growth in new assets under management during the year.

As financial market volatility increased during 2008, our priorities shifted to proactively addressing member-owners' concerns regarding the safety and security of their investments. These activities were the key to retaining the assets and confidence of our member-owners.

Net sales of new assets in 2008 increased to \$45.0 million from \$43.2 million in 2007, an increase of 6.7%, compared with the industry average of 0.4% as measured by the Investment Funds Institute of Canada. The decline in the financial markets significantly impacted wealth management assets under management, which decreased in value by \$58.4 million, or 9.0%. This, in turn, resulted in a 1.8% decrease in commission revenues to \$3.9 million.

In 2009, Envision will extend its partnership with Qtrade Financial Group from online investing services to provider of wealth management services. The new partnership, which takes effect in mid-2009, will provide us with advanced technology to help us deliver personalized wealth management advice and outstanding products to our member-owners.

### INSURANCE SERVICES: GROWING ACROSS BRITISH COLUMBIA

Envision Insurance Services Ltd. has enjoyed strong revenue for the past several years by executing its strategy to expand operations by way of internal growth and the acquisition of additional insurance brokerages.

In early 2008, we acquired Riverside Insurance Brokers Ltd. of Langley, B.C., and less than one year later, we acquired Simmons, Black & Emsland Insurance Services in Kamloops, B.C. These two offices are now Envision Insurance's largest locations. By acquiring these offices, we have increased our insurance offices to 20 throughout British Columbia. Past acquisitions like this, including current partnerships in Smithers with Bulkley Valley Credit Union and in Summerland with Summerland and District Credit Union, continued to perform well in 2008. This past year we also rebuilt our stand-alone insurance office in Yarrow to better serve our clients and member-owners in the area.

Revenue reached another record high, rising to \$10.4 million, a 12.4% increase over 2007. Operationally, we maintained strong margins and saw good levels of organic growth in our primary lines of business.

### AUTOMOTIVE SERVICES: GAINING MARKET SHARE IN TOUGH TIMES

Our Automotive Services Group operates two subsidiaries, Envision Leasing Ltd. and CU DealerLink Ltd. Our subsidiaries work in partnership with 15 B.C. credit unions to deliver on-the-spot financing to credit union member-owners buying or leasing an automobile at dealers located throughout British Columbia.

We focused activities in 2008 on solidifying relationships within our dealer network and improving customer service by decreasing the time it takes to approve financing applications. Both subsidiaries benefited throughout the year by growing awareness of their financing services, which partially offset the impact of the slowdown in light vehicle sales in Canada.

Envision Leasing filled a void created in the marketplace when some automakers changed their leasing strategies. As a result, our lease portfolio increased 45.7% and revenue increased 58.6%, compared with 2007.

CU DealerLink financed the purchase of 2,819 vehicles for credit union member-owners in 2008. Our loan volumes decreased 12.9% to \$80.5 million from \$92.4 million in 2007, primarily because of significant weakness in the automobile sector in late 2008. This slowdown resulted in a 5.3% decline in revenue for 2008.

### TECHNOLOGY SERVICES: KEEPING PACE WITH CHANGE

inUnison Technology Services Ltd. is an Envision and First Calgary Savings subsidiary, formed to share the information technology expertise and experience of both credit unions. inUnison helps each credit union meet its business objectives and is integral to the shared services platform supporting a interprovincial financial network.

inUnison's primary focus in 2008 was to maintain the banking system used by Envision and First Calgary Savings, along with many other applications, and to improve efficiencies at the credit unions. For First Calgary Savings, the technology group provided project management and system support for a new member-owner contact centre, which required upgrades to telephony and contact management software. inUnison also undertook a number of infrastructure and process improvement projects, including an initiative aimed at improving the Quality Assurance (QA) process.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Overview of 2008

Envision posted acceptable financial results in 2008 despite the challenging conditions in global financial and credit markets. Our primary objective during the year was to maintain a well-funded balance sheet that supported strong earnings in 2008 and future years.

In 2008, deposits increased \$83.2 million, or 3.2%, compared with our target growth rate of 5.0%. Loans to member-owners decreased \$28.4 million, or 1.1%, which was lower than our growth target rate of 3.0%. Envision maintained its asset base of \$3.1 billion, while strengthening our balance sheet by paying down \$103.3 million in borrowings.

We continued to use the Mortgage-Backed Securities and Canadian Mortgage Bond programs sponsored by the Canada Mortgage and Housing Corporation (CMHC). In 2008, we securitized \$211.0 million in mortgages, recognizing a gain of \$3.5 million on the sales.

We maintained our revenue diversification strategy in 2008 by increasing non-interest revenue sources in insurance, wealth management, and auto financing. These gains, however, were offset by lower spreads on prime-based loans resulting from decreases to prime rates during the year. Operating costs also increased during the year as a result of two new branches opening and an increase in amortization of leased vehicles. We also increased our allowance for credit losses by \$3.7 million from the previous year due to the concern of a weakening economy and housing market. Consequently, consolidated net income in 2008 was \$11.7 million, compared to \$12.9 million in 2007.



#### Changes in Accounting Policies

On January 1, 2008, we adopted three new Canadian Institute of Chartered Accountants (CICA) standards:

- **CICA Handbook Section 3862, Financial Instruments - Disclosures** requires additional disclosure of the risks associated with both recognized and unrecognized financial instruments and how the credit union manages those risks. Refer to financial statement Notes 15, 16, and 17 for additional information.
- **CICA Handbook Section 3863, Financial Instruments - Presentation** establishes standards for presentation of financial instruments and provides guidance with classification of financial instruments between liabilities and equity. Refer to financial statement Notes 15, 16, and 17 for additional information.
- **CICA Handbook Section 1535, Capital Disclosures** requires the credit union to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies, and processes for managing capital. Refer to financial statement Note 5 for additional information.

Starting January 1, 2010, the CICA will transition Canadian generally accepted accounting principles (GAAP) for publicly accountable entities such as Envision to International Financial Reporting Standards (IFRS). We will prepare financial statements in accordance with IFRS commencing January 1, 2011, and will include comparative 2010 results under IFRS. Even though much of Canadian GAAP is similar to IFRS, the transition to IFRS may significantly impact our processes and financial results.

We are planning the conversion to IFRS. This includes identifying the differences between Canadian GAAP and IFRS, developing an implementation plan, assessing resource requirements, and making accounting changes. We have not determined the full impact of this conversion as accounting standards and related interpretations are still evolving. The conversion to IFRS is a significant initiative and we will dedicate substantial resources to ensure an effective and efficient implementation.

### Operating Efficiency

Operating efficiency—the expense-to-revenue ratio—measures the relationship between operating expenses and revenue. The lower the ratio, the greater the efficiency. Operating efficiency is a key measure of our ability to remain economically viable.

In the short-term, operating efficiency gives us the flexibility to respond quickly and effectively to competitive pressures in a dynamic marketplace. Longer-term, operating efficiency ensures that we maximize financial performance so that we are able to expand into new markets, add new financial products and services, and pay a sustainable dividend to member-owners. These activities also require that we sustain strong asset and deposit growth.

In 2008, our operating efficiency was 88.1%, compared with 84.4% in 2007. Although revenue grew 7.6% during the year, operating expenses increased at 8.3%, resulting in decreased operating efficiency. Management is committed to improving the operational efficiency of Envision, as it is considered a strategic imperative in today's highly competitive retail banking environment.

The components of our operational efficiency ratio are addressed in the following sections.

### Net Interest Income

In 2008, net interest income—interest and investment income earned on assets less interest incurred on deposits and borrowings—increased \$1.5 million, or 2.5%, to \$60.6 million from a year earlier.

Net interest income as a percentage of average assets declined to 1.97% in 2008 compared to 2.06% in 2007. This decline reflects reductions in the prime lending interest rates and increases to deposit and funding costs related to ongoing disruptions in global financial and credit markets.

### Non-Interest Income

A key part of our strategy is to diversify our income by growing our non-interest income, which comprises all income other than net interest income. To execute this strategy, we have focused on the growth of our subsidiary operations. In 2008, non-interest income increased \$6.7 million, or 13.8%, to \$54.7 million.

Insurance commissions and fees earned by Envision Insurance Services Ltd. rose \$892,000, or 7.3%, to \$13.2 million. This was primarily due to a new insurance office acquisition in early 2008. An additional acquisition on January 1, 2009, will further enhance this revenue stream. Fees from fiduciary activities and mutual funds earned by Envision Investment Services Ltd. declined \$57,000, or 1.1%, to \$5.2 million as a result of the decline in the market value of funds under management.

### Operating Expense

Non-interest expenses in 2008 increased \$7.4 million, or 8.3%, to \$96.6 million compared with 2007. The largest increases were occupancy expenses and salaries and benefits. Occupancy expenses increased to \$7.2 million, or 8.2%, from \$6.7 million in 2007 due to the opening of new branches in Maple Ridge and Newton. Salaries and benefits increased by \$3.4 million to \$52.9 million due to higher staffing levels and compensation rates.

## CONSOLIDATED BALANCE SHEET

### Assets

Total assets increased \$11.9 million, or 0.39%, compared to 2007 primarily because of an increase in investments and other assets of \$53.1 million. This increase was offset by a net decline in loans of \$28.5 million, or 1.1%, after the securitization of \$211.0 million in loans. Proceeds from this securitization allowed the credit union to reduce borrowings by \$103.3 million and increase cash term investments.

### Loans

Total loans to member-owners decreased \$28.5 million, or 1.1%, compared with 2007. The decrease was primarily the result of a decline in residential mortgages, which decreased \$79.0 million, or 4.9%, following the securitization of \$178.3 million in residential mortgages. This decrease was offset by solid growth in personal loans and lines of credit, up \$33.0 million (7.9%), and commercial mortgages and loans, up \$15.9 million (2.6%).

### Allowance for Credit Losses

Our balance sheet allowance for credit losses as of December 31, 2008, was \$13.5 million, an increase of \$3.7 million, or 37.3%, from the previous year. The allowance represents 0.50% of total loans and accrued interest, compared with 0.36% a year ago. We believe that the increase to the loss provision is prudent in light of weakening employment and anticipated lower real estate values and sales in 2009.

We believe that the total allowance for credit losses is adequate based on policy, current economic factors, and our analysis of the loan portfolio as of December 31, 2008. In addition to maintaining a general allowance of 0.50% of loans, our specific allowances will be evaluated monthly on an account-by-account basis. An analysis of our allowance for credit losses is provided in Note 7 of the consolidated financial statements.

### Deposits

Member-owner deposits increased \$83.2 million, or 3.2%, during 2008. The increase was primarily due to our strong focus on attracting term and short-term demand deposits.

