Our Foundation

In 2015, Northern Savings’ Board established new Mission and Vision statements; these newly crafted statements maintain the Credit Union’s focus on being a financial cooperative supporting the needs and interests of our membership.

Mission

Strengthening our members, organization and communities through cooperative financial services.

Vision

Neighbours helping neighbours to build sustainable communities.

Values

- Providing exceptional service
- Working together
- Demonstrating honesty and integrity
- Investing in renewal
- Positively impacting the communities we serve
Message from the Board of Directors

Dear Members,

Through this message, the Board of Directors wishes to describe the difficult year which the Credit Union experienced in 2015. The Board also wishes to summarize the actions taken to surmount these difficulties and to position Northern Savings Credit Union to celebrate its next 75 years of operations.

In early 2015, the Board determined that the weak financial results of the information technology subsidiary along with the operational risk profile of a technology company did not warrant maintaining ownership of the business. The Board decided to sell the business of the information technology subsidiary and, as announced on August 18, the assets were sold to CGI Canada. Through the sale, Northern Savings entered into a multi-year agreement with CGI to operate the Credit Union’s banking system. The loss of $1.8 million on the sale is reported in the results of the financial operations for the year ended December 31, 2015.

In 2004, the Credit Union embarked on a business line of broker sourced mortgages in the southern part of British Columbia. This business line was advantageous in its early years to source mortgages and to securitize them for funding and capital management purposes. However, over the years, the securitization business model changed and the cost of funding these mortgages became increasingly expensive. The Board decided in 2015 to focus resources on the Credit Union’s home communities and as a result the Board gave management the directive to substantially decrease the mortgage portfolio business operated out of Victoria. The full intent of the Board’s direction was not completely fulfilled by December 31, but a pool of mortgages was sold in 2015 to another credit union. Also at December 31, 2015, a provision was recognized for lease payments on office space used by the broker sourced mortgage operations and leasehold improvements in that office space were written off. In fiscal 2015, the net affect of the sale of the pool of mortgages and the provision for the costs of the space was a $1 million positive contribution to operations.

Over the years the number of personnel in the Credit Union’s corporate office increased in order to manage the technology company, the brokered mortgage operations, and the core operations. Given the Board’s desire to divest of the non-core and non-home market businesses, a restructuring of the corporate office was necessary. As a result, in October 2015, there was a reduction in the number of staff in the Prince Rupert location. The Board extends its thanks to our former staff for their valued service to the Credit Union over the years.

There were changes in the CEO position in 2015. The CEO position was held by three individuals, Mr. Ken Doleman, Ms. Sharon Stromdahl, and Mr. Barry Delaney. The Board thanks each of these individuals for their service in 2015. The Board is pleased to have appointed Mr. Geoff Grodecki as the new CEO and he will assume the CEO role on May 2, 2016. It is expected that Geoff will work closely with the Board as we regain a solid financial footing and a focus on becoming the preferred provider of financial services for our members and local communities.
The financial results of the Credit Union for 2015 and the prior year have been challenged. Some of this is due to the compressed interest rate market. The low interest rates are beneficial for our borrowing members but not for our depositor members, and in the middle is the Credit Union trying to cover the costs of providing the services to our members, the costs of which have not decreased with interest rates. Costs have increased in order to provide members with services in convenient forms including physical branches, technology applications, and over the phone. The increasing costs of operations along with the drain on resources caused by the non-core businesses have resulted in less than desirable financial results. Key metrics in the statement of financial results show net interest income of $13.5 million for 2015 compared to $14.7 million for 2014 and a loss for the year in 2015 of $2.5 million compared to a net income of approximately $1 million in 2014. The Regulator of credit unions expects certain metrics on financial margin, net income and return on assets to be achieved. Northern Savings did not achieve these metrics in 2015. Given the financial loss in 2015, the Board had to make the difficult decision that a dividend could not be declared for the members. The positive news is that the management team has developed a financial plan for 2016 which indicates the financial results in 2016 will improve considerably over 2015.

