



**COASTAL
COMMUNITY**
CREDIT UNION

CONSOLIDATED FINANCIAL STATEMENTS OF
COASTAL COMMUNITY CREDIT UNION

YEAR ENDED **DECEMBER 31, 2006**



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Auditors' Report

**To the Members of
Coastal Community Credit Union**

We have audited the consolidated Balance Sheet of Coastal Community Credit Union as at December 31, 2006 and the consolidated statements of Earnings and Retained Earnings and Cash Flows for the year then ended. These consolidated financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles

Chartered Accountants
Nanaimo, British Columbia
March 9, 2007

Coastal Community Credit Union

Consolidated Balance Sheet

December 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Cash resources (note 3)	\$ 121,211,705	\$ 113,997,254
Loans (note 4)	1,206,465,685	1,056,618,782
Investments (note 5)	48,858,944	55,201,205
Premises and equipment, net of amortization (note 6)	23,481,528	20,940,397
Other assets (note 7)	5,154,088	8,229,784
	\$ 1,405,171,950	\$ 1,254,987,422
Liabilities		
Member deposits (note 8)	\$ 1,300,836,960	\$ 1,168,180,486
Short-term borrowings from Credit Union Central of British Columbia (note 9)	39,014,617	25,309,943
Accounts payable and accrued liabilities	11,894,841	9,428,814
	1,351,746,418	1,202,919,243
Members' equity		
Contributed surplus	755,171	755,171
Retained earnings	52,670,361	51,313,008
	\$ 1,405,171,950	\$ 1,254,987,422

See accompanying notes to financial statements.

On behalf of the Board:



John Newall, Chair



Richard Kerton, Director

Coastal Community Credit Union

Consolidated Statement of Earnings and Retained Earnings

December 31, 2006, with comparative figures for 2005

	2006	2005
Financial income:		
Loans	\$ 68,982,713	\$ 57,398,477
Cash resources and investments	5,980,489	8,937,847
	74,963,202	66,336,324
Financial expenses:		
Deposit	31,342,371	26,174,932
Borrowings	2,456,598	439,222
	33,798,969	26,614,154
Financial margin	41,164,233	39,722,170
Other income (expenses):		
Other income (note 11)	22,561,846	21,376,318
Provision for credit losses, net of recoveries (note 4)	700,225	(932,810)
Other expenses (note 12)	(4,889,185)	(4,663,220)
	18,372,886	15,780,288
Operating margin	59,537,119	55,502,458
Operating expenses (note 13)	57,059,161	48,957,236
Earnings from operations	2,477,958	6,545,222
Loss on dispositions	-	(171,520)
Non-controlling interest	(103,034)	(268,829)
Distribution to members (note 14)	(201,708)	(403,846)
Earnings before income taxes	2,173,216	5,701,027
Income taxes (note 15)	815,863	996,221
Net earnings	1,357,353	4,704,806
Retained earnings, beginning of year	51,313,008	46,608,202
Retained earnings, end of year	\$ 52,670,361	\$ 51,313,008

See accompanying notes to financial statements.

Coastal Community Credit Union

Consolidated Statement of Cash Flows

Year ended **December 31, 2006**, with comparative figures for 2005

	2006	2005
Cash provided by (used in):		
Operations:		
Net earnings	\$ 1,357,353	\$ 4,704,806
Items not involving cash:		
Amortization of premises and equipment	2,978,217	2,441,824
Loss on dispositions	-	171,520
Provision for loan losses	(700,225)	932,810
Future income taxes	598,158	(290,264)
Non-controlling interest	103,034	268,829
Change in non-cash operating working capital	4,840,531	(148,147)
	9,177,068	8,081,378
Financing:		
Deposits	132,656,474	60,471,607
Short-term borrowings	13,704,674	2,539,007
	146,361,148	63,010,614
Investments:		
Loans	(149,146,678)	(92,018,148)
Investments	6,342,261	30,574,423
Purchase of premises and equipment	(5,519,348)	(6,065,963)
Proceeds on dispositions	-	482,000
	(148,323,765)	(67,027,688)
Increase in cash position	7,214,451	4,064,304
Cash resources, beginning of year	113,997,254	109,932,950
Cash resources, end of year	\$121,211,705	\$113,997,254
Supplemental Financial Information:		
Interest received	\$74,139,965	\$66,555,913
Interest and dividends paid	30,131,366	26,632,350
Income taxes paid	1,468,778	1,399,071

See accompanying notes to financial statements.

