



NORTHERN SAVINGS
CREDIT UNION

rock solid

2009 Annual Report



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Rock Solid. That's what we are.

Member-owned, community-run, and democratically governed, Northern Savings is proud to have been part of the credit union system for the last 70 years.

Firm, dependable, and determined. That's who we are.

Northern Savings is a leading credit union in B.C., in respect to our profitability and financial strength. Our net profit for 2009 is over \$9 Million; this means we are able to continually add to the list of products and services we provide.

Build, develop, and achieve. That's what we do.

Northern Savings has a long history of helping to build strong, resilient, and sustainable communities. Our financial soundness and commitment to our communities allows us to embark on new adventures, help those in need, and strengthen those who are already strong.

Rock Solid. That's what you are.

Without you, our board, our staff, our members, and our communities we would not have achieved the success we have today.

We are solid because you helped us get here. Thank you.





Richard Forssell,
Chair

MESSAGE FROM THE CHAIR AND CEO

2009 proved to be a successful year for your credit union with net earnings of \$ 9,193,861.00 and the achievement of a number of our business goals we set for the year. Our financial success has allowed the credit union to extend its retained earnings and solidify its capital position - a critical need for us to be able to maintain our operational stability into the future.

Less happily, our region's economy did not grow appreciably. The region's long-term economic woes continued to depress local markets, and traditional core industries such as forestry, fishing and mining remained fragile. Tourism for the year was affected, like everywhere else in B.C., by quite severe reductions in traffic as the worldwide economic recession continued to cut personal spending in almost every consumer area.

While our credit union's financial success is welcome, we recognize that many of our members and our neighbours are not sharing in that success, and our board of directors has been very focused on ensuring we are assisting our members to build as much financial security as is possible.

In 2009, your credit union continued its direct involvement in community development projects through its Community Reinvestment initiative. Northern Savings invests money, people and time into initiating and supporting a number of community-based programs aimed at building local economic, cultural, and social resilience.

Although in recent years Northern Savings has broadened its business activities to include areas of southern B.C. so as to provide greater economic stability, we nevertheless continue to recognize that the heart and soul of our credit union remains in the northwest region and the communities we have served for so many years.

In 2010, we will be celebrating the credit union's 70th anniversary. From very modest beginnings, our business has grown into a major force in the economy of B.C. We are the largest credit union in the North and continue to grow at a rate that is the envy of many other financial institutions. Our approach to business has been innovative to some degree, but overall we continue to practice the philosophy that was handed down by our founders. Our pathway to success is to never forget who we work for and to make our members the focus of everything we do.

In 2009, we once again achieved our goals and overcame some significant barriers in our economic surroundings. That achievement happened largely because we continued to receive the extremely dedicated support of our staff, our board of directors and, most of all, our members.

To all of those we offer our most heartfelt thanks and appreciation.



Michael J. Tarr,
CEO



WE MADE A BRIGHT MOVE

On September 18, 2009, Northern Savings and Paragon Insurance were pleased to celebrate the grand opening of the new building at 4660 Lazelle Avenue in Terrace with staff, the board of directors, members, and the community.

The grand opening was an exciting day and hundreds of people shared a barbeque lunch with us, toured the branch, and competed in our first ever cell phone text-off. If you haven't been by to see the amazing new architectural design, be sure to drop in soon!

Our new Northern Savings branch and Paragon Insurance office incorporates bright ideas like an energy-smart roof and a rainwater harvesting system; it's our greenest location yet.

Come in for all your financial needs including: Autoplan, home/tenants insurance, personal loans, mortgages, financial planning, commercial services, and all your day-to-day banking needs.



2009 ACCOMPLISHMENTS

With innovations, enhancements, and actions, 2009 was an exhilarating year at Northern Savings. Always aiming high, our 2009 accomplishments helped us reach our Rock Solid status!

100% Guarantee

2009 started with a bang for credit unions when the Provincial legislature passed amendments to the Financial Institutions Act, providing unlimited deposit insurance protection for all deposits at British Columbia's credit unions. Under the new legislation, B.C. Credit Union deposits are 100% guaranteed by the Credit Union Deposit Insurance Corporation of British Columbia.

Tax-Free Savings Accounts

In January of 2009, we introduced the Tax-Free Savings Account (TFSA). TFSAs help Canadians increase their savings by allowing them to save up to \$5,000 per year; with the tax advantage that any interest earned on the investment is tax-free.