This has been a year of rightsizing, refocusing resources, and setting a new direction. The Board is determined that the Credit Union will move forward for the next 75 years. In order to focus the attention of the Board and our staff, the Board has set a new mission and vision and specific short term goals to be achieved by December 2016. The number of goals is few and specific but in aggregate will set the foundation for the future.

**Mission:**
Strengthening our members, organization and communities through cooperative financial services.

**Vision:**
Neighbours helping neighbours to build sustainable communities.

In moving forward towards this vision and satisfying these goals, the Board has identified that the actions of the Credit Union and its Directors and staff need to honour the following values and the seven cooperative principles:

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

**Goals:**
1. The Credit Union’s operations and finances are stabilized.
2. Known for premier customer service.
3. Employees are engaged and proud of the Credit Union.
4. Lender of choice in the North.
5. Earned confidence of the regulator.

**Cooperative 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 cooperatives
7. Concern for community
Achieving positive results on the five key goals individually and in aggregate will guarantee the long term future of Northern Savings Credit Union in service to our members.

The Board has a renewed confidence in our Credit Union. Refocusing the Credit Union to our core roots and our local communities will be our foundation for years to come.

The Directors have given their signatures below to demonstrate their commitment to a new stewardship over the Credit Union and protecting and increasing the value of the asset to the members.

In early 2015, two Directors stepped off the Board – Ken Rea and Crystal Lorette who were recognized in our annual report last year. There are three Directors who are stepping off the Board in 2016. Nirmal Parmar retires from the Board after 13 years of service, Larry Hope has given 11 years of service, and Trent Moraes has given three years of service. We thank each of these Directors for giving a considerable amount of time in fulfilling their directorship positions.

Flora D’Angelo, Chair, Board of Directors
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.

A separate report provides details on corporate governance at Northern Savings. We invite you to access the full report on the Northern Savings website at www.northsave.com.

The full report covers the governance framework, roles and responsibilities of the Board, Directors, Board Committees, background of current Directors, meeting attendance, Director education, Director compensation, independent oversight function, CEO compensation and senior management organization.
1940
Prince Rupert Fishermen’s Credit Union, New Masset Credit Union, Q.C.I. Central Credit Union, and Skidegate Inlet Credit Union formed

1945
Kaien Consumers Credit Union and Terrace & District Credit Union founded

1947
George Viereck is selected as General Manager of Prince Rupert Fishermen’s Credit Union

1948
Kaien Consumers Credit Union takes on management of the Co-op Centre

1958
The Co-op Centre opens in Prince Rupert

1960
Three Haida Gwaii credit unions merge with Kaien Consumers Credit Union

1964
Kaien Consumers Credit Union takes on management of the Co-op Centre

1968
Kaien Consumers Credit Union changes its name to Northern Savings Credit Union

1969
Kaien Consumers Credit Union and Prince Rupert Fishermen’s Credit Union award scholarships to high school students, build affordable housing, and donate funds to local charities and sports teams

1970
Branch opens in Terrace

1974
Northern Savings Mortage & Investment Group opens in Victoria

1977
Northern Savings Insurance Services integrates Northern Savings Insurance, Paragon Insurance, and Key West Insurance

1987
Michael J. Tarr is selected as President and CEO of Kaien Consumers Credit Union

1989
Prince Rupert Fishermen’s Credit Union merges with Kaien Consumers Credit Union

1990
Wealth management services offered through Northern Savings Financial Services

1994
Kaien Consumers Credit Union’s K&F Insurance Agency and Gillam Insurance Brokers amalgamate

1994
100% ownership of Key West Insurance on Haida Gwaii

1995
Kaien Consumers Credit Union changes its name to Northern Savings Credit Union

1996
Kaien Consumers Credit Union changes its name to Northern Savings Credit Union

1996
Branch opens in Terrace

1997
Northern Savings Mortgage & Investment Group opens in Victoria

1998
Northern Savings Insurance Services integrates Northern Savings Insurance, Paragon Insurance, and Key West Insurance