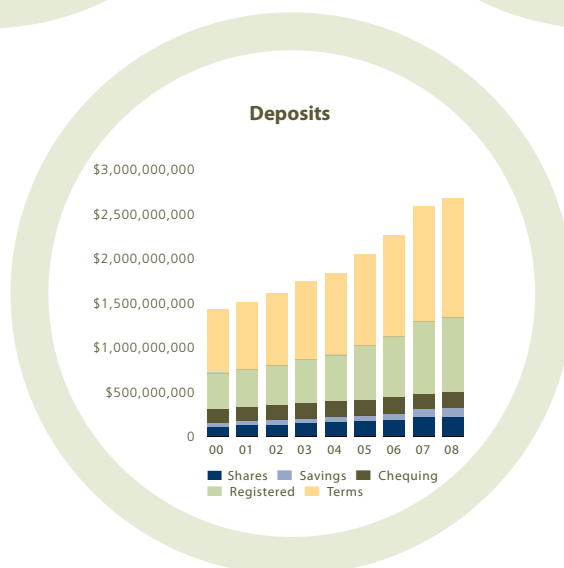
### Capital Management

Capital management is the ongoing designation, allocation, and maintenance of the quantity and quality of capital needed to support current and future operations. This includes a consideration of regulatory and economic capital requirements and stakeholder expectations. The objectives are to ensure adequate capital is available to maintain confidence in the safety and stability of the credit union, and to achieve a return on capital consistent with the credit union's capital plan.

The Financial Institution Act requires that the credit union maintain a capital base that is adequate relative to its business activities. Each asset is assigned a risk factor based on the probability that a loss may be incurred on the ultimate realization of that asset. As of December 31, 2008, the credit union had a capital ratio of 11.8% on a risk-weighted basis, compared with 11.6% in 2007. This compares favourably with the prescribed minimum ratio of 8.0% of total risk-weighted assets. An analysis of our capital is provided in Note 5 of the consolidated financial statements.

### Comparative Highlights (\$ in thousands)

	2008	2007	2006	% Change
Balance Sheet Assets	3,079,205	3,068,018	2,681,848	0.4%
Funds Under Administration	1,324,536	1,382,245	1,312,224	-4.7%
Loans to Member	2,689,476	2,714,022	2,388,708	-0.9%
Member Deposits	2,687,189	2,602,960	2,265,085	3.2%
Retained Earning and Equity Shares	163,650	153,736	145,193	6.8%
Total Financial Income and Other Income	212,542	203,485	170,875	4.5%
Interest and Dividends Paid to Members	87,463	84,312	64,871	3.9%



**OUTLOOK AND STRATEGY FOR 2009**

**B.C. Economic Forecast\***

The B.C. economy will enter a recession in 2009, causing the province’s gross domestic product (GDP) to decline an estimated 1.0% in 2009, the first drop in annual economic output since 1982.

Economic growth should rebound by 2010 to 2.0% as the 2010 Olympic Winter Games bring in more than \$1 billion in spending. Growth, however, will slip slightly in 2011 before a more broadly based recovery led by commodities, construction, utilities, and consumer sectors. B.C.’s real GDP is forecast to grow 1.9% in 2011, 3.0% in 2012, and 3.8% in 2013. Meanwhile, the global economy is expected to be in a sustained recovery phase by 2011, following substantial monetary and fiscal stimulus, and a return to relatively normal credit markets and risk spreads.

The economic contraction in B.C. during 2009 will be caused by declining construction, mining, and business investment, along with weak consumer spending and a continuing recession in forestry. A decline in housing starts that began in 2008 will have the biggest negative impact. Higher government spending will partially offset the declines, but have more impact starting in 2010 when infrastructure spending accelerates. In 2009, mainly government-related sectors, such as health care, will grow moderately, as will owner-occupied housing services in the private sector.

\* Information provided by Central 1 Credit Union

Other highlights of the forecast include:

- Employment will decline in 2009 and to a lesser extent in 2010, before climbing in 2011.
- Population growth will slow from 1.7% in 2008 to 1.4% in 2011.
- The Consumer Price Index should fall dramatically in 2009 to 0.8% from 2.1% in 2008, primarily because of lower energy prices.
- Consumer spending adjusted for inflation is expected to slow sharply to 1.4% in 2009 and to 0.6% in 2010, before returning to normal in 2012 and 2013.
- Retail sales are forecasted to post a rare decline in 2009, slipping 1.2%.
- Housing starts are forecasted at 16,600 units in 2009, down from an estimated 33,900 in 2008 and more than 39,000 in 2007.
- Corporate spending on machinery and equipment and non-residential construction will drop 16.1% in 2009 and a further 3.2% in 2010, before climbing each year to 2013.
- Personal income growth is forecasted to fall for the first time on record, slipping 1.9% in 2009 and 0.4% in 2010, before rising to 9.1% annual growth in 2013.

The forecast assumes that government stimulus actions have a positive impact on global economies in late 2009 and more so thereafter. The Canadian dollar is also a key part of the forecast, as it plays a large role in export and import outcomes. Our dollar is expected to appreciate against the U.S. dollar over the next five years, rising from 82 cents US at the end of 2008 to 96 cents US in 2013. This will be negative for B.C. exports, positive for imports, and a slight net negative factor overall.

#### Envision's Outlook and Strategy

The projections and targets included in this report involve numerous assumptions. A variety of factors may cause actual results to differ materially from expectations. These factors include, but are not limited to, general business and economic conditions and the changes in the financial markets. Undue reliance should not be placed on these projections.

The British Columbia economy is expected to slip into a recession during 2009. This downturn, coupled with rising inflation and high consumer debt levels, is expected to result in lower consumer confidence. Additionally, falling real estate values in the Lower Mainland may lead to increased credit risk.

Our strategy for 2009 is to be selective when lending and to achieve pricing commensurate with credit risk and credit spreads. Our goal is to increase lending by 3.1%, including off-balance-sheet positions. We will continue to focus on maintaining disciplined underwriting practices while closely monitoring the credit environment. We will also continue to focus on deposit-taking and anticipate deposit growth of 5.0%, primarily through organic growth within our branch network.

We expect pressures on net interest income to continue until interest rate market spreads normalize and prime rate increases. During 2009, we expect to see an easing of our deposit costs in line with the reduced prime rate reductions of the past 12 months. These prime rate reductions were the result of Bank of Canada monetary actions to increase liquidity into the economy. We plan to continually monitor the pricing of deposit and loan products to reduce pressure on net interest income.

We believe that this prudent approach, together with Envision's strong balance sheet and quality loan portfolio, will leave us well positioned throughout the current credit cycle.

#### RISK MANAGEMENT

Our business activities require that we prudently measure and manage risks to ensure the financial sustainability of the credit union. Risk is defined as the likelihood of an event occurring that impedes the achievement of an organization's objectives. Risk management is the process for identifying, assessing, managing, and monitoring all risk factors that may adversely affect the operations, financial results, and reputation of the credit union. The categories of significant risks affecting Envision are credit, market, liquidity, regulatory, operational, and strategic. We have established a risk profile to assess our risk levels, their trends, and actions being taken on a quarterly basis. This framework includes appropriate tolerances, risk reporting, and Board and management risk policies to effectively manage and monitor risk.

### Credit Risk

Credit risk is defined as the potential for loss from borrowers or counterparties who fail to meet their obligations in accordance with agreed terms. Credit risk is primarily centred in our lending activities, but is also present in other activities, including derivatives. The Board's credit risk policy and corresponding management policies set indicators and thresholds for managing credit risk. The Board and management committees review regular reports on these metrics. Our internal audit group reviews compliance with these policies and tests for loan quality and documentation, and credit reporting. The group also attends Credit Risk Committee meetings and reports its audit activities and findings to the Audit Committee and the Board.

We believe that credit risk is at an acceptable level as determined by Board policy and management quarterly reviews. During 2008, we monitored leading retail and commercial economic indicators and made adjustments to our lending policies to ensure this risk was managed within our tolerance level. We expect, however, that credit risk will increase in 2009 as economic growth slows. We will continue to monitor various economic indicators and make adjustments as required.

### Market Risk

Market risk is defined as the potential for loss that arises from changes to interest rates and foreign exchange rates. Exposure to this risk is what allows Envision to earn interest income on its loan and deposit portfolios. Our objective is to earn an acceptable return on our loan and deposit portfolios without taking unreasonable risk.

The acceptable amount of risk is defined by the Asset and Liability Management (ALM) policy, which is approved by the Board and reviewed annually by the Investment and Lending Committee (ILC). The level of market risk at Envision, as determined by the risk profile and tolerances, is acceptable.

Our ALM policy defines the acceptable limits caused by changes in the volume, mix, maturity, quality, and interest and exchange rate sensitivity of assets and liabilities. Safety and soundness of Envision is an important part of the policy requirements.

We recognize the need for consistent profits balanced with appropriate market risk management measured against capital. Our treasury department manages day-to-day market risk within approved policies and reports monthly to management's Asset and Liability Committee (ALCO) to ensure policy compliance. Management provides quarterly reports on these matters to the ILC and the Board.

### Liquidity Risk

Liquidity risk is the risk of having insufficient cash resources to meet current financial obligations without raising funds at unfavourable rates or selling assets on a forced basis. Our liquidity and funding management objective is to ensure Envision has access to sufficient, readily available funds to not only cover financial obligations as they come due, but also to sustain and grow our business under both normal and stress conditions.

The acceptable amount of risk is defined by policies approved by the Board and monitored by the ILC. Envision's senior management manages liquidity by monitoring and managing cash flows and the availability of credit facilities, wholesale funding, and securitization conduits according to approved policies.

The ratio of borrowings to capital as of December 31, 2008, declined following the repayment of \$103.3 million in borrowings during the year. Our outlook for 2009 is for liquidity risk to trend down.

### Regulatory Risk

Regulatory risk is the risk of negative impact to our earnings or reputation as a result of failure to comply with or adapt to legal and regulatory requirements, industry practices, or ethical standards. Our operations are governed by various acts and regulations, and we are expected to meet a high standard in business dealings and transactions.

Senior management has identified Envision's legal and regulatory requirements, developed appropriate compliance policies, and assigned responsibility for meeting these policies. Senior management also engages external legal counsel to assist in identifying areas of potential regulatory risk and establishes processes to manage these risks.

Our Standards of Professional Conduct contain guidance for all employees on identifying actions that may have a legal impact on the organization.

### Operational Risk

Operational risk is inherent in all business activities. It is the risk of loss resulting from inadequate or failed internal processes and systems, human error, or from external events. This risk may impact our earnings, reputation, regulatory penalties, competitive position, or failure to manage other risks. The Board is responsible for providing oversight and ensuring that appropriate policies are implemented to manage operational risk.

Fraud is an additional operational risk faced by all financial institutions. Fraud is an ever-evolving issue in the financial services industry and although it is impossible to prevent all fraud, we have rigorous controls, procedures, and advanced security measures in place to safeguard the funds that our member-owners entrust to us.

The strategies employed to manage operational risk include:

- establishing standards of professional conduct
- implementing policies and procedural controls
- reviewing internal control effectiveness and strengthening areas where needed
- initiating employee training programs
- managing property, liability, and financial bond insurance programs to provide additional protection from loss
- updating and testing procedures and plans for disaster recovery and business continuity with our technology systems and data
- establishing a process for employees to confidentially report suspicious activities
- maintaining regular inspections for compliance and effectiveness of controls by independent internal and external audit teams, which provide senior management and the Audit Committee with recommendations to improve internal controls
- issuing quarterly risk reports to the Board

### Strategic Risk

Strategic risk arises from ineffective business strategies, the absence of integrated business strategies, the inability to implement strategies, and the inability to adapt strategies to changes in the business environment. Strategic risks are monitored, assessed, and managed by management with oversight from the Board.

