

10 FOR 10

annual report 2010



Kootenay Savings

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the year in numbers Our 2010 annual report celebrates a remarkable achievement for Kootenay Savings. We're 10 for 10.

This year we proudly rewarded our members with a 10% dividend for the 10th year in a row. A profit sharing first. And it's just one of many amazing numbers you are going to hear about in this report.

The numbers tell a story, but not the whole story. In the same way an account number isn't the sum total of any living, breathing member, these statistics represent much more than just numbers. They represent hardworking people. Core values. Generosity. Teamwork. Business excellence. Loyalty. Success.

A 10 for 10 by any measure.

We were honoured
as one of the

50

most engaged workplaces
in North America.

the year in review We all know there's strength in numbers. Numbers also provide strong evidence, and at Kootenay Savings the numbers for 2010 prove our value as a trusted financial partner in the communities we serve. From Warfield to Radium Hot Springs, close to 40,000 people, businesses and organizations count on us for the best in financial solutions. We now hold \$900 million in assets and manage more than \$1.8 billion in funds for our members. And the numbers keep growing every day.

The year 2010 was a perfect 10 in many ways. In addition to reaching that important \$900 million milestone, we declared a 10% dividend for the 10th year in a row. Achieving "10 for 10" allowed us to reward another \$4.1 million to our members, plus \$500,000 to the Kootenay Savings Community Foundation – a total of \$4.6 million in profit sharing for the year.

Kootenay Savings was also recognized as one of the 50 Most Engaged Workplaces in North America in 2010. We know the most successful companies are those who treat employees as their most valuable assets, and we are proud to be numbered among them. Engaged employees understand the big picture and how they fit into a company's vision. As we strive to meet our goal of being the best place to work in the communities we serve, it is especially gratifying to realize that over 40% of our staff have been working with us for 10 years or more. At a gala event in May, we honoured 34 incredible people who have spent the last 25 years, some even longer, serving our members. There's a wealth of experience behind the doors of your Kootenay Savings branch.

Members appreciate the connection they have with our front-line staff and the knowledge, professionalism and passion these individuals bring to the job. In our annual member surveys,

90% of respondents reported overall satisfaction with Kootenay Savings. In our Quality Loop mini surveys, members regularly commended us on providing exceptional service. The response rate to these new surveys has been phenomenal, with over 20% of members taking the time to give our staff honest and direct feedback on the jobs they are doing.

For the first time, we also surveyed our business members; Kootenay Savings Commercial Services scored an impressive 96% rating for member satisfaction. Over the next year, our plan is to pursue efficiencies and build on these relationships to increase our share of the commercial market.

Training and development are vital to professional growth. In 2010 we provided our staff with extensive training in several member service areas including enhancements to our banking system that make it faster and easier to open accounts. The implementation of this new software was overseen by our Technology Department. Other IT initiatives during the year included a major banking system upgrade and conversion to a new platform that will allow future enhancements to online banking.

Product development and implementation for 2010 included the launch of Mobile Web. This new digital tool gives members full access to the features of our website from their smartphones. Checking balances, paying bills, transferring money, you name it, it's all in the palm of your hand. We also brought the world to you with our new FX Notes service. Now, thanks to this improved system, foreign currencies of all kinds can be delivered within a week. In addition, our Facebook page joined the Kootenay Savings YouTube channel, Twitter account and blog as our newest social media delivery channel.

A large, stylized orange number '90' is positioned on the right side of the page. The '9' is a simple, rounded shape, and the '0' is a thick, hollow ring. The color is a vibrant orange-red.

percent of our
membership reports
overall satisfaction with
Kootenay Savings.

6

out of 10 Kootenay Savings members have been banking with us for 10 years or more.

In 2010 we were honoured with two awards for member communications and marketing. Our 2009 Movie Nights in the Park won an AIME (Achievement in Marketing Excellence) as an outstanding example of community outreach and our 2009 *Water Born* annual report brought home an AIM (Achievement in Marketing). In the fall, we scored another 10 with the “Put your money where your heart is” investment campaign. In keeping with our community focus, investors had a chance to win \$10,000 – \$5,000 for themselves and \$5,000 for their charity of choice.