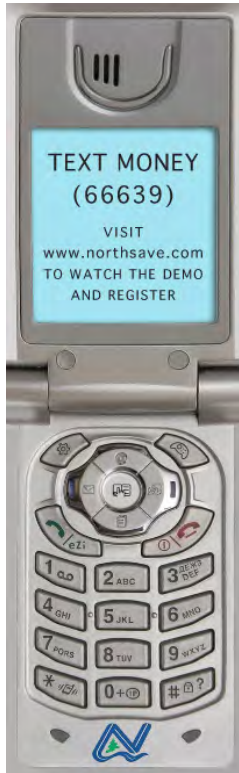
Mobile Banking

Mobile Banking, the ability to use your cell phone to get real-time access to account balances and activity, was made available to Northern Savings members on January 26, 2009. By simply texting commands to a secure number, this great new service allows members real-time access to their accounts wherever they happen to be.

Financial Literacy

Promoting financial literacy in our communities continues to be a goal for Northern Savings. In 2009, Northern Savings staff conducted several powerful workshops in our communities including presentations at high schools, community centres, parenting groups, and for small business owners.

Your Money Matters is an interactive online tool that has become a prominent fixture in our communities - available at 14 Northwest locations and online at www.northsave.com; Your Money Matters promotes budgeting and banking skills.

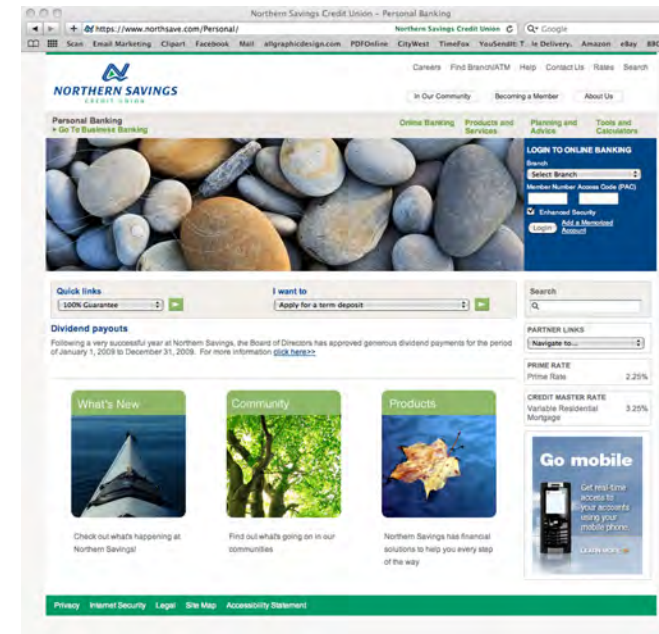


Updated Accounts, Tailored to Your Needs

Did you get the right fit? On June 1, 2009, Northern Savings introduced an updated account lineup and service fee schedule. The updated account lineup was implemented to streamline our offerings, so that all members at all branches have the same product options.

Award in Marketing

In June 2009, we received an Achievement in Marketing Award from the Marketing Association of Credit Unions (MACU) for our Safe and Sound Campaign. We were thrilled to receive this acknowledgement as our Marketing department worked with other staff, our local creative designer, and our local printers, to create the campaign.



Website Update

Our website, www.northsave.com, had a face-lift in 2009. Bringing the outdoors in was our inspiration for the new look of the site. The redesign provides easier navigation, a cleaner look, and a larger screen display to accommodate today's computer monitors.

Sustainable Living Fair

In October 2009, Haida Gwaii hosted the Sustainable Living Fair. The fair provided an opportunity to share ideas and engage in conversations about how to achieve "sustainability" in our economy and environment. Northern Savings Credit Union was well represented at the fair. Through our Community Reinvestment and Corporate Responsibility program, funding was provided and approximately 20 employees participated in the fair.



SPONSORSHIP RECIPIENTS

The Board of Directors of Northern Savings Credit Union thanks all applicants for their submissions.
 In 2009, we provided a total of \$80,000 in sponsorships to the following community organizations:

Masset

- Masset Drama Club
- Sharing and Caring
- GMD Outdoor Program
- QCI Regional Rec Commission
- Port Clements PAC Snack Program
- Books for Babies
- Family Center
- Haida Gwaii Healthy Communities
- Naanii and Jaadaas
- Haida Gwaii Community Peace
- Port Clements Tiny Tots
- QCI Regional Rec Commission
- Tahayghen Playground
- In Honour of Xaad Kil
- Haida Heritage
- Strong Start
- Success by 6®
- Masset/Port Clements Rangers
- Animal Helpline
- Junior Rangers
- Chief Matthews School

