



STRONGER TOGETHER

**2014
ANNUAL REPORT**



NORTHERN SAVINGS
CREDIT UNION



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CORE BUSINESS

STATEMENT AND VALUES

The heart of our core business is strengthening and growing our Northwest BC communities and members, and our organization.

VALUES

-  Providing exceptional service
-  Working together
-  Demonstrating honesty and integrity
-  Investing in renewal
-  Positively impacting the communities we serve

AS A CO-OPERATIVE, WE ARE GUIDED BY THE 7 CO-OPERATIVE PRINCIPLES

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Co-operation among Co-operatives
7. Concern for Community



MESSAGE FROM THE BOARD CHAIR

THIS YEAR'S Annual Report will look a little different, with an increased emphasis on governance and accountability. This new style of reporting provides a comprehensive review as to how the Credit Union is governed and managed; after all, it's your Credit Union.

Our top-notch service continues to be one of our greatest strengths and this was showcased in the results of our 2014 Community Survey. The survey results indicated that Northern Savings continues to be a leader in market share in our region and that we are the financial service provider of choice for local residents.

In 2014, our members voted overwhelmingly in favour of the Special Resolution to update our rules, which are now in place to guide and support ongoing governance of your Credit Union. With these newly crafted rules, and a full suite of governing policies in place, the Board continues to maintain diligence in our oversight of the Credit Union.

Credit Union oversight remains a top priority for your Board of Directors and we fulfill this through our unique skill sets and experience. Professional development is crucial in our roles. Through the Credit Union Director Achievement (CUDA) Program and various industry related education opportunities, we ensure that all of our Board Members remain compliant and up-to-date in areas such as: Corporate Social Responsibility, Role of the Audit Committee, Strategic Planning, Performance Management, and Risk Management. Maintaining Board skills and best practices are key to safeguarding the assets of Northern Savings Credit Union.

Our Corporate Social Responsibility policy allows us to contribute to, and partner with, a variety of organizations and initiatives that help to strengthen and grow our communities.

Board stewardship is focused on the many and varied regulatory and legislative changes which are impacting the financial services industry. We are continually adapting to the latest in industry standards.

Prince Rupert Director, Don Scott's service ended before the 2014 AGM where he was acknowledged for his 11 years of committed service on our Board. Ken Rea (Masset) will be retiring from the Board before our 2015 election, as he has completed the maximum number of allowable terms. At 15 years of dedicated service - we thank Ken immensely for all he has brought to the organization.

Crystal Lorette's (Prince Rupert) term will expire at the 2015 Annual General Meeting, after three years on our Board. Carol Fielding (Terrace), who was appointed for a one-year-term in April 2014, stepped down from our Board in late 2014. We would like to thank Crystal and Carol for their highly valued perspectives and contributions.

In 2015 we will be celebrating a grand milestone - serving our communities for 75 years! We look forward to celebrating and looking back at our rich history with our members, staff, and communities.

The Board is mindful of the trust that members put in our hands and we are grateful to the management and employees of Northern Savings Credit Union who unwaveringly deliver high quality service to our membership. We encourage our loyal membership to continue to share with us their suggestions and feedback so that we can continue to improve and grow. On behalf of the Board of Directors, thank you for your continued commitment; we look forward to expanding our engagement with you.