Coastal Community Credit Union

Notes to Consolidated Financial Statements

Year ended **December 31, 2006**

Coastal Community Credit Union ("Credit Union") is incorporated under the *British Columbia Credit Union Incorporation Act*. The operation of the Credit Union is subject to the *British Columbia Financial Institutions Act*. The Credit Union predominately serves members on Vancouver Island.

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada.

(b) Principles of consolidation:

These consolidated financial statements include the assets, liabilities, and operating results of the Credit Union and its wholly-owned subsidiaries Coastal Community Financial Management Inc., Alder Insurance Services Ltd., Brylor Investments Ltd., Community First Insurance Services Ltd., Tuffrey & Mills Ltd., Comox Valley Rice Financial Ltd., and Comox Valley Financial Services Ltd., as well as 50% owned Coastal Community Insurance Agencies Ltd. ("CCIA") and 60% owned C.U. Technical and Administrative Services Corporation ("CUTASC"). The interest in CUTASC is accounted for on a proportionate consolidation basis.

(c) Use of estimates:

The preparation of the financial statements of the Credit Union in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions, mainly considering values, which affect reported amounts of assets, liabilities, net income, and related disclosures. Amounts are based on best estimates but actual amounts may vary from the amounts recorded. Areas subject to estimation include provision for credit losses (because of the inherent subjectivity involved in estimating the amount and timing of future cashflows), amortization of premises and equipment (because of the difficulty in estimating the useful lives of the assets), and provision for possible losses resulting from a class-action lawsuit (note 22).

(d) Loans:

Loans to members are stated at the unpaid principal plus accrued interest less an allowance established to provide against potential losses on ultimate realization of the loan portfolio. The allowance is determined by reference to specific loans in arrears, prior loan collection experience, geographical concentration, economic conditions, and other factors, which in management's judgment deserves consideration. Loans considered uncollectible are written off.

(e) Investments and goodwill:

Investments are recorded at lower of cost or net realizable value. Goodwill reflects the excess of cost over the underlying tangible value of insurance subsidiary assets acquired. Goodwill is not amortized but is reviewed for potential impairment on an annual basis or if events or circumstances indicate a potential impairment at the reporting unit level. An impairment is recorded to the extent that the carrying value exceeds its implied fair value.

Coastal Community Credit Union

Notes to Consolidated Financial Statements

Year ended **December 31, 2006**

1. Significant accounting policies (continued):

(f) Premises and equipment:

Premises and equipment are recorded at cost less accumulated amortization. Amortization is provided on the straight-line basis over 3 to 20 years for furniture and equipment, 5 to 15 years for leasehold improvements, 25 to 40 years for buildings, 3 to 5 years for computer equipment, and 10 years for the banking system.

(g) Revenue recognition:

Interest income on loans is recorded using the accrual method, unless the loan is classified as impaired. A loan is considered as impaired generally at the earlier of when, in the opinion of management, there is reasonable doubt as to the collectibility of principal or interest, or when principal or interest is 180 days past due. Thereafter, interest income is recognized on a cash basis only after any specific provisions or partial write-offs have been recovered and provided there is no further doubt as to the collectibility of principal.

Income received on prepayment or renegotiation of fixed term loans is recorded as earned income in the year it is received.

(h) Dividends:

Dividends on non-equity and equity shares and patronage rebates are charged against earnings.

(i) Derivative instruments:

Index-linked swaps are being used by the Credit Union to hedge risk for registered and non-registered term products linked to changes in various stock indexes. The notional principal related to these contracts is not included in the balance sheet.

Revenue and expenses from these contracts are deferred and amortized over the term of the swap contract provided that they meet the accounting standards for doing so. Other gains and losses on derivative financial instruments are recorded in earnings in the period incurred.

(j) Income taxes:

The Credit Union follows the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income when the asset is realized or the liability is settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the date of enactment or substantive enactment.

Coastal Community Credit Union

Notes to Consolidated Financial Statements

Year ended **December 31, 2006**

1. Significant accounting policies (continued):

(k) New Accounting Policy:

On January 1, 2007 the Credit Union will be adopting new standards prescribed by the Canadian Institute of Chartered Accountants collectively known as the "New Financial Instruments Standards". The adoption of the new standards may result in a retroactive adjustment to the balance of retained earnings reported December 31, 2006. The amount of adjustment to retained earnings, if any, is not reasonably determinable at this time.