2002
2009
New building opens in Terrace

2007
New building opens in Queen Charlotte

2012
100% ownership of Key West Insurance on Haida Gwaii

2015
Northern Savings Insurance Services integrates Northern Savings Insurance, Paragon Insurance, and Key West Insurance
Celebrating Our Rich History

Northern Savings’ story begins on the North Coast in the early 1940’s – with a simple purpose, to operate a savings and loans operation, allowing fishermen to chart their financial future by investing in their own boats and resources. This worked well for a while, but as the need for lending increased, the many credit unions on the North Coast amalgamated, and by the mid 1980’s there was just one – Kaien Consumers Credit Union. In order to be more representative of the areas and communities it served, Kaien Consumers Credit Union changed its name to Northern Savings Credit Union in 1995.

Over the years, Northern Savings has expanded its services to offer our membership a full range of personal and commercial banking services as well as insurance and wealth management services.
Celebrating Our Rich History continued

Northern Savings commitment of investing extends beyond our local borders; we believe that international giving is a meaningful expression of the co-operative values we share with the global community. We deliver on this through our work with the Co-Operative Development Foundation of Canada and our partnership with the Canadian Co-Operative Association. These partnerships help to build a better world for not only us, but for the greater good.

With assets over $895 million, a staff of over 140 dedicated professionals, and banking, insurance, and wealth management services provided in Prince Rupert, Masset, Queen Charlotte, and Terrace, Northern Savings is true North strong.

A lot has changed in 75 years, but our values haven’t. We are proud of our rich history and are eager to move forward into the future with our staff, members and communities.

2015 was a time to celebrate our strong co-operative roots and to thank those that have believed in us and supported us throughout our 75 years. During our birthday week in March, our staff enjoyed paying it forward to our members and local organizations.

In honour of our birthday, armed with cash and other items our staff came up with inventive ways to pay it forward including: providing umbrellas to pedestrians on rainy days, bringing treats to local fire halls, hospitals, and seniors centres, handing out gift cards at local grocery stores and restaurants, giving much needed supplies to local animal shelters, donating swim tickets, providing diapers to local women’s shelters, and much more! In total, our staff paid it forward to more than 50 deserving organizations and people.

We had over 70 youth enter their design for Grizzwald’s 75th birthday hat. One design from each of our communities (Masset, Prince Rupert, Queen Charlotte, and Terrace) was chosen and Grizzwald wore the hats proudly at local events. Small paper replicas of each hat design were also given out at our birthday parties and throughout our communities. The winning designers received a gift from Northern Savings as well as $100 towards their Registered Education Savings Plan (RESP).
We endeavour to provide our members with up-to-date products and services. Adding the Mobile Banking App for Android to our suite of products was a must-have for 2015, and we were pleased to launch the App in early November. The App has proven popular amongst our members, with 316 downloads of the App by year-end. The App includes the Deposit Anywhere feature – which allows members to capture a cheque image using the device’s camera. The Android App compliments our current electronic offerings including: Online Banking, Apple iOS App, and Mobile Text Banking.
Positive Impact

Whether it is providing funding to support initiatives that work towards the betterment of our communities, sponsoring students through our INSPIRE bursary program, providing volunteer time to local organizations and groups, enhancing financial knowledge through financial literacy seminars, or supporting entrepreneurs through our Local Purchasing Initiative – at Northern Savings, we truly believe that by sharing our collective resources and expertise we can make a positive impact in the lives of people and in our communities.
2015 Corporate Social Responsibility