Nirmal Parmar
Board Chair

SENIOR MANAGEMENT TEAM



KEN DOLEMAN

President & Chief Executive Officer



BILL NICHOLLS

Senior VP, Chief Financial Officer

Finance & Accounting

Information Technology



ELLEN LITTLE

VP, Human Resources

Human Resources

Training & Development



TONY BRIGLIO

VP, Chief Risk Officer

Retail & Wholesale Lending

Risk Management

Commercial Lending



JANET MIRAU

Senior VP, Strategy & Governance

Strategic Projects & Policy

Marketing & Business Development



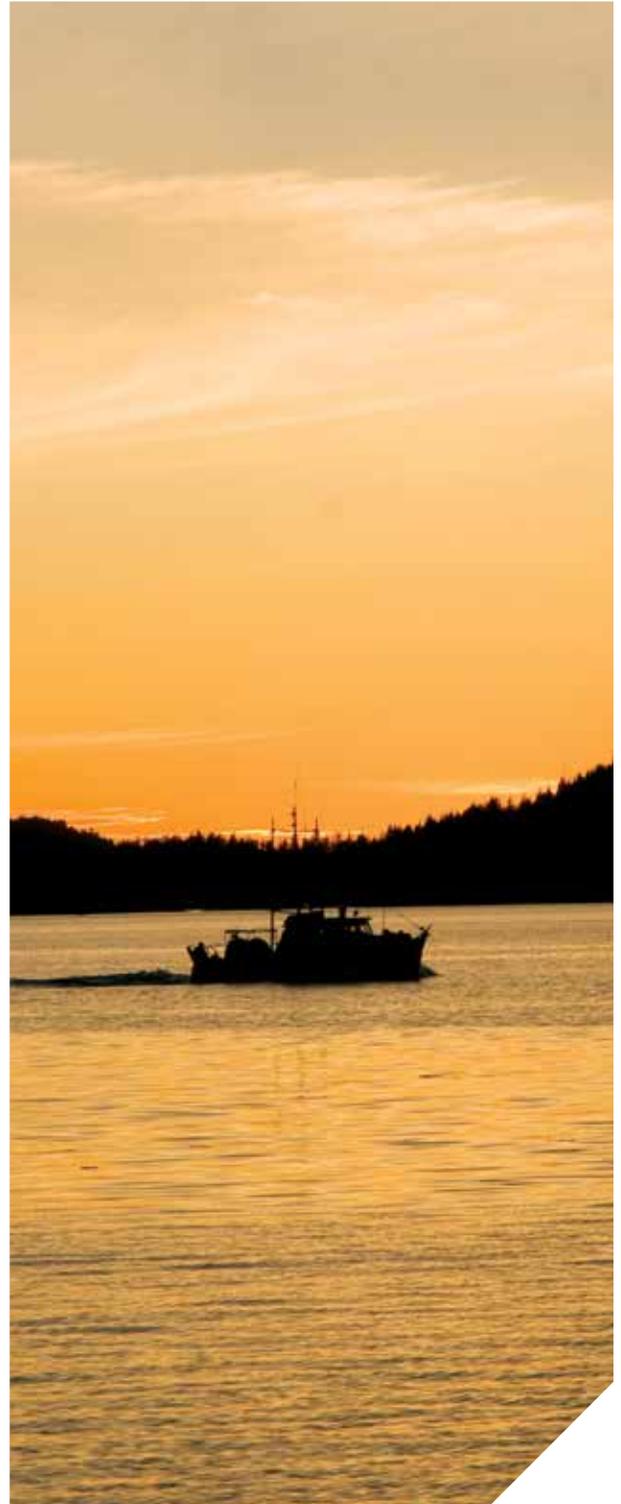
SHARON STROMDAHL

Senior VP, Chief Operations Officer

Branch Operations & Administration

Insurance & Wealth Management

MIG & Deposit Agency



MANAGEMENT REPORT

NORTHERN SAVINGS is a large and complex organization, with assets approaching 1 billion dollars, serving more than 17,000 members with almost 200 dedicated employees proudly serving Northwest BC.

Northern Savings offers a full range of personal and commercial banking services as well as insurance, wealth management, and investment services through our online channels and branch locations in Masset, Prince Rupert, Queen Charlotte, and Terrace. We also operate a wholesale mortgage and a deposit division in Southern BC. Additionally, Northern Savings owns an Information Technology (IT) company; CUTASC/Solutions Only which was established to provide high quality IT services to serve our banking system.

Embracing technology and staying relevant for our members deepens stakeholder engagement and enriches our member value proposition. In 2014, Northern Savings introduced Deposit Anywhere – a mobile enhancement allowing our members to deposit cheques with their mobile devices. Northern Savings' refreshed website provides a more intuitive, easy-to-use layout for our members. Northern Savings is committed to continuing to improve our processes and member service delivery through the application of technology. Improving our business through efficiencies, cost control, and execution remains a top priority for us.