#### Division of Income (\$ in thousands)

	2008		2007		2006		2005	
Total Financial & Other Income*	212,542	100%	203,485	100.0%	170,875	100%	151,263	100%
Interest & Dividends to Members	87,417	41.1%	84,156	41.4%	64,751	37.9%	46,787	30.9%
Salaries & Employee Benefits	52,893	24.9%	49,501	24.3%	41,521	24.3%	42,186	27.9%
Loan Provision, Borrowing, & Taxes	18,500	8.7%	19,195	9.4%	15,579	9.1%	12,076	8.0%
Administration	17,953	8.4%	16,899	8.3%	18,343	10.7%	15,897	10.5%
Addition to Retained earnings	11,158	5.2%	12,560	6.2%	15,759	9.2%	20,247	13.4%
Occupancy & Amortization	14,696	6.9%	11,664	5.7%	8,986	5.3%	8,146	5.4%
Data Processing	9,925	4.7%	9,510	4.7%	5,936	3.5%	5,904	3.9%

\*Includes Unusual Item of 108 -2005

## FIVE-YEAR OVERVIEW - FINANCIAL HIGHLIGHTS

(\$ in thousands)	<b>2008</b>	2007	2006	2005	2004
	Audited	Audited	Audited	Audited	Audited
<b>Consolidated Balance Sheet</b>					
Cash resources	53,860	67,820	52,484	69,558	55,539
Loans					
Personal loans	1,996,721	2,042,759	1,792,538	1,664,294	1,442,358
Commercial loans	692,755	671,263	596,170	459,491	395,318
Accrued interest	4,457	4,694	4,507	3,630	3,207
Allowance for credit losses	(13,478)	(9,813)	(9,664)	(8,937)	(7,488)
	<u>2,680,455</u>	<u>2,708,903</u>	<u>2,383,551</u>	<u>2,118,478</u>	<u>1,833,395</u>
Investments and other	313,876	260,765	208,000	191,687	206,292
Premises and equipment	31,770	30,529	37,813	30,999	25,183
	<u>3,079,961</u>	<u>3,068,017</u>	<u>2,681,848</u>	<u>2,410,722</u>	<u>2,120,409</u>
Deposits					
Demand	619,599	604,339	503,976	459,188	437,470
Term	1,688,021	1,639,529	1,398,456	1,236,627	1,048,113
Registered savings plans	379,569	359,092	362,653	358,084	356,820
Class A shares	5,877	5,980	6,179	6,472	6,663
Accrued interest and dividends	33,422	34,327	30,558	20,591	19,505
	<u>2,726,488</u>	<u>2,643,267</u>	<u>2,301,822</u>	<u>2,080,962</u>	<u>1,868,571</u>
Payables and accruals	62,946	52,317	47,569	42,161	33,261
Borrowings	127,100	229,279	193,443	162,763	112,533
Total liabilities	<u>2,916,534</u>	<u>2,924,863</u>	<u>2,542,834</u>	<u>2,285,886</u>	<u>2,014,365</u>
Equity shares	10,561	11,737	13,503	14,963	16,418
Accumulated and other comprehensive income	5,654	(4,602)	—	—	—
Retained earnings	147,212	136,019	125,511	109,873	89,626
	<u>3,079,961</u>	<u>3,068,017</u>	<u>2,681,848</u>	<u>2,410,722</u>	<u>2,120,409</u>
<b>Allowance for Credit Losses</b>					
Opening balance	9,813	9,664	8,937	7,488	6,622
Less: write-offs	1,335	1,184	1,073	1,351	1,334
Plus: provision	5,000	1,333	1,800	2,800	2,200
Closing balance	<u>13,478</u>	<u>9,813</u>	<u>9,664</u>	<u>8,937</u>	<u>7,488</u>
<b>Consolidated Statements of Income</b>					
Interest income	157,794	155,387	133,476	113,604	100,895
Interest expense	97,194	96,256	73,039	50,686	47,777
Net interest income	<u>60,600</u>	<u>59,131</u>	<u>60,437</u>	<u>62,918</u>	<u>53,118</u>
Provision for credit losses	(5,000)	(1,333)	(1,800)	(2,800)	(2,200)
Non-interest income	54,748	48,098	37,399	37,659	34,147
Operating margin	<u>110,348</u>	<u>105,896</u>	<u>96,036</u>	<u>97,777</u>	<u>85,065</u>
Operating expense	96,563	89,145	76,279	73,483	69,512
Net income before unusual item and income taxes	<u>13,785</u>	<u>16,751</u>	<u>19,757</u>	<u>24,294</u>	<u>15,553</u>
Unusual item	—	—	—	108	3,056
Net income before income taxes	<u>13,785</u>	<u>16,751</u>	<u>19,757</u>	<u>24,402</u>	<u>18,609</u>
Income taxes	2,131	3,824	3,600	3,568	3,389
Net income	<u>11,654</u>	<u>12,927</u>	<u>16,157</u>	<u>20,834</u>	<u>15,220</u>
Dividends paid to members	461	522	519	587	590
<b>Financial Statistics (expressed as %)</b>					
Asset growth	0.4	14.4	11.2	13.7	6.2
Loan growth	(1.1)	13.6	12.5	15.5	6.3
Deposit growth	3.2	14.8	10.6	11.4	5.6
Operating efficiency	88.0	84.4	79.8	75.8	82.2
Capital ratio	11.8	11.6	12.6	13.1	11.4
<b>Percent of average assets</b>					
Net interest income	1.97	2.06	2.37	2.78	2.58
Other income	1.78	1.67	1.47	1.66	1.66
Operating expense	3.14	3.10	3.00	3.24	3.38
Return on average assets	0.45	0.58	0.78	1.08	0.90
<b>Other Statistics</b>					
Retail branches	21	19	19	18	17
Insurance offices	20	19	19	17	17
Mutual funds under administration (\$000's)	498,685	565,077	520,388	457,863	388,389
Loans under administration (\$000's)	731,505	730,787	716,280	484,943	485,010
Book of business (\$000's)	6,637,133	6,648,034	5,922,041	5,142,246	4,575,365
Average assets (\$000's)	3,073,989	2,874,933	2,546,285	2,265,566	2,058,828

## BOARD OF DIRECTORS



Henry Jansen  
Director

Don Murray  
Director

Chuck Stam  
Director

Sally O'Sullivan  
Director

David Letkemann  
Director

Peter Podovnikoff  
Director

Lois Wilkinson  
Director

Shawn Neumann  
Board Secretary

Ken Voth  
Vice-Chair

Terry Enns  
Chair

Myrna Webster  
Director

Peter Scherle  
Director

## GOVERNANCE REPORT

Envision's Board of Directors oversees the credit union's operations while ensuring that the credit union remains prosperous and progressive.

The Board approved and oversaw several important initiatives during 2008, including:

- Support of the financial services portion of TILMA (Trade, Investment, Labour and Mobility Agreement) as part of Envision's ongoing efforts to modernize the provincial legislation under which it operates. When passed, the new legislation will enable Envision to partner more closely with First Calgary Savings.
- Support of the lobby effort that resulted in the provincial government guaranteeing 100% of all member-owners' deposits in B.C. credit unions. The increase in the provincial government's guarantee from \$100,000 to an unlimited amount underlines the financial soundness of the credit union system.
- Review of controls and procedures of the credit union's operations to ensure prudent and efficient operations.
- Approval of a CEO succession planning process that includes First Calgary Savings and Valley First Credit Union.
- Approval of a business case for the merger of Envision with Valley First Credit Union.
- Directing management to increase its focus on risk management. This resulted in the formation of a risk services team, whose work the Board continues to monitor.
- Approval of two large insurance agency acquisitions, one in Langley and one in Kamloops.
- Directing management to ensure plans were in place to protect Envision from the effects of the global financial crisis. As a result, the following initiatives are underway to ensure that Envision continues to be a safe and financially sound organization:
  - Enhanced margin management in place.
  - Growth practices changed to ensure deposits and loans grew equally.
  - Significant cost reductions put in place to ensure organizational resilience.
  - More focus placed on our other lines of business, such as insurance and wealth management.

### BOARD STRUCTURE

The Board comprises 12 directors, each elected by a ballot cast by the member-owners of the credit union. Each director is expected to exercise independent judgment with honesty and integrity while adhering to credit union policies and procedures, and statutory and regulatory requirements. Additionally, each director must be independent from and unrelated to the credit union and the financial services industry in general. The directors must not have an interest or relationship with the credit union that could be seen to interfere with their ability to act in the best interests of the credit union and its members-owners. The Conduct Review Committee of the Board regularly reviews compliance with this requirement.

### GOVERNANCE STANDARDS

The Board measures governance practices against standards issued by the Canadian Coalition for Good Governance. The coalition is a not-for-profit corporation whose mission is the promotion of corporate governance practices that best align the interests of boards and management with those of the shareholder. While the Envision Board is not required to meet these standards, it uses them as a guideline to ensure transparency and accountability to member-owners, which is at the heart of good governance.

To ensure the highest standards of governance are observed, the Board focuses on three areas of best practices: individual directors, board structure, and board processes. The following table summarizes how these practices are applied in our pursuit of outstanding Board performance.

## GOVERNANCE REPORT

AREA OF FOCUS	OBJECTIVE	ACTIONS TAKEN BY THE BOARD
Individual directors	Recruit effective, committed, and independent directors.	<ul style="list-style-type: none"> <li>• Review and update skills required of the Board to ensure it carries out its mandate.</li> <li>• Maintain list of qualified potential candidates for future Board vacancies.</li> <li>• Review and update orientation program for newly elected directors.</li> <li>• Provide all directors educational opportunities to update their skills and knowledge as needed.</li> <li>• Ensure directors maintain independence from management and the credit union to prevent conflicts of interest.</li> </ul>
Board structure	Clearly define roles and responsibilities.	<ul style="list-style-type: none"> <li>• Establish procedures for access to independent advice.</li> <li>• Hold regular in-camera meetings without management present.</li> <li>• Define roles for the Board, Directors, and Chair, and terms of reference for all Board committees, with annual review process.</li> </ul>
Board processes	Continuously improve overall performance.	<ul style="list-style-type: none"> <li>• Complete annual self-assessment and peer review.</li> <li>• Review CEO performance standards and conduct CEO performance reviews and succession planning.</li> <li>• Review five-year strategic plan annually and track progress.</li> <li>• Oversee executive compensation and staff remuneration for competitiveness.</li> </ul>

### DECISION MAKING BY THE BOARD

The Board requires management to develop and present recommendations for significant initiatives, including alternatives, with detailed analysis on each. This is followed by a rigorous and constructive debate between the Board and management, and concludes with a vote on the best way to proceed. Directors may hire outside advisors, subject to the approval of the Chair, if they want advice independent of management.