$100,000 Community Involvement Contributions

134 Number of Organizations Supported

25 Financial Literacy Seminars, Presentations & Workshops

3 Number of Entrepreneurs Supported through Local Purchasing Initiatives

2015 Community Involvement Contributions

<table>
<thead>
<tr>
<th>Category</th>
<th>% of Total Contributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Economic Development</td>
<td>15%</td>
</tr>
<tr>
<td>Youth and Education</td>
<td>22%</td>
</tr>
<tr>
<td>Health and Human Services</td>
<td>14%</td>
</tr>
<tr>
<td>Arts and Culture</td>
<td>13%</td>
</tr>
<tr>
<td>Amateur Sport</td>
<td>22%</td>
</tr>
<tr>
<td>Environmental Sustainability</td>
<td>1%</td>
</tr>
<tr>
<td>Co-operative Development</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
<tr>
<td>Totals</td>
<td>100%</td>
</tr>
</tbody>
</table>

2015 Local Purchasing Initiative Winner - Islandwise Essentials Handcrafted Salal Soap

Islandwise Essentials is run by two women with a passion for creating handcrafted soap and skincare products in the old fashioned way. Natalie Affolter and Kyla Mitchell are dedicated to creating wholesome products that use herbs and botanicals gathered close to their home on Haida Gwaii. “We take pride in reflecting the energy and natural beauty of the North Coast in our products.”

All Islandwise Essentials products are crafted in small batches using respectfully gathered local plants, in combination with a selection of healing oils and therapeutic quality essential oils. The result is safe, effective, ethical, and beautiful body care products. “We are honoured to have Northern Savings select one of our most loved soaps for the Local Purchasing Initiative.”

GIVE

For the past two years, on the fourth Saturday of each month, a team of volunteer staff and family members from our Prince Rupert location get together to cook breakfast for those in need of a hand-up and a warm breakfast. In 2015, Northern Savings staff and family members donated 336 hours and fed 738 people through the program.
My Mountain Co-op
Co-operatives Helping Co-operatives

Northern Savings relationship with My Recreational Mountain Co-op is a testament to the seventh co-operative principle: Co-operation among Co-operatives.

In 2011, My Recreational Mountain Co-op (MMC) was born. MMC is proud to be Canada’s first non-profit community service co-operative to own and operate a ski hill. An initial membership drive secured enough funds, members, and community support to purchase and run Shames Mountain, located just outside Terrace, B.C.

The innovative structure of the co-operative laid its foundation for success. For the past five years, MMC, keeping true to its mission statement, “membership is our strength” and being guided by its cornerstones of collaboration, affordability, sustainability and innovation, continues to keep the Shames Mountain ski area up and running and growing for all to enjoy.

Shames is blessed with one the deepest annual snow packs in North America; making it an incredible recreational playground for people across the Northwest as well as attracting powder seekers from around the world. Shames Mountain operates seasonally from mid-December until the beginning of April.

Co-operatives serve their members best and develop the co-operative movement by working together and Northern Savings has been a big supporter of MMC’s efforts. In its first year of operation, Northern Savings donated $7,500 to MMC and the following year purchased a chair as part of MMC’s Get a Grip campaign to replace the lift chairs.

For the past five years, Northern Savings has partnered with MMC to put on the Annual Shred Fest. MMC also uses the Northern Savings building in Terrace during co-operative week to help promote the co-operative and sell memberships.

In 2015, Northern Savings purchased a TV for the co-op which is up in the chalet – MMC plans to sell advertising on the display, providing an additional revenue stream.

To learn more about the Co-operative or Shames Mountain visit: www.ski-shames.ca
Nisga'a Society: Rupert Lawn & Garden

Rupert Lawn & Garden is operated by the Gitmaxmak'ay Nisga'a Economic Development Corporation, a wholly-owned subsidiary of the Gitmaxmak'ay Nisga'a Society (the "Nisga'a Society"). As a non-profit organization, the Nisga’a Society represents the interests of the more than 1,500 Nisga’a citizens living in Prince Rupert and Port Edward.

About a year ago, the society was looking at how they were going to take the society to the next step. They believed that having their own business that created quality local jobs would be the right path and Rupert Lawn & Garden was the natural fit.