2. Capital requirements:

The *Financial Institutions Act* requires the Credit Union to maintain, at all times, a capital base adequate in relation to its level of business activities. The level of capital required is based on a prescribed percentage of the total value of its risk-weighted assets, each asset of the Credit Union being assigned a risk factor based on the probability that a loss may be incurred on ultimate realization of that asset.

Effective January 1, 1994, the *Financial Institutions Act* regulations prescribed a minimum required capital ratio of 8% of the risk-weighted value of assets. At December 31, 2006, the Credit Union had a capital ratio in excess of 10%.

3. Cash resources:

	2006	2005
Cash on hand	\$ 17,156,838	\$ 9,219,692
Demand and short-term investments held at Credit Union Central of British Columbia	102,276,762	103,074,252
Accrued interest on cash resources	1,778,105	1,703,310
	\$ 121,211,705	\$ 113,997,254

In accordance with provincial legislation and the terms of arrangements with Credit Union Central of British Columbia, credit unions are required to maintain deposits with Credit Union Central of British Columbia totaling 8% of their deposits (net of equity and non-equity shares) and debt liabilities.

Coastal Community Credit Union

Notes to Consolidated Financial Statements

Year ended **December 31, 2006**

4. Loans:

An analysis of the Credit Union's loan portfolio, (net of allowance for credit losses by category), is as follows:

	2006			2005
	Gross amount	Allowance	Carrying amount	Carrying amount
Residential mortgages	\$ 774,806,400	\$ 1,033,500	\$ 773,772,900	\$ 682,317,277
Commercial mortgages	211,465,544	1,008,000	210,457,544	170,029,798
Personal and other loans	221,383,851	2,846,396	218,537,455	201,291,072
Accrued interest	3,697,786	—	3,697,786	2,980,635
Net loans	\$ 1,211,353,581	\$ 4,887,896	\$ 1,206,465,685	\$ 1,056,618,782

Analysis of allowance for credit losses	Residential mortgages	Commercial mortgages	Personal and other	Total 2006	Total 2005
Allowance for credit losses, beginning	\$177,372	\$2,521,148	\$4,506,459	\$7,204,979	\$7,445,542
Provision, net of recoveries	(1,130,052)	(740,587)	1,170,414	(700,225)	932,810
	(952,680)	1,780,561	5,676,873	6,504,754	8,378,352
Write-offs, less recoveries	1,986,180	(772,561)	(2,830,477)	(1,616,859)	(1,173,372)
Allowance for credit losses, ending	\$1,033,500	\$1,008,000	\$2,846,396	\$4,887,896	\$7,204,979
Allowance as a percentage of total loans				0.41%	0.69%

5. Investments:

	2006	2005
<i>Statutory investments:</i>		
Credit Union Central of British Columbia shares	\$ 3,951,980	\$ 4,170,992
<i>Non-statutory investments:</i>		
Mortgage packages purchased	22,648,902	30,348,454
Communities First Investment Fund	1,000,000	1,000,000
Federal and provincial government bonds (market value \$14,106,354 (2005 - \$13,404,000))	14,457,045	13,959,445
Other investments	589,773	574,427
Goodwill	5,885,779	4,924,960
Accrued income on investments	325,465	222,927
	\$ 48,858,944	\$ 55,201,205

Coastal Community Credit Union

Notes to Consolidated Financial Statements

Year ended **December 31, 2006**

5. Investments (continued):

Shares in Credit Union Central of British Columbia are a required investment as a condition of membership in Credit Union Central of British Columbia and provincial legislation. This investment is determined based on the Credit Union's assets and is realizable only on withdrawal from membership.

- (b) Mortgages purchased have maturities in the range from 1 to 3 years with an average anticipated yield of 4.41% to 5.70%.