In addition, the Board is required to approve decisions that meet the following thresholds:

- requires a capital expenditure of 2.5% of retained earnings or more
- significantly impacts the membership
- significantly impacts Envision's reputation or values

Finally, the Board endeavours to operate in a transparent manner by being accessible to the membership and reporting on its activities. By communicating with member-owners through the annual report, statement inserts, the credit union's website, Director visits to branches, and the Annual General Meeting, the Board is able to report on the activities and direction of the organization and encourage member-owners to participate fully in the democratic process.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Envision Credit Union have been prepared by management in accordance with the requirements of the Financial Institutions Act and in conformity with generally accepted accounting principles in Canada. The statements include amounts based on informed judgements and estimates of the expected effects of current events and transactions.

To meet its responsibility for preparing reliable financial information, management maintains and relies on comprehensive internal accounting, operating, and system controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparing financial statements and safeguarding the assets of the organization.

The financial statements are approved by the Board of Directors. The Audit Committee, comprised of five Directors of the Board, has reviewed the statements with management and the external auditors in detail. KPMG has been appointed by the membership as independent auditors to examine and report on the consolidated financial statements. They have had full and free access to the internal audit staff and other management staff and the Audit Committee of the Board. Their report appears herein.

Signed,



GORD HUSTON

President and CEO

Signed,



THOMAS WEBSTER

Chief Financial Officer

## AUDITORS' REPORT

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

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Envision Credit Union as at December 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for December 31, 2007 were reported on by another firm of chartered accountants.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

Vancouver, BC

January 31, 2009

## CONSOLIDATED BALANCE SHEET

Envision Credit Union  
Year ended December 31, 2008 (\$ in thousands)

	2008	2007
<b>ASSETS</b>		
Cash resources (Note 6)	\$ 53,860	\$ 67,820
Loans (Note 7)	2,680,455	2,708,903
Investments and other (Note 8)	313,876	260,765
Premises and equipment (Note 9)	31,770	30,529
	<u>\$ 3,079,961</u>	<u>\$ 3,068,017</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Deposits (Note 10)	\$ 2,726,488	\$ 2,643,267
Other (Note 11)	62,946	51,216
Borrowings (Note 12)	127,100	230,380
	<u>2,916,534</u>	<u>2,924,863</u>
<b>MEMBERS' EQUITY</b>		
Class B shares (Note 13)	10,561	11,737
Retained earnings	147,212	136,019
Accumulated other comprehensive income	5,654	(4,602)
	<u>163,427</u>	<u>143,154</u>
	<u>\$ 3,079,961</u>	<u>\$ 3,068,017</u>

Commitments and contingencies (Note 26)

On behalf of the Board,

"Terry Enns"

"Henry Jansen"

DIRECTOR

DIRECTOR

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENT OF INCOME

Envision Credit Union  
Year ended December 31, 2008 (\$ in thousands)

	2008	2007
<b>INTEREST INCOME</b>		
Loans	\$ 146,384	\$ 148,197
Cash resources and investments	11,410	7,190
	157,794	155,387
<b>INTEREST EXPENSE</b>		
Deposits	86,921	83,675
Borrowings	10,273	12,581
	97,194	96,256
<b>NET INTEREST INCOME</b>	60,600	59,131
Provision for credit losses (Note 7)	5,000	1,333
	55,600	57,798
<b>NON-INTEREST INCOME (NOTE 19)</b>	54,748	48,098
	110,348	105,896
Non-interest expenses (Note 20)	96,563	89,145
Income before the undernoted	13,785	16,751
Provision for income taxes (Note 21)	2,131	3,824
Net income	\$ 11,654	\$ 12,927

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Envision Credit Union  
Year ended December 31, 2008 (\$ in thousands)

	2008	2007
Net income	\$ 11,654	\$ 12,927
Other comprehensive income (loss)		
Unrealized losses on available for sale securities (net of income taxes of \$10)	(59)	—
Unrealized net gains (losses) on derivatives designated as cash flow hedges (net of income taxes of \$1,928, 2007: (\$348))	9,819	(1,669)
Net losses on derivatives designated as cash flow hedges transferred to net income (net of income taxes of \$88, 2007: \$106)	496	481
Total other comprehensive income (loss)	10,256	(1,188)
Comprehensive income	<u>\$ 21,910</u>	<u>\$ 11,739</u>

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENT OF MEMBERS' EQUITY

Envision Credit Union  
Year ended December 31, 2008 (\$ in thousands)

	<b>2008</b>	<b>2007</b>
CLASS B SHARES	\$ 10,561	\$ 11,737
RETAINED EARNINGS		
Balance, beginning of year	136,019	125,511
Transitional adjustment on adoption of new accounting policies	—	(1,897)
Net income	11,654	12,927
Dividends net of related tax savings	(461)	(522)
Balance, end of year	147,212	136,019
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Balance beginning of year	(4,602)	—
Transitional adjustment on adoption of new accounting policies	—	(3,414)
Other comprehensive income (loss)	10,256	(1,188)
Balance at end of year	5,654	(4,602)
TOTAL MEMBERS' EQUITY	\$ 163,427	\$ 143,154

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Envision Credit Union  
Year ended December 31, 2008 (\$ in thousands)

	2008	2007
Cash flows provided by (used in)		
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 11,654	\$ 12,927
Adjustments to determine net cash from (used in) operating activities		
Provision for credit losses	5,000	1,333
Amortization	7,455	4,971
Gain on sale of securitized loans	(3,509)	(1,008)
Future income taxes	1,522	556
Change in accrued interest	762	3,582
Change in receivables and payables	(1,414)	(3,540)
Other	(7,418)	3,686
Cash flows from operating activities	14,052	22,507
<b>FINANCING ACTIVITIES</b>		
Net change in deposits	84,126	338,579
Net change in borrowings	(102,543)	35,836
Redemption of Class B shares, net	(1,176)	(1,965)
Cash flows from (used in) financing activities	(19,593)	372,450
<b>INVESTING ACTIVITIES</b>		
Net change in loans to members	(185,966)	(543,221)
Proceeds on loan securitization	211,254	216,565
Net increase in investments	(16,879)	(37,501)
Purchase of premises and equipment	(3,999)	(6,862)
Purchase of leased vehicles	(15,644)	(10,221)
Proceeds on disposal of leased vehicles	2,815	1,619
Cash flows used in investing activities	(8,419)	(379,621)
Net (decrease) increase in cash resources	(13,960)	15,336
Cash resources, beginning of year	67,820	52,484
Cash resources, end of year	\$ 53,860	\$ 67,820
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest paid	\$ 98,098	\$ 92,487
Taxes paid	1,687	3,141

See accompanying notes to the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Envision Credit Union  
Year ended December 31, 2008 (\$ in thousands)

## 1. GOVERNING LEGISLATION AND OPERATIONS

Envision Credit Union (the "credit union") is incorporated under the Credit Union Incorporation Act of British Columbia and its operations are subject to the Financial Institutions Act of British Columbia. The credit union is approved to operate throughout the Province of British Columbia and currently operates in the Lower Mainland, Fraser Valley, Kitimat, Smithers and Okanagan areas of the province.

The credit union is an integrated financial institution that provides a wide range of financial products and services that comprise one operating business segment.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In preparing the financial statements, in conformity with Canadian generally accepted accounting principles, management has made estimates and assumptions that affect reported amounts of assets and liabilities, revenues and expenses and contingent assets and liabilities. Actual results may differ from these estimates.

### Principles of consolidation

The consolidated financial statements include the accounts of Envision Credit Union and its wholly-owned subsidiaries, Envision Insurance Services Ltd., Envision Investment Services Ltd., CU DealerLink Ltd., Envision Leasing Ltd., 619547 B.C. Ltd. and 637506 B.C. Ltd. In addition, the credit union owns 50% interest in inUnison Financial Services Ltd. and, through one of its wholly-owned subsidiaries, 50% interest in Bulkley Valley Insurance Services Ltd., and 50% interest in McBain Insurance Agency Ltd. All intercompany balances and transactions have been eliminated.

Variable interest entities (VIEs) are entities that have insufficient equity and/or their equity investors at risk lack one or more of the specified essential characteristics of a controlling financial interest. The credit union is required to identify VIEs and determine if the credit union has a significant variable interest and/or is the primary beneficiary of the variable interest. The primary beneficiary is required to consolidate a VIE.

The credit union has identified that it has a significant variable interest and is the primary beneficiary of its 65% owned subsidiary, inUnison Technology Services Ltd. Consequently, the consolidated financial statements include 100% of the financial position of this company.

### Business combinations, Goodwill and Other intangible assets

Business combinations are accounted for using the purchase method. Identifiable intangible assets are recognized separately from Goodwill and are included as Intangible assets in Investments and other.

Goodwill represents the excess of the price paid for acquisition over the fair value of the net assets acquired. Goodwill impairment is assessed on at least an annual basis. Any excess of carrying value over fair value is charged to income in the period in which impairment is determined.

Intangible assets with a finite life are amortized over their estimated useful lives, not exceeding 10 years, and are reviewed for impairment annually.

### Cash

Cash resources are comprised of cash held as well as deposits with less than 90 days maturity from the date of acquisition including cash and deposits, held with Central 1 Credit Union, deposits with other financial institutions and cheques and items in transit.

### Financial instruments

All financial instruments are required to be classified as one of the following: held for trading ("HFT"), held to maturity ("HTM"), loans and receivables, available for sale ("AFS") or other financial liabilities. All financial instruments are measured at fair value on initial recognition and 2. 2.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

subsequently accounted for based on their classification. Fair values are based on quoted market prices where available from active markets; otherwise fair values are estimated using a variety of valuation techniques. The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, less principal payments, plus or minus the cumulative amortization of any difference between the initial amount recognized and the maturity amount, less any reduction for impairment. Measurement in subsequent periods depends on whether the financial instrument has been classified as HFT, HTM, AFS, loans and receivables or other financial liabilities. Management determines the classification of financial assets and liabilities at initial recognition and the designations made for each financial instrument are indicated in the Notes. A description of the various designation classifications follows:

### Held for trading

Financial instruments are classified under this category if they are:

- i. acquired principally for the purpose of selling or repurchasing in the near term;
- ii. part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- iii. a derivative, except for a derivative that is a financial guarantee contract or a designated effective hedging instrument; or
- iv. designated at fair value using the fair value option "FVO".

Financial instruments cannot be transferred into or out of this category after inception. For designation using the FVO fair values must be readily available. Gains and losses realized on disposal and unrealized gains and losses from market fluctuations are recorded in the Consolidated Statement of Income.

### Held to maturity

HTM investments are nonderivative financial assets with fixed or determinable payments that the credit union's management has the intention and ability to hold until maturity. The financial assets are accounted for at amortized cost. The credit union has designated certain investments as HTM.

### Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable repayment dates, usually with interest, that are not debt securities or instruments designated as held for trading at initial recognition. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument, or where appropriate a shorter period, to the net carrying amount of the financial asset or financial liability.

### Available for sale

AFS financial assets are those nonderivative financial assets that are designated as available for sale or are not classified into any of the other classifications described above. AFS instruments are carried at fair value whereby the unrealized gains and losses are included in accumulated other comprehensive income until either sale or identification of other than temporary impairment, at which time the cumulative gain or loss is transferred to the Consolidated Statement of Income. AFS equity instruments that do not have quoted values in active markets are carried at cost.