Rupert Lawn & Garden provides lawn and garden care products as well as landscaping services to the residents of Prince Rupert and area. The society’s business is not about maximizing profits but about maximizing the opportunities for people and giving back to the community; therefore, Northern Savings was the right fit for their new business venture.

“I really feel that with the Credit Union, we are more than just money to them and I don't think we would have gotten into business without them. They took a chance on us and I am pleased to say that we are going into our second year.”

- Greg Grayson, CEO Gitmaxmak’ay Nisga’a Society

Success By 6

Since 2008, credit unions in BC have contributed 25 cents per member, per year!

Success By 6 BC is a partnership of United Ways, Credit Unions of BC, the BC Government through the Ministry of Children and Family Development (MCFD) and Aboriginal and community leaders.

Success by 6 is dedicated to ensuring that children aged 0 to 6 have access to resources and programs that support their healthy growth and development. Credit unions in BC together have raised over $3 million dollars to-date and Northern Savings alone has raised $30,000. That’s $3 million to help children in our province succeed for life!
Financial Reporting
Management Discussion and Analysis

Summary

2015 can be recognized as a year of significantly restructuring and refocusing Northern Savings towards a more northern and traditional credit union organization. Although the Credit Union is reporting a loss of $2.5 million in 2015, the difficult restructuring decisions were pertinent to the Credit Union’s future profitability and sustainability; going forward, we will see the benefits. The key restructuring decisions were to sell our technology subsidiary, exit our southern BC wholesale lending and deposit business and restructure the staffing of the Credit Union corporate office. Our plans to focus on our communities in the North are pointing us in the direction of our vision of “neighbours helping neighbours to build sustainable communities.”

Consolidated total assets of Northern Savings at December 31, 2015 were $895 million, which is a decrease of 9.2% from 2014. The reduction came primarily from the following factors:

- Cash & investments growth of $78 million,
- Loans reduction of $165 million and
- The sale of intangible assets.

At December 31 2015, loans accounted for 75.4% of total assets. Loan balances include both loan interest receivable and the allowance for impaired loans, the latter of which reduces the overall loan portfolio. Impaired loan totals increased minimally for 2015 while actual net write-offs remained unchanged from the previous year.

Deposit balances decreased in 2015, down $71.9 million; this was primarily due to the halt in growth of our Deposit Agency in the lower mainland. Retail branch deposits increased by 4.7%, while there was a decrease of 26.4% related to the Deposit Agency.

Financial Margin

Financial margin is the difference between interest and investment income earned on assets and interest expensed on deposits and other liabilities, including borrowings. In 2015 our financial margin was $13.5 million which was less than last year’s $14.7 million. The decrease was due to the following factors:

- Interest rates have remained at historically low levels resulting in interest rate compression where loan rates come down but deposit rates cannot go any lower, thereby reducing our interest rate spread.

- The cost of deposits through the Deposit Agency is higher than deposits through the Credit Union’s retail branches, which has an impact on financial margin if the funds are not utilized quickly towards funding loans.

Operating Income

Operating income (financial margin, other income) in 2015 totalled $28.2 million compared to $25.4 million in 2014.
Financial margin is expected to continue to be a challenge in the years ahead, given that interest rates are expected to remain low and competition for banking business remains strong particularly from the large national banks.

![Financial Margin Graph](image)

### Other Income

Other income is made up of loan fees, service charges, commissions related to insurance and mutual funds sales, foreign exchange, loan sales and other miscellaneous revenues that are not interest related.

The sale of 30% of our southern BC loans to another credit union in December resulted in a net profit of $2.6 million in 2015. This sale of loans was required to provide liquidity for the core operations and to refocus the Credit Union from business based in southern BC back to the local northern communities.

The insurance agency had strong earnings of $967 thousand ($758 thousand in 2014) and shows continual promise for the years to come. One of the primary reasons for the improved earnings would be the commission of $200 thousand that was received by the insurance agency office in Haida Gwaii for the insurance business written over the past few years.