6. Premises and equipment:

			2006	2005
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,712,329	\$ -	\$ 2,712,329	\$ 2,712,329
Buildings	11,419,439	4,091,670	7,327,769	7,672,494
Leasehold improvements	6,549,652	4,099,616	2,450,036	2,138,023
Furniture and equipment	11,759,678	8,533,122	3,226,556	2,545,903
Computer equipment	8,139,339	6,677,015	1,462,324	2,128,472
Banking System	6,354,597	52,083	6,302,514	3,743,176
	\$ 46,935,034	\$ 23,453,506	\$ 23,481,528	\$ 20,940,397

The Credit Union implemented a new banking system in November 2006. Cost for the new system related to new computer software, equipment and implementation costs are included as "Banking System" above. Capitalized implementation costs included only third-party costs directly related to the implementation.

The cost and accumulated amortization amounts for the former banking systems had been included as "Computer Equipment". The former banking systems had been fully amortized as of November 2006.

7. Other assets:

			2006	2005
Accounts receivable		\$ 3,643,964	\$ 5,336,544	
Prepaid expenses		1,324,473	1,703,840	
Receivable - land sale		160,000	320,000	
Property acquired in settlement of loans		13,303	56,649	
Future income taxes		530,074	1,119,632	
Non-controlling interest		(579,077)	(475,943)	
Other		61,351	169,062	
		\$ 5,154,088	\$ 8,229,784	

Coastal Community Credit Union

Notes to Consolidated Financial Statements

Year ended **December 31, 2006**

8. Member deposits:

	2006	2005
Demand	\$ 373,860,892	\$ 390,784,093
Term	665,957,244	531,219,617
Registered savings plans	237,672,868	226,123,760
Accrued interest on member deposits	14,292,547	10,634,920
	1,291,783,551	1,158,762,390
<i>Non-equity shares:</i>		
Non-voting, \$1 par value, unlimited number authorized	151,394	171,307
<i>Equity shares:</i>		
Membership equity shares, voting, \$1 par value, unlimited number authorized	5,744,476	6,023,741
Investment equity shares, non-voting, \$1 par value, unlimited number authorized	3,157,539	3,223,048
	\$ 1,300,836,960	\$ 1,168,180,486

Non-equity shares:

Amounts contributed by members for non-equity shares can be withdrawn on demand or redeemed by the Credit Union. The holders of these shares may be entitled to a life insurance policy of up to \$2,000 in accordance with the original purchase terms. The Credit Union has ceased issuance of these shares.

Equity shares:

The equity shares of the Credit Union are divided into two classes designated as membership equity shares and investment equity shares having the following rights and restrictions:

- Each member shall purchase not less than 5 and may purchase not more than 1,000 membership equity shares; a member may purchase a maximum of \$5,000 in investment equity shares; and, holding of non-equity shares is not restricted.
- Redemption of membership equity and investment shares is subject to certain conditions and approval of the directors, subject to an overall restriction that the Credit Union may not be required to redeem in any financial year more than 10% of the total amount of such shares issued and outstanding on the last day of the preceding financial year.
- Dividends declared may, at the discretion of the directors, be different for each class of shares, and such dividends may be paid as an allocation of membership equity shares or non-equity shares.
- Equity shares are not insured by the Credit Union Deposit Insurance Corporation of British Columbia.

Deposit insurance protection:

The Credit Union Deposit Insurance Corporation of British Columbia, a government corporation, protects the deposits of all British Columbia credit union members up to a maximum of \$100,000 per "separate deposit" (as defined by Regulation) per credit union.

Coastal Community Credit Union

Notes to Consolidated Financial Statements

Year ended **December 31, 2006**

9. Credit facilities:

The Credit Union has an operating line of credit of \$100,000,000 secured by a demand debenture in favor of Credit Union Central of British Columbia. The debenture creates a floating charge on certain assets and undertakings of the Credit Union.

10. Commitments:

Computer services:

The agreement for the use of the new banking system continues for 5 years from November 2006, the date of use, with an automatic renewal for a further 5 years. The Credit Union is committed to annual maintenance costs of approximately \$636,000 per annum to 2011.

Premises:

The Credit Union has committed to lease premises until 2011. The minimum lease payments, including estimated operating costs incorporated into lease agreements, in each of the next five years are \$1,889,590 in 2007, \$1,330,423 in 2008, \$657,179 in 2009, \$466,823 in 2010 and \$277,590 in 2011.