### Financial liabilities

Financial liabilities are nonderivative financial liabilities and are recorded at amortized cost, using the effective interest method. The credit union has designated certain financial liabilities as HFT.

### Loans

Loans are measured at amortized cost using the effective interest method net of an allowance for credit losses.

Interest income from loans is recorded on the accrual basis, except for loans that are considered to be impaired. A loan is classified as impaired when, in management's opinion, there is reasonable doubt as to the ultimate collectability, either in whole or in part, of principal and interest. Loans where interest or principal is contractually past due 90 days are automatically recognized as impaired, unless management determines there is no reasonable doubt as to the ultimate collectability of principal and interest. All loans are classified as impaired when interest or principal is past due 180 days. When a loan is classified as impaired, recognition of interest in accordance with the term of the original loan agreement ceases. Subsequent payments (interest or principal) received on an impaired loan are recorded as a reduction in principal. Loans are

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

generally returned to accrual status when the timely collection of both principal and interest is reasonably assured and all delinquent principal and interest payments are brought current.

Loan origination fees are considered to be adjustments to loan yield and are deferred and amortized to interest income over the term of the loan. Commitment fees are treated on the same basis if there is a reasonable expectation that the commitment will be called upon and will result in a loan; otherwise, the fees are deferred and amortized to noninterest income over the term of the commitment. Other fees and commissions are recognized as the services are performed.

### **Allowance for credit losses**

The credit union maintains specific and general allowances for credit losses in its portfolio of both on and off balance sheet items at a level that management considers adequate to provide for credit-related losses. The allowance is increased by a provision for loan impairment charged to income and reduced by writeoffs during the year.

A specific allowance is established on an individual loan basis to reduce the carrying value of the loan's estimated net realizable amount. The estimated net realizable amounts are determined by either discounting the expected future cash flows or by reference to market prices for the loans or their underlying security.

The credit union also maintains a general allowance to absorb credit losses that management estimates have occurred at the balance sheet date for which specific allowances cannot yet be determined. The credit union applies a methodology that incorporates loan loss history as the basis for estimating probability of default and changes in current economic conditions.

### **Transfers of loan receivables**

Transfers of loan receivables to unrelated parties are treated as sales provided that control over the transferred loans has been surrendered and consideration other than beneficial interests in the transferred loans has been received in exchange. If these criteria are not satisfied, then the transfers are treated as financing transactions. If treated as sales, the loans are removed from the consolidated balance sheet, and a gain or loss is recognized in Noninterest income based on the carrying value of the loans transferred, allocated between the assets sold and the retained interests in proportion to their fair values at the date of the transfer. The fair values of loans sold and retained interests are determined using pricing models which take into account management's best estimates of key assumptions such as expected losses, prepayments and discount rates commensurate with the risks involved.

The credit union classifies its retained interests in securitizations as available for sale. Where the credit union continues to service the loan receivables sold, a servicing liability is recognized and amortized over the servicing period as servicing fee revenue.

### **Derivatives and Hedge Accounting**

Derivative financial instruments are financial contracts that are utilized to manage financial risks such as changes in interest rates and other financial indices. In the ordinary course of business, the credit union uses derivative financial instruments, primarily interest rate swaps, to manage interest rate exposure. Options are used to manage the risks of changes in fair value of equity-linked deposit contracts with members.

Derivatives are carried at fair value, and are reported as assets when they have a positive fair value and liabilities when they have a negative fair value. Nonhedging derivative instruments used in trading activities are marked to market and the resulting realized or unrealized gains or losses are recognized in Noninterest income in the Consolidated Statement of Income in the current period.

Interest rate swaps are used economically for hedging activities of groups of on balance sheet assets or liabilities, and have been designated as cash flow hedges. Each hedge is documented at inception detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the group of assets or liabilities being hedged, the risk that is being hedged, the type of derivative used and how effectiveness will be measured. The credit union formally assesses retrospectively at the hedge's inception, and prospectively on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of cash flows attributed to hedged risks. Hedges are designated as either fair value or cash flow hedges.

In a cash flow hedging relationship, the effective portion of changes in fair value of the derivative is recognized in Other comprehensive income. The ineffective portion is recognized in the Consolidated Statement of Income. The amounts recognized in Accumulated other comprehensive income are reclassified to Net income in the same period that the hedged cash flows affect net income.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

In a fair value hedge, the change in fair value of the hedged item attributable to the hedged risk is recorded on the Consolidated Statement of Income. This change in fair value of the hedged item, to the extent that the hedging relationship is effective, is offset by changes in the fair value of the hedging derivative.

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in accumulated other comprehensive income at that time remains in other comprehensive income and is either amortized into the Consolidated Statement of Income over the remaining term of the original hedge or immediately when the hedged item is derecognized.

### Investments and other

Leased vehicles are recorded at cost less amortization and adjusted for any impairment losses. Amortization is calculated using the straightline method over the lease term. Lease income is recorded on the accrual basis.

### Premises and equipment

Land is carried at cost. Buildings, furniture and equipment and leasehold improvements are carried at cost less accumulated amortization. Amortization is calculated using the straightline method over the useful lives of the assets as follows:

Buildings	25-40 years
Furniture and equipment	3-5 years
Leasehold improvements	Lease term

Gains and disposals are recorded in Noninterest income in the Consolidated Statement of Income in the year of disposal. When premises and equipment are no longer in use or considered impaired, they are written down to their net realizable amount.

### Dividends

Dividends on equity shares less related income tax reductions are charged against retained earnings in the year that they are declared.

### Funds under administration

Funds under administration by the credit union comprise loans that have been securitized and sold, funds that are administered in the capacity as custodian, and investment portfolios under management including mutual fund accounts managed on behalf of members. Funds under administration are kept separate from credit union assets and are not reflected in the Consolidated Balance Sheet.

### Income taxes

The credit union uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

Net future income tax assets and liabilities are included in investment and other assets or other liabilities, as applicable.

### Employee benefit plans

The credit union accrues its obligations under the employee pension plan and sick leave benefit plan and the related costs, net of plan assets and has adopted the following policies:

the costs of pension and sick leave benefits earned by employees are actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees and expected health care costs.

### Comparative figures

Certain comparative figures for 2007 have been reclassified to conform with the current year's presentation.

### 3. CHANGE IN ACCOUNTING POLICIES

On January 1, 2008, the credit union adopted three new Canadian Institute of Chartered Accountants ("CICA") standards: Financial Instruments Disclosures, Financial Instruments – Presentation, and Capital Disclosures. CICA Handbook Section 3862, *Financial Instruments Disclosures* requires additional disclosure of the risks associated with both recognized and unrecognized financial instruments and how the credit union manages those risks. CICA Handbook Section 3863, *Financial Instruments – Presentation* establishes standards for presentation of financial instruments and provides guidance with classification of financial instruments between liabilities and equity. Refer to Notes 15, 16 and 17.

CICA Handbook Section 1535: *Capital Disclosures* requires the credit union to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. This standard was adopted effective January 1, 2008. Refer to Note 5.

### 4. FUTURE ACCOUNTING CHANGES

a) The CICA will transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards ("IFRS"). The credit union's financial statements will be prepared in accordance with IFRS for fiscal years commencing January 1, 2011 and will include comparative 2010 results under IFRS.

Although much of Canadian GAAP is similar to IFRS, there are some GAAP differences that may significantly impact the credit union's processes and financial results.

The credit union is currently in the planning phase of conversion. This includes identifying the differences between Canadian GAAP and IFRS, identifying potential business impacts, developing the project plan, assessing resource requirements and providing training to staff. The credit union will assess the implications of converting to IFRS, estimate the impact, implement the changes and perform work to ensure the accuracy of opening balances. It is not currently possible to fully determine the impacts, as accounting standards and related interpretations are changing. The conversion to IFRS is a significant initiative for the credit union, for which substantial resources will be dedicated to ensure proper implementation.

b) On January 20, 2009, the Emerging Issues Committee (EIC) issued EIC173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, clarifying the inclusion of credit risk in determining the fair value of financial assets, financial liabilities and derivatives. EIC173 is to be applied retroactively without restatement of prior periods. The credit union will adopt this abstract effective January 1, 2009, and are currently evaluating the impact of adoption on the consolidated financial statements.

c) Effective January 1, 2009, the credit union will adopt the CICA Handbook Section 3064, *Goodwill and Intangible Assets*. This Section establishes new standards for the recognition and measurement of intangible assets, but does not affect the accounting for goodwill.

### 5. CAPITAL MANAGEMENT

The credit union is regulated under the Financial Institutions Act of British Columbia ("the Act") and is required to maintain a capital level at a minimum of 8% of riskweighted assets. It is the objective of the credit union to maintain a capital level of 10.5% after deductions for operational risk and strategic initiatives.

When determining the sufficiency of capital, the Credit Union includes in its calculation amounts permitted by the Act including:

- Retained earnings
- Equity shares
- System capital
- Other forms of capital as determined from time to time by the Board of Directors and approved as capital by the regulatory authority

Total value of the figures above are reduced by:

- Goodwill and other intangible assets
- Investments with banks/trusts and other
- Securitization deferred payment accounts

## 5. CAPITAL MANAGEMENT (continued)

The Credit Union management ensures compliance with capital adequacy through the following:

- identifying the capital needed to support the current and planned operations of the credit union, including operations conducted or to be conducted through subsidiaries;
- developing and submitting to the Board of Directors for its consideration and approval appropriate and prudent capital management policies, including policies on the quantity and quality of capital needed to support the current and planned operations that reflect both the risks to which the credit union is exposed and its regulatory capital requirements;
- managing the capital in accordance with the capital management policies;
- establishing appropriate and effective procedures and controls for managing the capital, monitoring adherence to those procedures and controls, and reviewing them on a regular basis to ensure that they remain effective;
- providing the Board of Directors with appropriate reports on the capital position and on the procedures and controls for managing the capital; and providing the Board of Directors with appropriate reports that will enable it to assess whether the institution has an ongoing effective capital management process.

Stress testing of the capital level is performed at minimum on an annual basis. The tests include a variety of scenarios that vary the growth and income assumptions. They include a test for the current year as well as for the plan period. A sufficient number of scenarios are performed to ensure that sensitivity levels can be reasonably assessed and planned for.

A five year capital plan is reviewed and approved by the Board annually.

Distributions of capital, such as share dividends, are only made after targets in the capital plan have been met. Each distribution must be approved by the Board of Directors.

The Investment & Loan Committee ("ILC") is responsible for developing and conducting an annual review of capital management procedures in place relative to the policy requirements established. The ILC reports its findings and recommends any corrective actions to the Board of Directors. The Board of Directors, which may be assisted by the ILC, reviews written correspondence from the Financial Institutions Commission ("FICOM") regarding capital management matters, and investigates and responds as appropriate.

The credit union has exceeded its minimum regulatory capital requirement at December 31, 2008.