Commercial loan fees contributed $480 thousand for the year ($660 thousand in 2014) through participation in loans with other credit unions, referred to as syndicated loans. The Credit Union deferred $200 thousand in 2015 commercial loan application fees (50%) to be recognized in 2016. This is to re-implement the process of matching the revenue to the average term of the commercial loans.

### Operating and Other Expenses

Operating expenses were $25.7 million and other expenses were $4.9 million for 2015 which are higher than 2014 due to a number of one-time restructuring expenses.

The Credit Union recognized a loss of $1.8 million in 2015 as a result of the sale of the information technology business to CGI - a world leader in the area of technology. The sale of the information technology business was aligned with the decision to refocus on the core business of a credit union and to exit a business which requires highly specialized skills and a large scale of operations. In addition to the sale, the Credit Union entered into a ten year technology servicing contract with CGI for managing our computing and data processing needs.

The Credit Union decided to wind down its broker sourced mortgages and agent deposit operations based in southern British Columbia. Since Northern Savings no longer requires office space in Victoria, a provision of $1.3 million was recognized for the remaining lease obligations and the leasehold improvements of $300 thousand were also written-off.

On October 21, 2015, the Credit Union announced that it was necessary to make changes to the organizational structure in place at the Credit Union’s corporate offices. Severance payments for impacted employees have been accrued at December 31, 2015.
Distributions to Members

Over the years the Credit Union has been able to share profits with members through the payment of dividends. For 2015, as the Credit Union reported a loss, the Board had to make the difficult decision to not declare a dividend.

Loans

Member loans, net of allowances and accrued interest, decreased by $165 million in 2015 due to a reduction of $180 million of southern BC loans and a growth of $15 million in northern BC loans. The northern personal lending portfolio had a solid year with an increase of 6.4% while the commercial lending portfolio remained at the same level as the 2014 year-end. As a proportion of our northern BC loans at year-end, commercial lending represented 33.9% of the loan portfolio.

Allowance for Impaired Loans

The allowance for doubtful accounts currently has a balance of $3.5 million. During 2015 our loan write-offs were low at $226 thousand with modest loan recoveries of $61 thousand. As a result of the performance of loans in 2015, the bad debt expense is set at $500,000 for 2015.

The overall delinquency rate for the Credit Union is currently 1.18% from last year’s experience of .65%. The increase is mostly due to the large reduction of the loan portfolio (delinquent loans divided by total loans) and we have seen an increase in delinquencies in our southern BC loans.

Deposits

Total retail branch deposits ended the year at $522 million from last year’s $498 million (up 5%).

During 2015 we discontinued the southern BC based Deposit Agency growth by reducing the interest rates and ended the year with a reduction of $93 million (26%) in the portfolio.
**Borrowings**

Borrowings at year-end included $8 million from Central 1 Credit Union which was repaid by mid-January 2016, as well as securitized borrowings of $57 million that will gradually reduce over the next few years as the securitized loans naturally pay-down. These securitized loans will fully payout during 2018.

**Members’ Equity and Capital**

Members’ equity was $35.0 million at the end of 2015. We are committed to a strong capital position, which builds long-term membership value and enables us to invest for the future. At year-end, our regulatory capital position was 15.1%. Our regulators, the Financial Institutions Commission of BC (FICOM), monitor our capital, which under current requirements for regulatory capital and supervisory capital must be maintained at a minimum of 8% and 10%, respectively, of risk-weighted assets. The Credit Union employs a Capital Management Plan and a Capital Contingency Policy that are reviewed by management and the Board of Directors. Apart from the strategic decision to exit the southern lending division, there has been no change in the overall capital requirements strategy employed during 2015.