Prince Rupert

- Prince Rupert & District Hospice Society
- Halloween Fest
- Navy League - Cadets
- Island Triathlon
- Garden Records - Centennial CD compilation
- KAPS - Garden Steering Project
- Annunciation School - Community Basketball Court
- Jazz Productions
- Civic Pride
- Prince Rupert Amateur Swim Club
- Wildlife Shelter
- Dragon Boat Team
- Northcoast Performers (Celtic night)

Queen Charlotte

- Sk'aadgaa Naay Elementary
- Jaada Time
- Laskeek Bay
- Queen Charlotte Secondary
- Tlell Fall Fair
- School District #50
- Swan Bay Rediscovery Program

Terrace

- Northwest Science & Innovation
- Terrace and District Museum Society
- Volunteer Terrace
- R.E.M Lee Theatre Alive Society
- Kermode Friendship Society
- Terrace & District Multicultural Society



FINANCIALS

Grant Thornton LLP
Chartered Accountants
Management Consultants

**Auditors' Report on Summarized
Consolidated Financial Statements**

To the Members of Northern Savings Credit Union

The accompanying summarized consolidated balance sheet and summarized consolidated statements of earnings, comprehensive income, retained earnings and accumulated other comprehensive income and cash flows are derived from the complete financial statements of Northern Savings Credit Union as at December 31, 2009 and for the year then ended on which we expressed an opinion without reservation in our report dated February 9, 2010. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized consolidated financial statements.

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

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

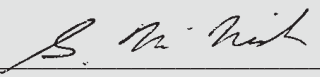
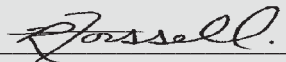
Vancouver, Canada
February 9, 2010

GRANT THORNTON LLP
Chartered Accountants

**Northern Savings Credit Union
Summarized Consolidated Balance Sheet**

December 31	2009	2008
Assets		
Cash resources	\$ 21,062,956	\$ 28,910,208
Loans	530,624,866	438,675,478
Receivables and intangibles	19,935,659	9,730,009
Investments and other	63,279,052	37,248,217
Premises and equipment	13,262,847	9,576,333
	<u>\$ 648,165,380</u>	<u>\$ 524,140,245</u>
Liabilities and retained earnings		
Deposits	\$ 580,007,619	\$ 486,933,135
Short term loan	20,000,000	-
Membership shares	3,975,065	3,799,852
Payables and accruals	10,856,220	9,191,908
Contributed surplus	950,936	950,936
Retained earnings	32,375,540	23,181,679
Accumulated other comprehensive income	-	82,735
	<u>\$ 648,165,380</u>	<u>\$ 524,140,245</u>

On behalf of the Board

 Director  Director

**Northern Savings Credit Union Summarized Consolidated Statement of Earnings,
Comprehensive Income, Retained Earnings and Accumulated Other Comprehensive Income**

Year Ended December 31	2009	2008
Financial income	\$ 26,404,433	\$ 27,534,933
Financial expense	17,339,741	15,557,955
Financial margin	<u>9,064,692</u>	<u>11,976,978</u>

Provision for credit losses	(950,000)	(800,000)
Other income	22,930,030	13,200,912
Operating margin	<u>31,044,722</u>	<u>24,377,890</u>
Operating expenses	20,086,281	19,239,687
Earnings from operations	10,958,441	5,138,203
Distributions to members	258,827	231,662
Earnings before income taxes	10,699,614	4,906,541
Income taxes	1,505,753	723,141
Net earnings	<u>\$ 9,193,861</u>	<u>\$ 4,183,400</u>
Net earnings	\$ 9,193,861	\$ 4,183,400
Other comprehensive loss, net of tax	(82,735)	(83,458)
Comprehensive income	<u>\$ 9,111,126</u>	<u>\$ 4,099,942</u>
Retained earnings, beginning of year	\$ 23,181,679	\$ 18,998,279
Net earnings	9,193,861	4,183,400
Retained earnings, end of year	<u>\$ 32,375,540</u>	<u>\$ 23,181,679</u>
Accumulated other comprehensive income, beginning of year	\$ 82,735	\$ 166,193
Net changes	(82,735)	(83,458)
Accumulated other comprehensive income, end of year	<u>\$ -</u>	<u>\$ 82,735</u>

Summarized Consolidated Statement of Cash Flows

Year Ended December 31	2009	2008
Cash flows provided by (used in)		
Operating activities	\$ (8,672,705)	\$ 3,445,200
Financing activities	238,583,255	140,964,796
Investing activities	(237,757,802)	(137,097,300)
Net (decrease) increase in cash resources	<u>(7,847,252)</u>	<u>7,312,696</u>
Cash resources, beginning of year	28,910,208	21,597,512
Cash resources, end of year	<u>\$ 21,062,956</u>	<u>\$ 28,910,208</u>

A complete set of financial statements is available from the credit union.