	<b>2008</b>		<b>2007</b>
Equity shares	\$ 17,018	\$	18,404
Retained earnings	150,781		136,964
System capital	16,921		16,444
Other	1,321		(280)
Goodwill and other intangible assets	(6,288)		(3,486)
Investments with banks/trusts and other	(305)		(305)
Securitization deferred payment accounts	(6,335)		(6,415)
Total capital	<u>\$ 173,113</u>	<u>\$</u>	<u>161,326</u>

## 6. CASH RESOURCES

	<b>2008</b>		<b>2007</b>
Cash and current accounts	\$ 24,697	\$	37,061
Term deposits and accrued interest	29,163		30,759
	<u>\$ 53,860</u>	<u>\$</u>	<u>67,820</u>

## 7. LOANS

	2008	2007
Residential mortgages	\$ 1,544,342	\$ 1,623,310
Personal loans	185,107	175,933
Personal lines of credit	267,272	243,516
Commercial mortgages	581,316	553,191
Commercial loans	69,369	81,565
Commercial lines of credit	42,070	36,507
Accrued interest	4,457	4,694
	<u>2,693,933</u>	<u>2,718,716</u>
Allowance for credit losses		
Specific	(2,630)	(650)
General	(10,848)	(9,163)
	<u>(13,478)</u>	<u>(9,813)</u>
	<u>\$ 2,680,455</u>	<u>\$ 2,708,903</u>

### Allowance for credit losses

	Beginning balance	Provision	Writeoffs	2008 Ending balance	2007 Ending balance
Residential mortgages	\$ 1,840	\$ 1,000	\$ (79)	\$ 2,761	\$ 1,840
Personal loans	1,759	1,000	(802)	1,957	1,759
Personal lines of credit	2,132	500	(432)	2,200	2,132
Commercial mortgages	2,584	500	—	3,084	2,584
Commercial loans	794	1,500	(4)	2,290	794
Commercial lines of credit	704	500	(18)	1,186	704
	<u>\$ 9,813</u>	<u>\$ 5,000</u>	<u>\$ (1,335)</u>	<u>\$ 13,478</u>	<u>\$ 9,813</u>

### Percentage of total loans and accrued interest

0.50%	0.36%
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### Impaired loans and related allowances

	Loan balances	Specific allowances	2008 Carrying amount	2007 Carrying amount
Personal loans				
Residential mortgages	\$ 5,423	\$ 3	\$ 5,420	\$ —
Loans and lines of credit	2,372	301	2,071	56
Commercial loans				
Commercial mortgages	8,303	1,400	6,903	195
Commercial loans and lines of credit	1,110	926	184	—
	<u>\$ 17,208</u>	<u>\$ 2,630</u>	<u>\$ 14,578</u>	<u>\$ 251</u>

### Concentrations of credit risk

Concentrations of credit risk exist 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 credit risk exists for the credit union due to its primary service area being the Fraser Valley of British Columbia and the surrounding areas. To reduce the impact of the geographic credit risk, the credit union has 31.8% of its residential mortgages insured against credit loss.

## 8. INVESTMENTS AND OTHER

	2008	2007
Investments		
Shares		
Central 1 Credit Union	\$ 8,148	\$ 7,828
Credential Securities®	105	105
Other	2,451	2,342
Term deposits callable or maturing in three months or more	208,133	194,673
Leased vehicles (net of accumulated amortization of \$6,682 (2007: \$4,234))	26,075	17,896
Accounts receivable and prepaids	42,366	31,225
Future income taxes	—	1,058
Derivative instruments	18,573	823
Intangible assets	1,461	1,461
Goodwill	6,564	3,354
	<u>\$ 313,876</u>	<u>\$ 260,765</u>

Investment in shares of Central 1 Credit Union is required by governing legislation, and as a condition of membership in Central 1 Credit Union are classified as available for sale and recorded at cost as there is no active market for these shares.

Amortization in respect to leased vehicles amounted to \$4,682 (2007: \$4,222).

## 9. PREMISES AND EQUIPMENT

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Land	\$ 4,384	\$ —	\$ 4,384	\$ 4,384
Buildings	20,384	6,156	14,228	14,292
Leasehold improvements	12,579	4,866	7,713	7,998
Furniture and equipment	36,983	31,538	5,445	3,855
	<u>\$ 74,330</u>	<u>\$ 42,560</u>	<u>\$ 31,770</u>	<u>\$ 30,529</u>

Amortization in respect of the above buildings, leasehold improvements, and furniture and equipment amounted to \$2,773 (2007: \$2,471)

## 10. DEPOSITS

	2008	2007
Demand	\$ 619,599	\$ 604,339
Term	1,688,021	1,639,529
Registered savings plans	379,569	359,092
Class "A" shares	5,877	5,980
Accrued interest and dividends	33,422	34,327
	<u>\$ 2,726,488</u>	<u>\$ 2,643,267</u>

Credit Union Deposit Insurance Corporation (CUDIC) guarantees all credit union deposits. Under agreements with trustees of the registered savings plans, members' contributions to the plans are deposited with the credit union at rates of interest determined by the credit union.

Class "A" shares are membership preferred and redeemable, and accordingly classified as deposits. An unlimited number of Class "A" voting shares are authorized with a par value of \$1.

## 11. OTHER LIABILITIES

	2008		2007
Payables	\$ 41,876	\$	44,151
Derivative instruments	17,556		5,168
Deferred revenue	2,739		1,897
Future income taxes (Note 21)	775		—
	<u>\$ 62,946</u>	<u>\$</u>	<u>51,216</u>

## 12. BORROWINGS

	2008		2007
Money market loan	\$ 75,000	\$	155,000
Other revolving facilities	51,736		74,279
Accrued interest	364		1,101
	<u>\$ 127,100</u>	<u>\$</u>	<u>230,380</u>

Security provided on the money market loan is an assignment of loans to members, accounts receivable, and a demand debenture to the lender.

The credit union has three approved lines of credit totaling \$450 million. Security for the first line of credit is as noted above. For the second line of credit, security is provided by a first charge against specific CMHC insured realty mortgages to a maximum of 110% of the approved credit facility. For the third line of credit, security is provided by an assignment of loans to members, accounts receivable, and a demand debenture to the lender.

These facilities bear interest at Bankers' Acceptance (BAs) rates.

## 13. EQUITY SHARES

The credit union has authorized Class "B", "D" and "E" equity shares. Class "B", "D" and "E" have a par value and redemption value of \$1 each.

The rules of the credit union state that the annual redemption of class "B" shares may, at the discretion of the directors, be limited to 10% of the total issued and outstanding shares.

Class "D" and "E" shares shall be entitled to dividends at such rate, payable at such time or times and either cumulative or noncumulative, as the directors, in their discretion may determine before the first issue of the class of shares.

The directors may, at their discretion, determine by resolution before any first issue of class of "D" or "E" shares, any additional rights and restrictions to be attached to the class of shares.

Class "B", "D" and "E" equity shares are not guaranteed by CUDIC.

The credit union has issued:

	2008		2007
Class "B" non-voting investment equity shares, unlimited number authorized	\$ 10,561	\$	11,737

## 14. INTEREST RATE SENSITIVITY

Interest rate risk is the sensitivity of Envision's financial position to movements in interest rates. The carrying amounts of interest sensitive assets and liabilities and the notional amount of swaps and other derivative financial instruments used to manage interest rate risk are presented below in the periods in which they next reprice to market rates and are summed to show the interest rate sensitivity gap.

## 14. INTEREST RATE SENSITIVITY (continued)

### December 31, 2008

	Within 3 months		4-12 months		Over 1 year		Not interest sensitive	Total
	Principal	Rate	Principal	Rate	Principal	Rate		
<b>Assets</b>								
Cash resources	\$ 30,638	1.40%	\$ —	—%	\$ —	—%	\$ 23,222	\$ 53,860
Loans	1,430,204	4.10%	177,795	5.27%	1,068,000	5.58%	4,456	2,680,455
Other	—	—%	21,698	3.33%	190,570	4.10%	133,378	345,646
	<u>1,460,842</u>	<u>4.04%</u>	<u>199,493</u>	<u>5.06%</u>	<u>1,258,570</u>	<u>5.36%</u>	<u>161,056</u>	<u>3,079,961</u>
<b>Liabilities</b>								
Member deposits	972,664	2.23%	940,397	3.62%	567,267	5.30%	246,160	2,726,488
Borrowings and other	126,736	2.61%	—	—%	—	—%	63,310	190,046
	<u>1,099,400</u>	<u>2.27%</u>	<u>940,397</u>	<u>3.62%</u>	<u>567,267</u>	<u>5.30%</u>	<u>309,470</u>	<u>2,916,534</u>
Balance sheet mismatch	<u>361,442</u>		<u>(740,904)</u>		<u>691,303</u>		<u>(148,414)</u>	<u>\$ 163,427</u>
<b>Derivatives, notational value</b>								
Asset	385,000	2.90%	55,000	4.85%	210,000	4.99%	—	650,000
Liability	(350,000)	2.65%	(15,000)	4.42%	(285,000)	3.59%	—	(650,000)
Net mismatch	<u>\$ 396,442</u>		<u>\$ (700,904)</u>		<u>\$ 616,303</u>		<u>\$ (148,414)</u>	<u>\$ 163,427</u>

### December 31, 2007

	Within 3 months		4-12 months		Over 1 year		Not interest sensitive	Total
	Principal	Rate	Principal	Rate	Principal	Rate		
<b>Assets</b>								
Cash resources	\$ 30,759	4.17%	\$ —	—%	\$ —	—%	\$ 37,061	\$ 67,820
Loans	1,186,224	6.46%	172,695	5.23%	1,345,289	5.40%	4,695	2,708,903
Other	—	—%	69,674	4.26%	130,192	4.36%	91,428	291,294
	<u>1,216,983</u>	<u>6.29%</u>	<u>242,369</u>	<u>4.83%</u>	<u>1,475,481</u>	<u>5.15%</u>	<u>133,184</u>	<u>3,068,017</u>
<b>Liabilities</b>								
Member deposits	1,009,503	3.16%	934,798	4.16%	445,287	5.21%	253,679	2,643,267
Borrowings and other	230,380	5.01%	—	—%	—	—%	51,216	281,596
	<u>1,239,883</u>	<u>3.81%</u>	<u>934,798</u>	<u>4.21%</u>	<u>445,287</u>	<u>5.19%</u>	<u>304,895</u>	<u>2,924,863</u>
Balance sheet mismatch	<u>(22,900)</u>		<u>(692,429)</u>		<u>1,030,194</u>		<u>(171,711)</u>	<u>\$ 143,154</u>
<b>Derivatives, notational value</b>								
Assets	95,000	4.81%	90,000	4.46%	350,000	4.47%	—	535,000
Liability	(415,000)	4.79%	(105,000)	4.67%	(15,000)	4.42%	—	(535,000)
Net mismatch	<u>\$ (342,900)</u>		<u>\$ (707,429)</u>		<u>\$ 1,365,194</u>		<u>\$ (171,711)</u>	<u>\$ 143,154</u>

## 15. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The carrying values of financial instruments by classification is as follows:

	2008	2007
Loans and receivables	\$ 2,686,646	\$ 2,715,670
Held-to-maturity	237,295	225,431
Available-for-sale	30,197	22,143
Held-for-trading	25,714	32,716
Other financial liabilities	2,905,335	2,919,522

## 16. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table presents approximate fair values of Envision's financial instruments, including derivatives. The fair values of financial assets and liabilities with fixed interest rates have been determined using discounted cash flow techniques based on interest rates being offered for similar types of assets and liabilities with similar terms and risks as at the balance sheet date. Fair values of other financial assets and liabilities are assumed to approximate their carrying value, principally due to their short term nature. Fair values of derivative financial instruments have been based on market price quotations.