Undertaking many administrative tasks formerly done in branch, Centralized Administration Services freed more time for branch staff to better serve members. Among the many projects this department tackled in 2010 was a review of all card accounts in preparation for the introduction of chip cards. The new chip MemberCards providing increased protection against fraud and identity theft will be mailed to members in mid 2011.

As a result of Kootenay Savings changing the life and disability insurance carrier on our entire loan portfolio, Centralized Lending had the huge task of transitioning members from the old to the new carrier. This was done seamlessly with no disruption to members. It was a busy year for our Finance Department as well, overseeing the conversion to International Financial Reporting Standards and working with our new external auditors, Meyers Norris Penny LLP.

Moving forward, our new Castlegar Crossroads branch will be opening this coming summer. A beautiful two-storey building built to Leadership in Energy and Environmental Design (LEED) specifications, it will house full retail and commercial banking services, a MoneyWorks location and law offices. We look forward to welcoming you to branch number 14 soon!

10

percent more funds were raised for community causes
by Kootenay Savings employees over the past year.

community report The power of community is the power of change. One small act multiplied a thousand times can create a movement. That's how credit unions started many years ago – and it's still how Kootenay Savings makes a difference today.

From the beginning, we have taken an active role in Kootenay life forging a real connection with the people and the communities we serve. As a financial partner, sponsor, business leader or fellow volunteer, we can be found at planning meetings, fundraising events and community celebrations right across the region virtually every day of the week.

Ten years ago, we established the Kootenay Savings Community Foundation to improve the lives of everyone who lives or works in these communities. Over the years, the foundation has awarded close to \$2.7 million in grants to countless groups, schools, students, projects, programs and non-profit organizations throughout the East and West Kootenays. In 2009 the foundation gifted \$1 million to establish nine permanent legacy funds in the region. This past November, more power was added to that gift with a further \$50,000 donation, money that could be distributed immediately in the form of grants. The foundations benefiting from these gifts were Columbia Valley Community Foundation, Community Fund of North Kootenay Lake, Kimberley & District Community Foundation, Nakusp & Area Community Foundation and the LeRoi Community Foundation of Greater Trail. In addition, funds were set aside within the foundation, specific to Castlegar, Salmo, South Slocan and New Denver, communities that currently do not have foundations in place.

In the summer of 2010, our Movie Nights in the Park were a return hit. A total of more than 2,700 people attended the showings in Trail, Kimberley and Nakusp. Not only did the audiences enjoy an entertaining evening under the stars, but also truckloads of much-needed food and cash donations were collected for local food banks.

Our ninth annual Kootenay Kids' Calendar contest attracted more entries than ever before – 1,733 kids from 27 local elementary schools participated and the quality of the artwork was outstanding. As a thank you for participating, every school received \$500 to help with enrichment activities and all the students published were presented with a poster-sized print of their artwork.

In two separate golf tournaments, we helped raise another \$42,000 for the Kootenay Boundary Regional Hospital Health Foundation and the East Kootenay Foundation for Health. A great day of golf and giving is a hole-in-one, and after a very successful three-year partnership, we're happy to say we've signed on as the title sponsor of both tournaments for another three years.

Working individually or together, our employees and directors are among the most enthusiastic volunteers you'll ever meet. Over the past year, they donated between 11,000 and 12,000 volunteer hours to more events and initiatives than we can name. Never hesitating to get involved and give back, all told they helped raise another \$68,000 for close to 20 different community causes. On Credit Union Day, the employees also presented a total of almost \$28,000 to 16 other community groups – funds raised through their innovative Care Wear program and matched by the foundation.

And that's not all. In addition to the multitude of fundraising events and initiatives we coordinated and volunteered for in 2010, Kootenay Savings spread over \$154,000 in financial sponsorships and in-kind donations amongst a host of worthy community recipients. We enjoy working with people and organizations whose values are in alignment with our own. Need help? You've got our number.