The Northwest continues to be a region of focus and promise for the BC economy. The regional economic climate has improved, as indicated by real estate markets – residential and commercial – and local investment. While optimistic, Northern Savings must remain cautious and not overestimate the growth impact for the region on the short term but rather, adapt as demand warrants.

Overall, 2014 was a year of solid growth in Northern Savings' retail and wholesale business, with the insurance division being a strong net contributor to profitability. Increased interest rate compression, with historically low interest rates, made achieving financial margin targets challenging. Northern Savings'

portfolios did not translate to the net income as expected. This can be attributed to the continuing margin squeeze, together with technology costs of our IT company.

Management is directed by the Board to consider the following precepts when handling risk:

- be prudent within the norm of the Canadian Credit Union industry
- preserve the sound reputation of the Credit Union
- be aligned with the mission, vision, and values of the Credit Union
- provide for overall financial and operational health of the Credit Union

2014 Financial Performance

Total asset size sits at \$986 million for December year-end. During 2014, Northern Savings' asset size grew by \$82 million (9.1%). Capital adequacy sits at 14.1%, which exceeds the regulatory requirement of 8.0%.

Overall loan growth was strong during 2014 at \$80 million and is now \$843 million (12.9% growth). Due to the improving economy and persistent collection efforts, Northern Savings is now experiencing historically low loan delinquency levels.

Overall deposit growth also showed a strong performance during 2014 at \$68 million and is now \$860 million (8.5% growth). Northern Savings' cash liquidity ended the year at 15.2%, which exceeds the statutory requirement of 8.0%.

Despite the low earnings of \$998 thousand in 2014, Northern Savings is moving forward in anticipation of meeting strategic goals in a growing economic environment.

COMMUNITY INVOLVEMENT

IN 2014, Northern Savings committed \$125 thousand to make a positive difference in people's lives.

Northern Savings takes a targeted, philanthropic approach when it comes to community investment. Northern Savings chooses to support initiatives and causes that reinforce the Credit Union's values and contribute to community capacity. Through Northern Savings' Corporate Social Responsibility (CSR) Program, the aim is to provide donations, grants, and sponsorship to organizations, programs, or projects in the following areas:

COMMUNITY ECONOMIC DEVELOPMENT

Supporting economic development and renewal in communities that are facing fundamental shifts in their economic landscapes that are long-term challenges.

YOUTH AND EDUCATION

Helping young people achieve their potential through a variety of means including education, leadership, job training, volunteerism, and other approaches.

HEALTH AND HUMAN SERVICES

Supporting programs that focus on health promotion and the encouragement of healthy living.

ARTS AND CULTURE

Supporting programs that allow people to express themselves in an artistic form.

AMATEUR SPORT

Supporting programs that help children and adults engage in healthy sport.

ENVIRONMENTAL SUSTAINABILITY

Supporting programs which provide solutions to environmental concerns.

CO-OPERATIVE DEVELOPMENT

Supporting programs that build and promote the co-operative principles and model, including programs which foster co-operation among co-operatives.



Queen Charlotte Branch Manager, Carla Lutner (middle) presents donation to the Eagle Pole Project.

GOVERNANCE

NORTHERN SAVINGS' Board of Directors is committed to act responsibly, ethically, and with the highest standards of integrity to ensure that Northern Savings' initiatives and strategies are continually structured and delivered in a manner that allows Northern Savings to meet the needs of its members. To achieve this, sound corporate governance business practices and policies have been adopted by the Board and implemented throughout all levels of the organization.

The Board of Directors provides critical guidance and oversight by: determining strategic direction, setting policies, working with management to maximize the Credit Union's financial performance, ensuring compliance with regulatory and statutory requirements, and representing members' interests.