These fair values, presented for information only, reflect conditions that existed only at the balance sheet date.

	2008			2007		
	Book value	Fair value	Difference	Book value	Fair value	Difference
<b>Assets</b>						
Cash resources	\$ 54,000	\$ 55,000	\$ 1,000	\$ 68,000	\$ 68,000	\$ —
Loans	2,680,000	2,680,000	—	2,709,000	2,668,000	(41,000)
Investments	216,000	231,000	15,000	200,000	201,000	1,000
Other	72,000	72,000	—	44,000	44,000	—
			16,000			(40,000)
<b>Liabilities</b>						
Deposits	2,726,000	2,750,000	(24,000)	2,643,000	2,646,000	(3,000)
Borrowing	127,000	127,000	—	230,000	230,000	—
Other	63,000	63,000	—	51,000	51,000	—
			(24,000)			(3,000)
Derivative contracts	1,000	1,000	—	(4,000)	(4,000)	—
Fair value difference			\$ (8,000)			\$ (43,000)

## 17. NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

The Credit Union is exposed to the following risks as a result of holding financial instruments: credit risk, market risk, and liquidity risk. The following is a description of those risks and how the Credit Union manages them.

### Credit risk

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Credit Union. Credit Risk arises principally in lending activities that result in loans to members as described in Note 7, but also from interest rate swaps (derivatives).

Concentration of credit risk may arise when the ability of a number of borrowers or counterparties to meet their contractual obligations are similarly affected by external factors. Examples of concentration risk would include geographic and industry factors.

### Risk measurement

Credit risk is managed in accordance with our lending policy approved by the Board of Directors. Risk limits and credit authorities are delegated to the Credit Risk Committee, comprised of executive and senior credit management staff, which in turn delegate appropriate limits to lending staff. Credit exposures in excess of certain levels require approval from the Credit Risk Committee.

The Investment and Loan Committee (ILC) meets quarterly to review portfolio credit quality, industry and member concentrations, and adequacy of loan provisions. Policies relating to single member limits and industry and geographic concentration are approved by the Board.

The credit union's Credit Department reviews and adjudicates credit risk outside of branch managers' delegated lending limits and reviews branch credit decisions to ensure compliance to policy. The Credit Department may approve credits not meeting our lending guidelines on an exception basis with appropriate risk mitigation and reward considerations.

## 17. NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Loan exposures are managed and monitored through facility limits for individual borrowers, credit type, industry exposure and a credit review process. These reviews ensure the borrower complies with internal policy and underwriting standards. The credit union relies on collateral security typically in the form of a fixed and floating charge over the assets of its borrowers. Credit risk is also managed through regular analysis of the ability of members to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Credit risk for our counterparties in other financial instruments, such as investments and derivatives, is assessed through published credit ratings.

### *Maximum exposure to credit risk*

The credit union's exposure to credit risk is comprised of loans and derivatives. For these financial assets recognized on the balance sheet, the exposure to credit risk equals their carrying amount. For loan commitments and other credit-related commitments that are irrevocable, the maximum exposure to credit risk is the full amount of the committed facilities.

	2008		2007
<b>On balance sheet exposure</b>			
Loans and accrued interest	\$ 2,693,933	\$	2,718,716
Derivatives (net)	1,017		—
	<u>2,694,950</u>		<u>2,718,716</u>
<b>Off balance sheet exposure</b>			
Letters of credit	26,607		72,964
Commitments to extend credit	26,985		119,935
Unadvanced loans	643,846		635,105
	<u>697,438</u>		<u>828,004</u>
<b>Maximum exposure</b>	<u>\$ 3,392,388</u>	<u>\$</u>	<u>3,546,720</u>

### *Collateral and other credit enhancements*

It is our lending policy to assess the customer's capacity to repay, rather than rely excessively on the underlying collateral security. Depending on the customer's standing and the type of product, facilities may be unsecured. Nevertheless, collateral can be an important mitigant of credit risk.

The credit union does not disclose the fair value of collateral held as security or other credit enhancements on either loans past due but not impaired or individually impaired loans, as it is not practical to do so.

### *Credit quality of financial assets neither past due nor impaired*

The credit quality of the portfolio of loans that were neither past due nor impaired can be assessed by reference to the categories below, on which the following information is based:

	2008		2007
Satisfactory risk	\$ 2,561,654	\$	2,568,604
Special mention	21,020		44,548
	<u>\$ 2,582,674</u>	<u>\$</u>	<u>2,613,152</u>

Satisfactory risk includes commercial facilities demonstrating financial conditions, risk factors and the capacity to repay, ranging from satisfactory to excellent and retail facilities that are maintained within and outside of generally applicable product parameters without being impaired.

Special mention includes facilities that require varying degrees of special attention due to terms and conditions of credit that are not met.

Information in respect of geographic and industry concentrations is included in Note 7.

### *Loans past due but not impaired*

Examples of exposures considered past due but not impaired include loans that have missed the most recent payment date but on which there is no evidence of impairment, and loans fully secured by cash collateral. Loans past due greater than 60 days are included on the watch list.

## 17. NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

The aging analysis below includes past due loans on which a general allowance has been assessed, though at their early stage of arrears, there is normally no identifiable impairment.

	2008		2007
Past due up to 29 days	\$ 52,679	\$	49,825
Past due 30-59 days	8,510		3,589
Past due greater than 60 days	32,862		51,339
	<u>\$ 94,051</u>	<u>\$</u>	<u>104,753</u>

### *Impaired financial assets*

When impairment losses occur, we reduce the carrying amount of the loan by the loss amount through the use of a specific allowance account.

Individual accounts are treated as impaired when they are past due over 90 days, or earlier if there is objective evidence that an impairment loss has been incurred.

Loans that were impaired amounted to \$17,208 as at December 31, 2008 (\$901 as at December 31, 2007).

### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Interest rate risk arises when the values of assets and liabilities do not change by the same amount when interest rates change. Where portfolios are matched in terms of maturities, interest rate risk is reduced. This category also includes yield curve risk, basis risk and interest rate path risk.

The primary objectives of the credit union's market risk management process include: maximize earnings and return on capital within acceptable and controllable levels of the above risks; provide for growth that is sound, profitable and balanced without sacrificing the quality of service; and manage and maintain a policy and procedures that are consistent with the short and long term strategic goals of the Board of Directors.

### **Interest rate risk**

#### *Risk measurement*

The Credit Unions' risk position is measured based upon the potential impact of changes in market conditions. The Asset Liability Committee (ALCO) is a committee comprised of senior management that meets at least quarterly and ad hoc as required. Responsibilities include:

- Approval and review of pricing, investment, liquidity, derivative, foreign exchange and asset liability policies.
- Review of deviations between actual performance and projected plans.
- Review of the management of interest rate sensitivity and financial margin including investing, liquidity management, hedging and securitization activities.
- Approval of Asset Liability and hedging strategies to manage interest rate risk in order to achieve policies.
- Evaluation of the current interest rate risk position and the potential effect of its primary ALM strategy.
- Review and monitoring of key risk modeling assumptions.

The Credit Union utilizes earnings tests to produce monthly forecasts of net interest income for the upcoming 12 months based on:

- a) the current balance sheet structure;
- b) scheduled maturity and repricing of the balance sheet;
- c) several hundred randomly generated interest rate paths composed around a base rate(s) forecast;
- d) a volatility % of randomly generated key rates; and
- e) assumptions regarding customer behaviour and balance sheet growth.

Growth assumptions are based on business plans. Customer behaviour assumptions to assess embedded options in deposit and loan portfolios are based on analysis of trend information and management judgment.

The credit union will assess the results of the monthly forecast simulations. The maximum allowable risk exposure will be as follows:

### **Earnings at risk**

A reduction in financial margin over the next 12 months of an amount not to exceed 10% of the next 12 months financial margin resulting from a 2 standard deviation change in current interest rates held constant.

## 17. NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

### Structure test

The duration gap between assets and liabilities will be in a range of no less than -3 months and no more than + 9 months.

### Duration of equity

The effective duration of equity is defined as the percentage change in the market value of equity (including retained earnings, equity shares and derivatives) given a 1% range change in interest rates. The 1% change will consist of a 50 bp shock up and a 50 bp shock down. Given this 1% change, the effective duration of equity will not exceed a maximum of 10%.

The following table shows the results of these forecast simulations as at December 31, 2008:

	Policy Limit	2008	Impact
1. Earnings at risk	10%	1.8%	\$ 1,197
2. Structure test	-3 to +9 months	-6.3 months	
3. Duration of equity	+/-10%	-3.7%	

The structure test was outside of the management policy limits as at December 31, 2008. This was approved as an exception by the ALCO and the ILC. The situation was caused by members borrowing on a variable rate basis and depositing in longer term cashable products. Actions that would normally be taken to correct this situation (interest rate swaps), would not have added value due to pricing, and were therefore not implemented.

### Liquidity risk

Liquidity risk is the risk of being unable to fund assets with the appropriate duration and cost, as well as the risk of not being able to meet unexpected cash needs.

The liquidity risk policy of the credit union is that liquidity is managed on both an operational and strategic level on a total company basis. The desired liquidity level above the statutory requirement is determined by taking into account the balance between the cost of liquidity and the yield achieved. Contingency liquidity is managed by having a plan in place that can be invoked very quickly as well as having a diversity of funding sources arranged that can be accessed when needed. The credit union will at all times maintain statutory liquidity levels as required by regulations. Immediate corrective action will be taken if the ratio approaches the regulatory minimum. The liquidity deposits must be held on deposit with the Central 1 Credit Union as per the credit union's Deposit Loan Agreement. The statutory liquidity ratio is 8.0% of deposits and borrowings as at the reporting date. Based on total deposits and borrowings as at December 31, 2008, the statutory liquidity requirement exceeds minimum requirements by \$33.7 million.

## 18. FUNDS UNDER ADMINISTRATION

	2008	2007
Sold loans	\$ 731,505	\$ 730,787
Mutual funds	491,652	565,077
Other	94,349	86,381
	<u>\$ 1,317,506</u>	<u>\$ 1,382,245</u>

The Credit Union securitizes mortgages through the creation of mortgage pools. The net gain on sale of the mortgages resulting from these securitizations is recognized in the Statement of Income. The weighted average assumptions used to measure fair value at the dates of securitization were as follows:

	2008		2007	
	Residential	Commercial	Residential	Commercial
Prepayment rate (average)	20.0%	10.0%	17.30%	N/A
Excess spread (average)	1.49%	0.00%	0.72%	N/A
Discount rate (average)	3.60%	5.67%	4.52%	N/A
Average life (years)	2.8	2.7	3.0	N/A

## 18. FUNDS UNDER ADMINISTRATION (continued)

The following table summarizes the credit union's sales during the year.