A large, stylized number '111' in a vibrant green color, positioned on the right side of the page. The first '1' is significantly larger than the other two, which are smaller and placed to its right.

thousand, two hundred and forty-four is the number of volunteer hours donated to the community by our employees in 2010.

Over the past 19
years, more than

61

million dollars has
been shared with our
members through our
profit sharing program.

corporate social responsibility report Our 2009 annual report introduced a new area of reporting: corporate social responsibility, also known as CSR. Although good corporate citizenship, ethical business practices, community involvement and accountability to our members have always been part of Kootenay Savings' business philosophy, times had changed. It was time to quantify our CSR efforts. Doing so has a number of benefits: (1) it allows us to be fully accountable to you; (2) it gives us real tools to measure our corporate social performance; and (3) it reveals new ways in which we can fulfill our CSR mission "to nurture vibrant communities, a healthy environment and strong, ethical businesses."

In 2010 we engaged our employees, members and communities to work with us in achieving this mission. Chief among our efforts were two major healthcare initiatives. Kootenay Savings was the signature sponsor of the heliport project at Kootenay Boundary Regional Hospital. Together our foundation and West Kootenay employees worked to raise \$100,000 to make the heliport project a reality this past September. At the same time, our employees in the East Kootenays raised close to \$22,000 for STARS (Shock Trauma Air Rescue Society) with the help of the foundation. Kootenay Savings members generously supported a myriad of fundraising events from bake sales to barbecues in all communities and we thank you for your support. To further feed these efforts, in the fall we launched our very own Kootenay Savings cookbook. A compilation of employees' best-loved recipes, *Cook it. Eat it. Love it.* raised over \$6,000 before the end of the year and is now in its third printing.

Looking ahead, in 2011 our CSR operations team will be building a strategic plan to carry us into the future. We welcome opportunities to work with people and organizations that are also taking steps to improve their social, environmental and ethical performance.

accountability reporting: key performance indicators

Indicator	2010
COMMUNITY INVESTMENT AND INVOLVEMENT	
Dollar amount contributed to charities and organizations by the employees through the Care Wear program	\$13,916.00
Dollar amount contributed by the Kootenay Savings Community Foundation	\$341,574.80
Dollar amount contributed by way of sponsorships in cash and in-kind	\$154,480.93
Direct economic value generated by employee compensation	\$17,959,018.00
Total employee volunteer hours <i>total value based on average wage (\$29.53)</i>	11,244 \$332,035.32
EMPLOYEE DEVELOPMENT	
Total workforce (<i>December 2010</i>)	270
Total employee training hours during the year	2,580.25
Average training hours per employee this year	9.557
Total number of external courses taken by employees this year	93
MEMBER RELATIONS	
Profit sharing	
• Dividend paid on deposit, loan and mortgage interest	10%
• Dividend paid on existing patronage and membership shares	2.25%
• Total profit sharing dividends paid to members	\$4.1 million
Practices related to customer satisfaction, including survey results	18% response rate 90% satisfaction rate
Percentage of employees trained in the organization's anti-corruption policies and procedures (including <i>Money Laundering and Privacy Act</i>)	100%
Total number of substantiated complaints regarding breaches of member privacy; monetary values of fines and/or sanctions for non-compliance	0
ENVIRONMENTAL SUSTAINABILITY	
<ul style="list-style-type: none"> • We're constructing our new Castlegar Crossroads branch to Leadership in Energy and Environmental Design (LEED) green building standards with the goal of certification. • We're now recycling mixed paper, cardboard, aluminum, plastic, glass and returnable beverage containers at every Kootenay Savings location. • We've converted to environmentally friendly cleaners, soaps and paper products in all Kootenay Savings washrooms and staff lunchrooms. • We've expanded electronic document management and are looking at further ways to reduce paper usage. 	