Northern Savings Board of Directors

As stated in Northern Savings Credit Union Rules, the number of directors for the Credit Union is ten. Directors are elected by the membership to hold office for a term of up to three (3) years.



1. NIRMAL PARMAR
BOARD CHAIR



6. CRYSTAL LORETTE



2. FLORA D'ANGELO
VICE-CHAIR



7. TRENT MORAES



3. SEAN CARLSON



8. ANNE PELTIER



4. SUSAN CROWLEY



9. KEN REA



5. LARRY HOPE

Director Attendance to Board and Committee Meetings

Northern Savings' Board of Directors works diligently throughout the year to oversee the operations of the Credit Union on behalf of the membership. Board members are required to attend ten monthly Board meetings, a budget meeting, strategic planning, and a minimum of four committee meetings. There are four committees within our Board of Directors:

1. Audit and Operational Risk Committee

The Audit and Operational Risk Committee's primary role is to set the context for an effective enterprise risk management (ERM) framework and gain assurance that management has implemented appropriate systems and practices aligned with an ERM framework. The Audit and Operational Risk Committee oversees the design and implementation of internal controls to support the risk management framework, the integrity of financial reporting, and compliance with regulatory matters.

2. Governance, Ethics, and Human Resources Policy Committee

The Governance, Ethics, and Human Resources Policy (GEHR) Committee assists the Board of Directors in providing for effective governance and to ensure that governance practices evolve with the needs of the Credit Union. The GEHR Committee also assists in protecting the reputation of Northern Savings by developing and monitoring policies. These policies provide for the desired ethical conduct by Directors and employees and prevent the exercise of undue influence by related parties. Lastly, the Committee is responsible for having governing policies in place and implemented by management to provide employees at Northern Savings with fair and meaningful employment in a safe and respectful workplace.

3. Member and Community Relations Committee

The Member and Community Relations (MEM) Committee has two primary roles. One role is to gain assurance that Northern Savings Credit Union develops and pursues objectives to maximize member engagement in the Credit Union, and fosters self-reliant sustainable communities. Additionally, the Committee determines that appropriate processes are in place to communicate effectively with members and other stakeholders. This Committee also serves as the Nominating Committee required by Northern Savings' rules. These responsibilities include facilitating the identification of qualified candidates for election to the Board of Directors. The second role is to provide for the proper conduct of the Director elections, including overseeing an orderly, open, transparent, and democratic Board election process. The intent of the election process is to encourage broad-based, informed, active, and effective member engagement and participation in the election process.

4. Credit and Market Risk Committee

The Credit and Market Risk Committee's role is to provide effective oversight of Northern Savings Credit Union's risk management activities related to investment risk, credit risk, liquidity risk, interest rate risk, foreign exchange risk, and capital management. This includes providing for the appropriate governing policies to be developed to provide the context for risks to be taken, the level of risks, and the monitoring of adherence to those policies. This Committee serves the requirement of the Investment and Loan Committee per the Financial Institutions Act.

GOVERNANCE (CONTINUED)

Director Attendance to Board and Committee Meetings

<i>Director Name and Tenure</i>	<i>Board Meeting Attendance</i>	<i>Audit and Operational Risk Committee</i>	<i>Governance, Ethics, and Human Resources Policy Committee</i>	<i>Member and Community Relations Committee</i>	<i>Credit and Market Risk Committee</i>	<i>Total Remuneration / Expenses</i>
Carlson, Sean (04/2014 - 04/2015)	10 / 10	3 / 3			1 / 1	\$4,577 / \$5,388
Crowley, Susan (2013 - 2016)	15 / 16		10 / 10	10 / 10		\$9,152 / \$4,033
D'Angelo, Flora (2007 - 2016)	15 / 16	6 / 8	10 / 10			\$10,207 / \$5,397
Hope, Larry (2005 - 2017)	14 / 16		3 / 3	5 / 8	4 / 4	\$7,892 / \$3,874
Lorette, Crystal (2012 - 2015)	11 / 16	5 / 5	5 / 5	2 / 2		\$6,227 / \$969
Moraes, Trent (2013 - 2016)	14 / 16			6 / 8	1 / 2	\$6,777 / \$8,610
Parmar, Nirmal (2006 - 2016)	16 / 16		9 / 10	7 / 8	4 / 4	\$14,243 / \$12,462
Peltier, Anne (2012 - 2015)	12 / 16	8 / 8		1 / 2		\$7,302 / \$4,426
Rea, Ken (2000 - 2015)	11 / 16	7 / 8			2 / 4	\$7,882 / \$6,540
<i>Resigned in 2014</i>						
Fielding, Carol (04/2014 - 08/2014)	5 / 5				0 / 1	\$2,669 / \$956
Scott, Don (2003 - 2014)	2 / 2		2 / 2			\$2,425 / \$20