11. Other income:

	2006	2005
<i>Member services:</i>		
Chequing and savings accounts	\$ 4,835,617	\$ 4,585,617
Other service income	3,046,939	2,783,905
Insurance administration fees	945,419	1,001,434
Loan fees	1,439,091	1,517,196
Mortgage payout and prepayment income	1,086,224	1,316,123
Safety deposit boxes	239,266	243,271
	11,592,556	11,447,546
Building and property income	276,187	438,942
Commission income from subsidiaries	10,693,103	9,489,830
	\$ 22,561,846	\$ 21,376,318

Coastal Community Credit Union

Notes to Consolidated Financial Statements

Year ended **December 31, 2006**

12. Other expenses:

	2006	2005
Electronic services	\$ 1,327,167	\$ 1,346,626
Automated teller machine services	559,885	483,192
Other services	1,975,155	1,706,018
Chequing services	1,026,978	1,127,384
	\$ 4,889,185	\$ 4,663,220

13. Operating expenses:

	2006	2005
Salaries and benefits	\$ 34,630,525	\$ 29,999,800
Premises and equipment	4,064,161	3,685,762
Other administrative	5,727,133	4,933,376
Data processing	4,356,040	3,871,527
Amortization of premises and equipment	2,978,217	2,441,824
Advertising and member relations	2,362,172	1,621,347
Professional services	1,174,295	1,354,769
Regulatory costs	1,106,746	539,378
Capital taxes	659,872	509,453
	\$ 57,059,161	\$ 48,957,236

14. Distribution to members:

	2006	2005
Dividends on equity shares	\$ 200,194	\$ 402,415
Dividends on non-equity shares	1,514	1,431
	\$ 201,708	\$ 403,846

15. Income taxes:

(a) Components

	2006	2005
Current income taxes	\$ 745,646	\$ 967,010
Provision for current taxes	-	319,475
Recovery of income tax paid in prior year	(527,941)	-
Future income taxes	598,158	(290,264)
	\$ 815,863	\$ 996,221

Coastal Community Credit Union

Notes to Consolidated Financial Statements

Year ended **December 31, 2006**

15. Income taxes (continued):

(b) Components

	2006		2005	
	Amount	%Pretax Income	Amount	%Pretax Income
Combined statutory income tax rates	\$ 770,826	34.12%	\$ 1,987,378	34.86%
Reduction for credit unions and small business	(72,716)	(3.22)%	(988,624)	(17.34)%
Permanent differences	-	-%	(219,254)	(3.85)%
Other permanent differences	31,412	1.39%	14,047	.25%
Other	86,341	3.82%	202,674	3.56%
	\$ 815,863	36.11%	\$ 996,221	17.47%

(c) Future income tax

The components of future income tax are as follows:

	2006	2005
Premises, equipment and intangibles	\$ (558,103)	\$ 141,730
Allowance for loan losses	704,633	617,691
Other reserves	98,743	98,743
Other	284,801	261,468
	\$ 530,074	\$ 1,119,632

16. Employee future benefits:

The Credit Union contributes toward retirement benefits for its employees.

(a) Group registered retirement savings plan:

The contributions made for the majority of employees are made to a group registered retirement savings plan at rates varying from 6% to 10% of annual salary. Contributions made during the year totaled \$ 1,716,198 (2005 - \$1,495,648). Employees contributed a total of \$ 622,507 (2005 - \$579,330) during the year.

Coastal Community Credit Union

Notes to Consolidated Financial Statements

Year ended **December 31, 2006**

16. Employee future benefits (continued):

- (b) Multi-employer defined benefit pension plan:

A multi-employer defined benefit pension plan exists where the members are employees from various credit unions in British Columbia. Contributions totaling \$208,908 (2005 - \$198,584) were made to this plan during the year on behalf of certain employees.

The plan is a defined benefit pension plan and is subject to actuarial review every three years. The latest available actuarial review is for December 31, 2003. As of the December 31, 2003 valuation, plan assets exceeded plan liabilities by approximately \$7,994,000. The actuary does not attribute portions of the plan surplus to individual employers. The Credit Union records contributions to the plan as an expense in the year which payments are made.

- (c) Individual pension plans:

Individual pension plans are maintained for certain employees. The plans generally have the characteristics of a defined contribution plan. Contributions made to these plans during the year totaled \$488,515 (2005 - \$455,583) and by the employees totaled \$24,743 (2005 - \$79,583).

17. Other information:

At December 31, 2006 loans to directors, officers and management of the Credit Union amounted to \$ 13,842,273 (2005 - \$ 13,033,715).

Directors received remuneration of \$225,845 in 2006 (2005 - \$258,513).