	2008		2007	
	Residential		Residential	
Net cash proceeds	\$	178,451	\$	216,565
Retained rights to cash reserves		—		1,101
Retained rights to excess interest		6,779		3,911
Retained servicing liability		(2,259)		(2,023)
Accrued interest		(1,196)		(321)
		<hr/>		<hr/>
		181,775		219,233
Mortgages securitized		178,266		218,224
Net gain on sale	\$	3,509	\$	1,009

	2008		2007	
	Commercial		Commercial	
Net cash proceeds	\$	32,803	\$	—
Retained rights to cash reserves		—		—
Retained rights to excess interest		—		—
Retained servicing liability		—		—
Accrued interest		(83)		—
		<hr/>		<hr/>
		32,720		—
Mortgages securitized		32,720		—
Net gain on sale	\$	—	\$	—

## 19. NON-INTEREST INCOME

	2008		2007	
Insurance commissions and fees	\$	13,159	\$	12,267
Account service fees		8,379		8,682
IT services		8,085		6,307
Leasing revenue		5,817		3,669
Fees from fiduciary activities and mutual funds		5,224		5,281
Loan administration fees		4,994		5,102
Other		3,726		4,029
Gain on securitized mortgages (Note 8)		3,509		1,008
Foreign exchange		1,855		1,753
	\$	<hr/>	\$	<hr/>
		54,748		48,098

## 20. NON-INTEREST EXPENSES

	2008		2007	
Salaries and benefits (Note 23)	\$	52,893	\$	49,501
Administration		17,953		16,899
Data processing		9,925		9,510
Amortization		7,455		4,969
Occupancy		7,241		6,693
Corporate capital tax		1,096		1,573
	\$	<hr/>	\$	<hr/>
		96,563		89,145

## 21. PROVISION FOR INCOME TAXES

	2008		2007
Current income taxes	\$ 609	\$	3,268
Future income taxes	1,522		556
	<u>\$ 2,131</u>	\$	<u>3,824</u>

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates to income before provision for income taxes. The reasons for the differences are as follows:

	2008		2007	
Combined federal and provincial income taxes	\$ 4,169	32%	\$ 5,580	34%
Income taxes adjusted for the effect of:				
Reduction for credit unions	(2,105)	(17%)	(2,462)	(15%)
Other	67	1%	706	3%
	<u>\$ 2,131</u>	<u>16%</u>	<u>\$ 3,824</u>	<u>22%</u>

The tax effects of temporary differences that give rise to significant portions of future tax assets and liabilities reported in other assets are as follows:

	2008		2007	
Future income tax assets:				
Allowance for impairment of loans	\$ 2,931		\$ 1,434	
Other accrued expenses	69		(857)	
Premises, equipment	361		263	
Deferred losses on derivatives	—		(187)	
Other	169		283	
	<u>3,530</u>		<u>936</u>	
Future income tax liabilities:				
Intangible assets	380		—	
Other accrued expenses	1,059		(122)	
Deferred revenue	2,866		—	
	<u>4,305</u>		<u>(122)</u>	
Net future income tax asset (liability)	<u>\$ (775)</u>		<u>\$ 1,058</u>	

## 22. RETIREMENT PROGRAMS

### Supplemental Executive Retirement Program (SERP)

Effective January 1, 2006, the credit union adopted a SERP, an unregistered defined benefit retirement program. The SERP is only available to executives selected by the Board of Directors to participate in it. The SERP supplements the retirement benefits provided under the defined benefit registered pension plan by providing for the value of lifetime retirement benefits based on the executive's highest five-year average earnings and employment service after January 1, 2006, offset by the value of the retirement benefits provided, or deemed to be provided, under the registered pension plan.

The SERP benefits will be paid from the general revenue of the credit union as payments come due. Security will be provided for the SERP benefits through a letter of credit within a Retirement Compensation Arrangement Trust account still to be established.

The SERP uses actuarial valuation reports prepared by an independent actuary. The cost of retirement benefits earned is determined using the projected benefit method pro-rated on employment service and using management's best estimate of investment returns, salary escalation and retirement date. The excess of the net actuarial gain (or loss) over 10 percent of the accrued benefit obligation at the beginning of the period is amortized over the expected average remaining service period of the active employees ("EARS"). Past service costs are also amortized over EARS.

## 22. RETIREMENT PROGRAMS (continued)

The following significant actuarial assumptions were used to determine the periodic pension cost:

	2008	2007
Discount rate - January 1	5.50%	5.50%
Discount rate - December 31	7.25%	5.50%
Expected long term rate of return	6.00%	6.00%
Rate of compensation increase	3.50%	3.50%
EARSLS - January 1	9.28 years	10.02 years

The determination of the pension cost for the SERP is as follows:

<b>Pension cost incurred</b>	2008	2007
Current service cost	\$ 181	\$ 162
Interest cost on accrued benefit obligation	23	13
Actuarial losses (gains)	(117)	14
Pension cost incurred during year, before adjustments	<u>\$ 87</u>	<u>\$ 189</u>

<b>Pension costs recognized</b>	2008	2007
Pension cost incurred	\$ 87	\$ 189
Difference between actuarial gain (loss) recognized for year and actual actuarial gain (loss) on accrued benefit obligation	117	(14)
Pension cost recognized during year	<u>\$ 204</u>	<u>\$ 175</u>

<b>Components of pension cost</b>	2008	2007
Current service cost	\$ 181	\$ 162
Interest cost on accrued benefit obligation	23	13
Pension cost recognized during year	<u>\$ 204</u>	<u>\$ 175</u>

<b>Reconciliation of accrued benefit obligation</b>	2008	2007
Accrued benefit obligation, beginning of year	\$ 348	\$ 159
Current service cost (including employee contributions)	181	162
Interest on accrued benefit obligation	23	13
Actuarial loss (gain) during year *	(117)	14
Benefits paid during year	(48)	—
Accrued benefit obligation, end of year	<u>\$ 387</u>	<u>\$ 348</u>

\* Actuarial loss predominantly relates to retirement experience being other than assumed.

The SERP does not have assets. Contributions are deemed to be made as entitlements are paid.

<b>Determination of accrued benefit liability as at December 31</b>	2008	2007
Accrued benefit liability, beginning of year	\$ (336)	\$ (161)
Plus contributions during period	48	—
Less pension cost for year	(204)	(175)
Accrued benefit liability, end of year	<u>\$ (492)</u>	<u>\$ (336)</u>

<b>Funded status as at December 31 and reconciliation of accrued benefit liability</b>	2008	2007
Accrued benefit obligation, end of year	\$ (386)	\$ (348)
Fair value of plan assets, end of year	—	—
Unfunded status	(386)	(348)
Unamortized net actuarial loss (gain)	(106)	12
Accrued benefit liability, end of year	<u>\$ (492)</u>	<u>\$ (336)</u>

## 23. PENSION OBLIGATIONS

As at December 31, 2006, the plan actuary reported that the plan had assets in excess of actuarial liabilities for accrued pension benefits. However, based on plan performance to date and current market conditions, expectations are that plan assets at December 31, 2008, are less than actuarial liabilities. Since this is a multi-employer plan, the impact to the credit union is limited to increasing future contributions or modifying future benefits. The next actuarial review is scheduled for the period ending December 31, 2009.

The credit union's total pension benefits expense included in the Consolidated Statement of Income is \$2,808 (2007: \$2,402).

## 24. BUSINESS COMBINATION

On March 1, 2008, the credit union acquired 100% of the outstanding shares of a general insurance agency in British Columbia for a cash consideration of \$2,831. The company was subsequently amalgamated with Envision Insurance Services Ltd., a wholly-owned subsidiary.

## 25. DERIVATIVE CONTRACTS

Derivative instruments are purchased for interest rate risk management purpose. Instruments such as interest rate swaps and forward rate agreements and caps are used to adjust exposure to interest rate risk by modifying the repricing or maturity characteristics of loans and deposits. Equity-linked swaps are used to fix costs on products which are based on movements in equity market indexes.

The following table summarizes the notional value of outstanding instruments.

	Notional Amount				Net Fair Value	
	Within 3 months	4 to 12 months	Over 1 year	Total 2008	2008	2007
Interest rate swaps	\$ 85,000	\$ 70,000	\$ 495,000	\$ 650,000	\$ 900	\$ (4,900)
Interest rate caps	11,600	27,500	39,500	78,600	—	100
Equity-linked options	—	200	1,500	1,700	100	500
	<u>\$ 96,600</u>	<u>\$ 97,700</u>	<u>\$ 536,000</u>	<u>\$ 730,300</u>	<u>\$ 1,000</u>	<u>\$ (4,300)</u>

## 26. COMMITMENTS AND CONTINGENCIES

### Legal proceedings

The credit union has claims and legal proceedings brought against it that arise from usual business activities. The credit union contests the validity of these claims and proceedings. While the outcome of outstanding actions cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material effect on the credit union's financial position.

### Credit commitments

The following balances represent the additional credit that the credit union may be obligated to extend:

	2008	2007
Letters of credit	\$ 26,607	\$ 72,964
Commitments to extend credit	26,985	119,935
Unadvanced loans	643,846	635,105
	<u>\$ 697,438</u>	<u>\$ 828,004</u>

### Premises, computer services and equipment

The credit union has branch lease commitments for its premises extending through to 2013.

For computer services and equipment, the credit union is committed to acquire online data processing services until March, 2009.

Data processing charges are based on the level of equipment and services utilized and on the number of credit union members.

## 26. COMMITMENTS AND CONTINGENCIES (continued)

The following table summarizes the approximate lease payments over the next 5 years:

	Premises	Computer services and equipment
2009	\$ 3,284	\$ 590
2010	3,297	408
2011	2,659	52
2012	2,211	—
2013	1,971	—

## 27. OTHER INFORMATION

At December 31, 2008, outstanding loans to directors, officers and employees of the credit union amounted to \$84,568. All such loans were granted in accordance with normal lending terms.

The aggregate remuneration earned by directors of the credit union during 2008 was \$345 (2007: \$360).

## 28. RELATED PARTY TRANSACTIONS

The credit union has included in accounts payable a donation of \$399 (2007: \$334) to the credit union's charitable foundation, Envision Credit Union Charitable Foundation ("Foundation"). Certain directors of the credit union are directors of the Foundation.

## 29. SUBSEQUENT EVENT

Subsequent to year end, on January 1, 2009, the credit union purchased 80% of shares outstanding of both Emsland Prorate Fleet Service Inc. and G 580 Holdings Ltd. (doing business as Simmons, Black and Emsland Insurance Services, a general insurance agency) for \$5,034.



NOTE: Dollar figures in this annual report refer to Canadian dollars.



\*\* Mutual funds are offered through Credential Asset Management Inc. and mutual funds and other securities are offered through Credential Securities Inc. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investment. Unless otherwise stated, mutual funds, other securities and cash balances are not covered by the Canada Deposit Insurance Corporation or by any other government insurer that insures deposits in credit unions. Mutual funds, cash balances, and other securities are not guaranteed, their values change frequently, and past performance may not be repeated. Credential Securities Inc. is a Member—CIPF®. Credential and Credential Securities are registered marks owned by Credential Financial Inc. and is used under licence.

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