The office of a Director expires at the close of the Annual General Meeting held in the year in which their term expires. A member elected as Director, takes office at the close of the first Annual General Meeting which is held after their election.

Board meetings reported above include all meetings held during the period of January 1 - December 31, 2014. Directors from Haida Gwaii and Terrace incur increased travel expenses.

Director Education

The Board believes in investing in ongoing Director development, as it is an important component of providing effective governance to Northern Savings. In addition to completing the Credit Union Director Achievement (CUDA) Program, Directors are to invest at least 35 hours in professional development on an annual basis.

All Directors participated and completed the minimum required CUDA training modules.

Director Compensation

The Board has established a Code of Conduct and Terms of Reference for Directors and expectation of performance for a Director, as well as for Directors assuming additional responsibilities as Board Chair, Vice Chair, and Committee Chair. Northern Savings' compensation for Board Members reflects the demands placed on the Directors in their accountability to an organization with the operations, complexity, and size of Northern Savings. Directors are compensated for the fulfillment of their duties, as well as attendance and full participation at Board, Committee, annual, and special member meetings. Compensation has been set for the position and not strictly on a per meeting fee.

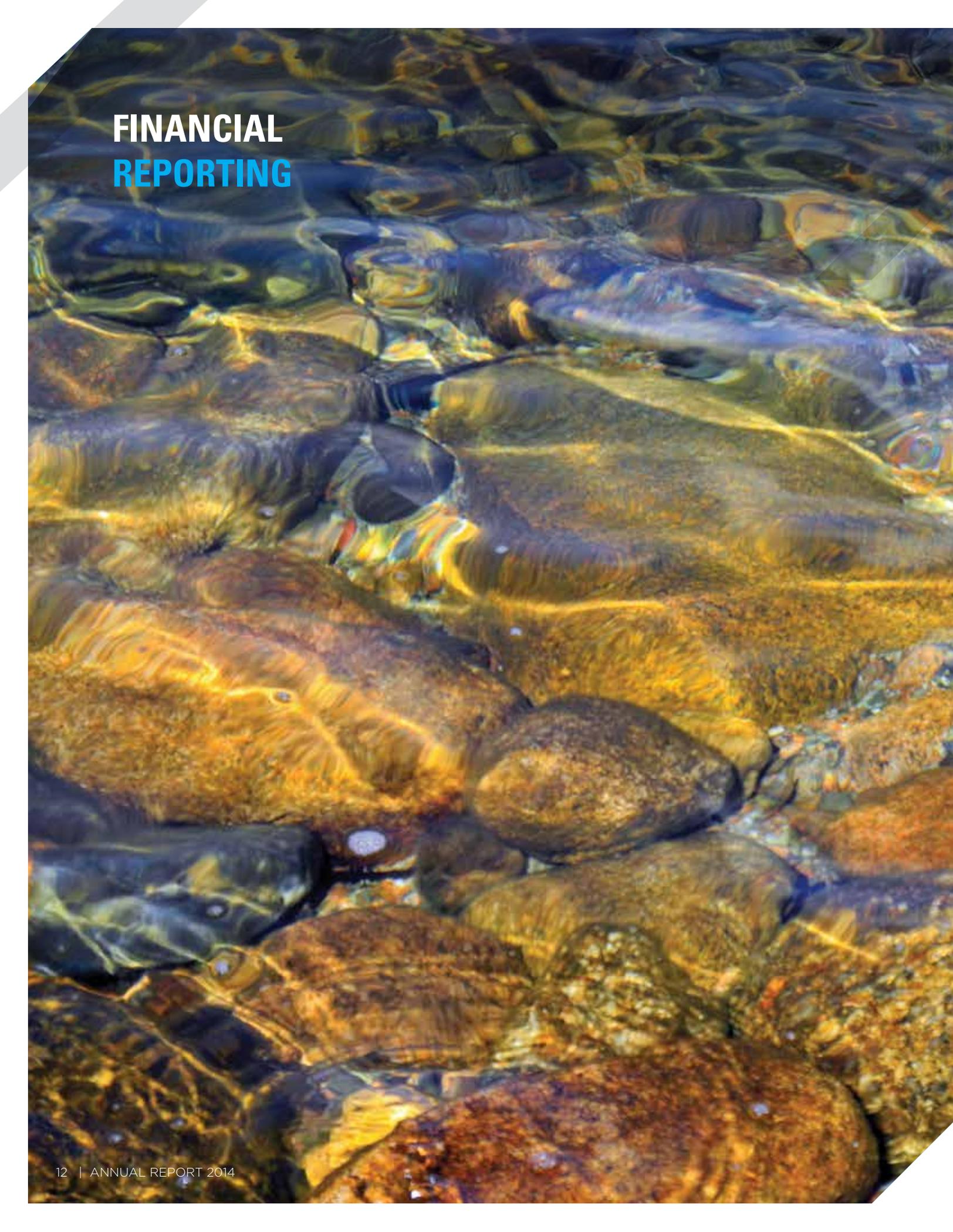
Northern Savings' Rules

Northern Savings Credit Union and its Board of Directors must follow the guidelines stated within Northern Savings Credit Union's Rules.

Northern Savings' Rules provide clear guidelines with regards to the following:

1. Membership
2. Deposits and shares
3. Borrowing and lending
4. Qualifications and election of Directors
5. Duties, powers, and proceedings of the Directors
6. Removal of Directors
7. Indemnification of Directors and Officers
8. General Meetings, resolutions, and general provisions

For more information on our rules, please visit www.northsave.com