2009 BOARD OF DIRECTORS



Richard Forssell
(Prince Rupert)



Don Scott
(Prince Rupert)



Ken Rea
(Masset)



Nirmal Parmar
(Terrace)



Larry Hope
(Prince Rupert)



Gerry McNish
(Prince Rupert)



Flora D'Angelo
(Prince Rupert)



Frieda Dams
(Terrace)



Ed Lavoie
(Terrace)



Douglas-Mark Louis
(Queen Charlotte)

2009 SENIOR MANAGEMENT TEAM



Michael J. Tarr
*President and
Chief Executive Officer*



Brad Best
*Senior VP Support Services
and CEO CUTASC*



Sharon Stromdahl
*Senior VP
Member Services*



William Nicholls
*VP Finance and
Chief Financial Officer*



Robyn Flemming
*VP Mortgage &
Investment Group*



Ellen Little
VP Human Resources



Tony deViveiros
VP Risk Management



Janet Mirau
*VP Business Development
and Marketing*





70 YEARS STRONG

March 21, 2010 marked Northern Savings Credit Union's 70th anniversary. Northern Savings stays true to the same cooperative principles that were established back in 1940 - community-based, member-owned, and democratically governed.

With our modest beginnings as Prince Rupert Fishermen's credit union, Northern Savings quickly joined forces with other northern credit unions to become a strong, full service financial services provider. Braving recession and the unpredictable economy – we have always remained dedicated to our northwest communities.

Today, Northern Savings offers a full range of personal and commercial banking services as well as insurance, financial advising, and investment services through its online channels and its branch locations in Prince Rupert, Masset, the Village of Queen Charlotte, and Terrace. Additionally, Northern Savings owns and operates a wholesale mortgage centre, deposit agency, and insurance agency in southern BC, as well as an information technology company that provides services to other credit unions and small businesses throughout the province.

We honour the northwest region and our history through our commitment to our members, customers, employees, and the communities we serve.

Celebrate with us!

We will be holding festivities in October 2010 in conjunction with Credit Union week to celebrate our 70th anniversary.

Head Office

138 Third Avenue West
Prince Rupert, BC V8J 1K8
Phone: 250.627.3600

Masset Branch

1663 Main Street
Masset, BC V0T 1M0
Phone: 250.626.5231

Prince Rupert Branch

138 Third Avenue West
Prince Rupert, BC V8J 1K8
Phone: 250.627.7571

Queen Charlotte Branch

110 Causeway Street
Queen Charlotte, BC V0T 1S0
Phone: 250.559.4407

Terrace Branch

4660 Lazelle Avenue
Terrace, BC V8G 1S6
Phone: 250.638.7822

Northern Savings Deposit Agency Ltd.

318 6325 - 204th Street
Langley, BC V2Y 3B3
Phone: 604.514.3029

Northern Savings Financial Services Ltd.

Masset

1663 Main Street
Masset, BC V0T 1M0
Phone: 250.626.3199

Prince Rupert

138 Third Avenue West
Prince Rupert, BC V8J 1K8
Phone: 250.627.3612

Queen Charlotte

110 Causeway Street
Queen Charlotte, BC V0T 1S0
Phone: 250.559.4778

Terrace

4660 Lazelle Avenue
Terrace, BC V8G 1S6
Phone: 250.635.0515

CUTASC

(CU Technical and Administrative
Services Corporation)

138 3rd Avenue West
Prince Rupert, BC V8J 1K8

Northern Savings Insurance Agency Ltd.

138 3rd Avenue West
Prince Rupert, BC V8J 1K8
Phone: 250.627.1123

Paragon Insurance Agencies Ltd.

4660 Lazelle Avenue
Terrace, BC V8G 1S6
Phone: 250.635.6371

Cadboro Bay Insurance Agency Ltd.

2571 Cadboro Bay Road
Victoria, BC V8R 5J1
Phone: 250.477.1355

Mortgage and Investment Group Ltd.

Victoria


735 Market Street
Victoria, BC V8T 2W2
Phone: 250.383.9101

Kelowna

201 - 2141 Springfield Road
Kelowna, BC V1Y 7X1
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The heart of our core business
is strengthening and growing
our Northwest BC communities
and members, and our organization.



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