18. Derivative financial instruments:

Interest rate swaps are being used by the Credit Union to increase the maturity structure of the asset base to better align rate sensitivity to the overall liability base. The notional value of \$94,500,000 (2005 - \$161,000,000) related to the contracts on December 31, 2006 is not included in the balance sheet. Interest earned on these swaps is being accrued over the term of the swap.

Coastal Community Credit Union

Notes to Consolidated Financial Statements

Year ended **December 31, 2006**

19. Fair value of financial instruments:

	2006	2005
Balance sheet		
Assets		
Cash resources	\$ 116,748,000	\$ 113,834,000
Loans	1,198,388,000	1,056,026,000
Investments	44,351,000	54,318,000
Other assets	5,154,088	8,229,784
Liabilities		
Member deposits	\$ 1,284,480,000	\$ 1,168,693,000
Short-term borrowings from Credit Union Central of British Columbia	39,014,617	25,309,943
Accounts payable and accrued liabilities	11,894,841	9,428,814
Swaps, net	(102,003)	1,589,000

The fair value of items that are highly liquid or short-term in nature approximates their carrying value; such items include certain cash resources, investments, other assets, and other liabilities. The fair value of loans and member deposits with fixed rates is estimated using discounted cash flow models with discount rates based on market interest rates for similar types of instruments. The fair value of loans and member deposits with variable rates of interest approximates their carrying value.

The fair values of cash resources, loans, investments, member deposits, and derivative financial instruments are determined from estimates of their net proceeds of disposal. As the estimates are affected by changes in the financial markets, the fair values will have changed subsequent to the year-end.

Coastal Community Credit Union

Notes to Consolidated Financial Statements

Year ended **December 31, 2006**

20. Interest rate sensitivity position:

The repricing of the Credit Union's interest-sensitive financial assets and liabilities and their average effective interest rates, based on contractual maturity dates, is as follows (in thousands of dollars):

	2007		Repricing period 2008/2009		>=2010		Non-Rate Sensitive	Total	Rate
	Principal	Rate	Principal	Rate	Principal	Rate			
Assets									
Cash resources	\$ 27,600	4.12%	\$ 37,544	4.04%	\$ 38,911	4.15%	\$ 17,157	\$ 121,212	3.52%
Loans	487,185	6.75%	241,299	5.76%	477,809	5.70%	172	1,206,465	6.14%
Investments	20,298	4.88%	17,908	4.32%	10,653	4.04%	-	48,859	4.49%
Other assets	-	-%	-	-%	-	-%	28,636	28,636	-%
	\$ 535,083	6.54%	\$ 296,751	5.46%	\$527,373	5.55%	\$ 45,965	\$1,405,172	5.73%
Liabilities									
Member deposits	\$ 628,016	4.03%	\$ 180,389	4.17%	\$ 60,885	4.04%	\$ 431,547	\$1,300,837	2.71%
Other liabilities	39,015	4.56%	-	-%	-	-%	11,895	50,910	3.49%
Equity	-	-%	-	-%	-	-%	53,425	53,425	-%
	\$ 667,031	4.06%	\$ 180,389	4.17%	\$ 60,885	4.04%	\$ 496,867	\$1,405,172	2.64%
Swaps	(60,000)		60,000				-		
Net Mismatch	\$(191,948)		\$ 176,362		\$466,488		\$(450,902)		

Coastal Community Credit Union

Notes to Consolidated Financial Statements

Year ended **December 31, 2006**

21. Acquisition of Insurance Agency:

During the year a subsidiary of the Credit Union acquired an insurance agency. Details of this transaction were as follows:

As at February 28, 2006

Purchase price	\$ 729,123
Acquisition costs	<u>32,523</u>
	<u>\$ 761,646</u>
Value ascribed to net assets purchased	<u>2,407</u>
Excess of purchase price over assets purchased	<u>\$ 759,239</u>

The excess of purchase price over value of assets purchased has been allocated as goodwill.

22. Contingent liabilities:

Class-action lawsuit

A class-action lawsuit has been instigated against several British Columbia credit unions in respect of alleged excess overdraft charges. The Credit Union has been named in this suit.

The Credit Union strongly disputes any wrongdoing in this matter, but the financial statements do include a provision against possible loss. Should this provision turn out to be overstated or understated, it will be adjusted in the year additional information becomes available.



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