FINANCIAL REPORTING

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

To the Members of Northern Savings Credit Union

The accompanying summarized consolidated financial statements of Northern Savings Credit Union, which comprise the summarized consolidated statement of financial position as at December 31, 2014, and the summarized consolidated statements of comprehensive income, changes in members' equity and cash flows for the year then ended are derived from the audited consolidated financial statements of Northern Savings Credit Union as at and for the year ended December 31, 2014.

We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 19, 2015.

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Northern Savings Credit Union.

Management's Responsibility for the Summarized Consolidated Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the basis described in Note 1.

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 (CAS) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summarized consolidated financial statements derived from the audited consolidated financial statements of Northern Savings Credit Union as at and for the year ended December 31, 2014 are a fair summary of those consolidated financial statements, in accordance with the basis described in Note 1.

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 single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

February 19, 2015
Vancouver, Canada

SUMMARIZED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31	2014	2013
Assets		
Cash and cash equivalents	\$ 40,779,910	\$ 42,847,364
Financial investments	82,062,897	78,698,902
Derivative instruments	130,404	333,830
Loans	842,913,742	763,253,411
Property and equipment	12,106,310	12,559,036
Intangible assets	3,685,699	3,071,735
Deferred income tax asset	461,811	305,750
Other assets	4,036,920	2,790,176
	\$ 986,177,693	\$ 903,860,204
Liabilities and members' equity		
Deposits	859,757,125	792,041,470
Payables and other liabilities	7,564,239	5,667,740
Secured borrowings	81,325,183	69,746,796
Contributed surplus	950,936	950,936
Accumulated other comprehensive income	128,897	-
Retained earnings	36,451,313	35,453,262
	\$ 986,177,693	\$ 903,860,204