93

is the number of professional development courses our employees took outside of work hours in 2010.

corporate **reporting**

report from the board and management In 2006 we created a new vision for Kootenay Savings: to be the best provider of financial services and the best place to work in the communities we serve. As we look at the numbers for 2010, we can see the full measure of our success – not only in direct financial results, but also even more importantly, in employee and member satisfaction and commitment and participation in our communities.

Our focus on this vision was instrumental in Kootenay Savings reaching a significant financial milestone in 2010 – \$900 million in assets. In addition, with more than \$1.8 billion under management, our wealth management division continues to flourish as more and more members utilize the investment and planning expertise available through our branch investment specialists and our MoneyWorks financial planners.

As gratifying as these achievements are, even more satisfying is being able to share this financial success with our members and our communities. Since its inception in 1992, our member rewards profit sharing program has given back \$61.5 million directly to you, our members. This past year we were “10 for 10” paying a 10% profit sharing dividend for the 10th year in a row. We also donated a further \$500,000 to the Kootenay Savings Community Foundation to enrich the lives of everyone in our region.

Employee engagement is another key strategy contributing to Kootenay Savings’ growth and success. In 2010 we were recognized as one of the 50 Most Engaged Workplaces in North America. Sponsored by I Love Rewards, a leader in employee-recognition, these prestigious

A large, stylized graphic of the number 111 in a vibrant green color, positioned on the right side of the page.

of our total workforce of 270 employees have been working with us for 11 years or longer.

awards honour top employers who demonstrate innovative ways of engaging their workforce. At Kootenay Savings, we are proud to say our employees are committed, passionate and inspired by their work – and they inspire us by their example.

There is also a direct correlation between employee satisfaction and member satisfaction, and the 2010 numbers show that as well. In recent member surveys, overall satisfaction with Kootenay Savings was a strong 90%. Of particular note, our Invermere branch received a 98% satisfaction rating from their members. The same members reported a 97% rating for overall satisfaction with Kootenay Savings. What drives these numbers? We believe it is our service mission. By focusing on “improving each member’s financial life”, our staff are committed to identifying and understanding member needs and recommending solutions. In short, doing what’s right for the members – and our members appreciate it.

Since crystallizing the importance of community in our four-pillar strategy in 2006, we have progressed significantly in our efforts to give back to the community. The Kootenay Savings Community Foundation’s 2009 contribution of \$1 million to local community foundations and funds was fortified with an additional \$50,000 this past year. We also continued to advance our commitment to corporate social responsibility adopting many new internal initiatives to reduce our carbon footprint. We are very excited by the current construction of our second branch in Castlegar. It is being built to Leadership in Energy and Environmental Design (LEED) certification standards and will be a model of how we will do business in the future.

Our general insurance partnership with Nelson & District Credit Union and East Kootenay Community Credit Union continues to strengthen our ability to offer a full range of financial products and related services to people throughout the Kootenays. Our recent expansion into Invermere is proving that our members prefer to bring their insurance needs to us and we will look for opportunities to expand this line of business in the future.

At Kootenay Savings, we strive to deliver true value to our members, our employees and our communities in balance with maintaining a financially healthy organization that is among the strongest in the country. As we enter this new decade, we are positioned very well to succeed as the regional financial institution of the Kootenays.

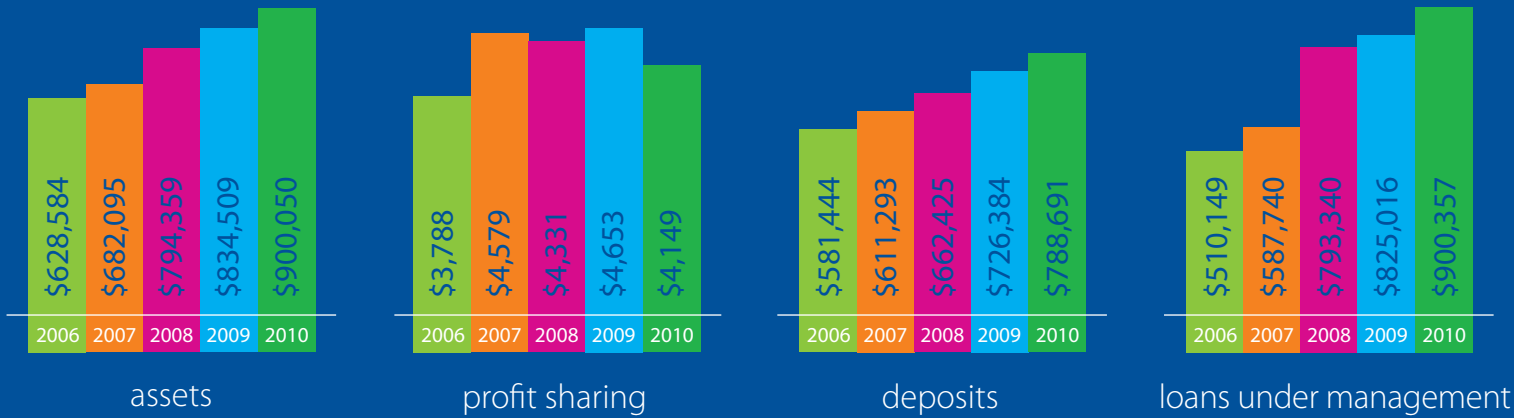


Brent Tremblay
President & CEO



Forrest Drinnan
Chair, Board of Directors

in thousands



Members	39,947
Assets	\$900 M
Total growth	7.9%
Growth of loans under management	9.1%
Deposit growth	8.6%
Loans approved	13,934
Profit sharing	\$4.1 M

43

percent growth in total assets over the past five years brought us to \$900 million in 2010.

the **numbers**

management's responsibility to members for financial reporting

To the Members of Kootenay Savings Credit Union:

Management is responsible for the preparation and presentation of the accompanying summarized consolidated financial statements, including responsibility for significant accounting judgments and estimates and ensuring that all information in the annual report is consistent with the complete consolidated financial statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the summarized consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management, internal auditors, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the summarized consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.



Brent Tremblay
President & CEO



Ron Johnston
VP: Finance & CFO

60

percent of our
membership uses
Kootenay@Home
online banking.

auditors' report

To the Members of Kootenay Savings Credit Union:

The accompanying summarized consolidated financial statements, which comprise the summarized balance sheet as at December 31, 2010, the summarized consolidated statements of income, comprehensive income, retained earnings and cash flows for the year then ended, are derived from the audited consolidated financial statements of Kootenay Savings Credit Union for the year ended December 31, 2010. We expressed an unmodified opinion on those consolidated financial statements in our report dated March 3, 2011.

The summarized consolidated financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Reading the summarized financial statements, therefore, is not a substitute for reading the audited financial statements of Kootenay Savings Credit Union.

Management's Responsibility for the Summarized Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements in accordance with Canadian Auditing Standards.

Auditors' Responsibility

Our responsibility is to express an opinion on the summarized consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summarized consolidated financial statements derived from the audited financial statements of Kootenay Savings Credit Union for the year ended December 31, 2010 are a fair summary of those financial statements, in accordance with Canadian Auditing Standards.

Meyer Norris Penny LLP

Chartered Accountants
Kelowna, BC
March 3, 2011

summarized consolidated balance sheet

As at December 31, 2010 (000's Canadian Dollars)

	2010	2009
Assets		
Cash and deposits	\$147,160	\$108,320
Loans, net of allowance for doubtful accounts	713,705	690,657
Other assets	22,023	17,021
Premises, equipment and intangible assets	17,162	18,212
Income tax receivable	–	299
	<u>\$900,050</u>	<u>\$834,509</u>
Liabilities & Members' Equity		
Deposits from members		
Demand	\$306,378	\$279,147
Term	325,827	300,801
Registered plans	131,053	122,580
Shares	25,433	23,856
	<u>788,691</u>	<u>726,384</u>
Borrowings	50,281	50,208
Other liabilities	14,055	12,786
Dividends payable	4,149	4,653
Income tax payable	221	–
Future income tax	499	446
Contributed surplus	5,193	5,193
Retained earnings	36,935	34,777
Accumulated other comprehensive income	26	62
	<u>\$900,050</u>	<u>\$834,509</u>

approved by the directors


Forrest Drinnan


Phyllis Stone

summarized consolidated statement of cash flows

For the Year Ended December 31, 2010 (000's Canadian Dollars)