Approved on behalf of the Board



Director



Director

SUMMARIZED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

December 31	2014	2013
Financial income	\$ 32,409,480	30,596,134
Financial expense	17,701,486	16,181,200
Financial margin	14,707,994	14,414,934
Provision for credit losses	(500,000)	(500,000)
Other income	11,215,679	11,874,947
Operating margin	25,423,673	25,789,881
Operating expenses	24,477,945	22,300,890
Hedge ineffectiveness on cash flow	(9,274)	-
Change in fair value of derivative instruments	(4,784)	22,445
Income from operations	959,786	3,466,546
Distributions to members	90,777	91,210
Income before income taxes	869,009	3,375,336
Income taxes	(129,042)	791,566
Net income for the year	998,051	2,583,770
Cash flow hedges	128,897	-
Total comprehensive income	1,126,948	2,583,770

SUMMARIZED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings
Balance on December 31, 2012	950,936	-	32,869,492
Net earnings	-	-	2,583,770
Balance on December 31, 2013	950,936	-	35,453,262
Cash flow hedges	-	128,897	-
Net income	-	-	998,051
Balance on December 31, 2014	950,936	128,897	36,451,313

SUMMARIZED CONSOLIDATED STATEMENT OF CASH FLOWS

December 31	2014	2013
Operating activities	2,408,538	2,227,736
Investing activities	(4,808,143)	26,132,711
Financing activities	332,151	(7,946,206)
Net increase (decrease) in cash resources	(2,067,454)	20,414,241
Cash resources, beginning of the year	42,847,364	22,433,123
Cash resources, end of the year	40,779,910	42,847,364

A complete set of financial statements is available from the Credit Union.

Note 1: Basis of preparation

The accompanying summarized consolidated financial statements have been prepared in accordance with Section 128 (4) of the Financial Institutions Act and are derived from the complete audited consolidated financial statements of Northern Savings Credit Union, prepared in accordance with International Financial Reporting Standards (IFRS), as at and for the year ended December 31, 2014. Readers are cautioned that these summarized consolidated financial statements do not include all the disclosures necessary for complete and fair presentation. Complete audited consolidated financial statements for the year ended December 31, 2014, together with the auditors' report thereon, were authorized for issue by the Credit Union's Board of Directors on February 19, 2015 and can be obtained at any of our branches.

LOCATIONS

HEAD OFFICE

138 3rd Avenue West
Prince Rupert, BC

Masset Branch

1663 Main Street
Masset, BC

Prince Rupert Branch

138 3rd Avenue West
Prince Rupert, BC

Queen Charlotte Branch

110 Causeway Street
Queen Charlotte, BC

Terrace Branch

4660 Lazelle Avenue
Terrace, BC

NORTHERN SAVINGS FINANCIAL SERVICES LTD.

Masset

1663 Main Street
Masset, BC

Prince Rupert

138 3rd Avenue West
Prince Rupert, BC

Queen Charlotte

110 Causeway Street
Queen Charlotte, BC

Terrace

4660 Lazelle Avenue
Terrace, BC

NORTHERN SAVINGS INSURANCE SERVICES LTD.

Masset

2001 Harrison Avenue
Masset, BC

Prince Rupert

138 3rd Avenue West
Prince Rupert, BC

Queen Charlotte

106 Causeway Street
Queen Charlotte, BC

Terrace

4660 Lazelle Avenue
Terrace, BC

NORTHERN SAVINGS DEPOSIT AGENCY

201 - 1433 King George Boulevard
Surrey, BC

NORTHERN SAVINGS MORTGAGE AND INVESTMENT GROUP

200 - 775 Topaz Avenue
Victoria, BC

SOLUTIONS ONLY FINANCIAL TECHNOLOGIES (SOFT)

(CU Technical and Administrative
Services Corporation)

201 - 560 Beatty Street
Vancouver, BC

www.northsave.com



NORTHERN SAVINGS
CREDIT UNION