	2010	2009
Cash flows provided by		
Operating activities	\$ (826)	\$ 3,911
Investing activities	(73,237)	(99,566)
Financing activities	115,424	134,462
	<u>41,361</u>	<u>38,807</u>
Increase in cash & interest-bearing deposits	41,361	38,807
Cash and interest-bearing deposits, beginning of year	105,799	66,992
Cash and interest-bearing deposits, end of year	<u>\$ 147,160</u>	<u>\$ 105,799</u>

summarized consolidated statement of comprehensive income and retained earnings

For the Year Ended December 31, 2010

(000's Canadian Dollars)

	2010	2009
Interest income	\$37,350	\$38,502
Interest expense	13,261	13,637
Net interest income	24,089	24,865
Securitized loan income	4,057	5,119
Other income	6,583	5,765
	34,729	35,749
Provision for (recovery of) loan losses	(552)	879
Net interest and other income, after provision	35,281	34,870
Operating expenses		
Salaries and benefits	18,540	17,358
Other	9,647	9,410
Contribution to Kootenay Savings Community Foundation	500	1,000
	28,687	27,768
Net income before distribution to members and taxes	6,594	7,102
Patronage and Dividends		
Patronage - 10% (2009 - 10%)	3,489	3,614
Dividends		
Membership shares - 2.25% (2009 - 4.25%)	19	37
Patronage shares - 2.25% (2009 - 4.25%)	545	970
	4,053	4,621
Net income before income taxes	2,541	2,481
Income taxes	383	425
Net income	2,158	2,056
Other comprehensive income (loss), net of tax	(36)	48
Comprehensive income	2,122	2,104
Retained earnings, beginning of year	34,777	32,721
Net income	2,158	2,056
Retained earnings, end of year	\$36,935	\$34,777

Readers are cautioned that these summarized financial statements do not include all the disclosures required for complete and fair presentation. Copies of the Kootenay Savings 2010 Annual Report, complete with full financial statements and auditors' report, are available at www.kscu.com or your local Kootenay Savings branch.

our **people**

270

talented and dedicated individuals, all of whom we wish we could show here, are employed by Kootenay Savings and MoneyWorks.

SENIOR MANAGEMENT TEAM



Brent Tremblay
President
& CEO



Ron Johnston
VP: Finance
& CFO



Jim Craig
VP: Operations
& COO



Dario Cescon
VP: Marketing



Sandi MacArthur
VP: Information
Technology &
Project Management



Larry Holm
VP: Human
Resources

BOARD OF DIRECTORS



Forrest Drinnan
Chair



Judy Aldridge
1st Vice-Chair



Phyllis Stone
2nd Vice-Chair



Helga Boker
Director



Walter Bottcher
Director



Mike Konkin
Director



Am Naqvi
Director



Bob Parkinson
Director



Keith Smyth
Director

A member-owned financial institution founded in **1969**, Kootenay Savings has **13** branches and **10** subsidiary locations in **16** towns throughout the East and West Kootenays, holding **900** million dollars in assets and managing another **1.8** billion dollars in funds for almost **40,000** members. We look forward to opening branch number **14** in South Castlegar this summer.

BRANCHES Castlegar • Fruitvale • Invermere • Kaslo • Kimberley • Nakusp • New Denver • Radium Hot Springs • Salmo • South Slovan • Trail • Waneta • Warfield

KOOTENAY INSURANCE SERVICES Cranbrook • Crawford Bay • Invermere • Nelson • Trail

MONEYWORKS Castlegar • Invermere • Kimberley • South Slovan • Trail

better. together.



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