**Risk Management**

As a financial institution, the Credit Union is exposed to a variety of risks. The Credit Union’s risk governance framework starts with the Board of Directors and its Committees, which provide overall strategic direction, oversight of risk management, and approved risk policies and establishes the risk tolerance levels. Senior management is responsible for implementing strategies and policies approved by the Board and for developing processes that identify measure, monitor and mitigate risks. In addition to risks identified in note 24 to the financial statements, the Credit Union is also exposed to strategic, operational and regulatory risks, for which planning, policies and procedures, controls and monitoring are in place. To support risk management, the Credit Union has internal and external audit functions, which are independent of management and report to the Audit & Operational Risk Committee. In addition, the Board of Directors has established a Risk Appetite framework and management has implemented an Enterprise Risk Management system to adequately monitor and manage emerging risks.

**2016 Outlook**

Northern Savings has implemented strategic changes in 2015 designed to bring stability to the earnings and capital position of the Credit Union. The situation of low earnings that persisted for years was again a challenge in 2015. A plan to get to a target profitability ratio of at least 30 basis points return on average assets (ROA) and at least 15% capital adequacy has been developed and forms the road map for the Credit Union in the years to come.

The 2016 business plan has used the strategic measures approved by the Board at the May 2015 planning session. The strategic goals are self-evident and have been discussed regularly by the Board and management. It is planned that there will be further reduction of the southern BC loan and deposit portfolios with an increased focus on the northern BC portfolios. Financial margin will remain as an ongoing focus in this challenging environment of low interest rates. Operating expenses will also continue to always be evaluated for cost effectiveness and contribution to the Credit Union.

The tactics presented in the business plan have been developed within the following context:

1. Northern Savings is a regional credit union providing viable, sustainable product lines to retail and commercial members;
2. The Credit Union’s size, in the long term, is anticipated to be approximately $500 million in assets; and
3. Northern Savings is focused on being a financial cooperative that provides excellent service to our members.

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, 2015, 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, 2015.

We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 17, 2016.

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 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, 2015 are a fair summary of those consolidated financial statements, in accordance with the basis described in Note 1.

March 17, 2016

Vancouver, Canada                  Chartered Professional Accountants
Summarized Consolidated Financial Statements

Summarized Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 78,930,488</td>
<td>$ 40,779,910</td>
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<tr>
<td>Investments</td>
<td>121,647,144</td>
<td>82,062,897</td>
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<tr>
<td>Derivative instruments</td>
<td>136,271</td>
<td>130,404</td>
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<tr>
<td>Loans</td>
<td>677,706,965</td>
<td>842,913,742</td>
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<tr>
<td>Property and equipment</td>
<td>11,392,755</td>
<td>12,106,310</td>
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<tr>
<td>Intangible assets</td>
<td>1,678,142</td>
<td>3,685,699</td>
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<tr>
<td>Deferred income tax asset</td>
<td>746,850</td>
<td>461,811</td>
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<tr>
<td>Other assets</td>
<td>3,588,042</td>
<td>4,036,920</td>
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<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 895,826,657</strong></td>
<td><strong>$ 986,177,693</strong></td>
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<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>$ 787,898,616</td>
<td>$ 859,757,125</td>
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<tr>
<td>Payables and other liabilities</td>
<td>7,568,492</td>
<td>7,564,239</td>
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<td>Secured and other borrowings</td>
<td>65,291,730</td>
<td>81,325,183</td>
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<tr>
<td>Contributed surplus</td>
<td>950,936</td>
<td>950,936</td>
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<tr>
<td>Accumulated other comprehensive income</td>
<td>171,694</td>
<td>126,897</td>
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<tr>
<td>Retained earnings</td>
<td>33,945,189</td>
<td>36,451,313</td>
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<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$ 895,826,657</strong></td>
<td><strong>$ 986,177,693</strong></td>
</tr>
</tbody>
</table>

Approved on behalf of the Board

[Signatures]

Flora D'Angelo
### Summarized Consolidated Statement of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>$30,656,152</td>
<td>$32,409,480</td>
</tr>
<tr>
<td>Interest expense</td>
<td>17,131,820</td>
<td>17,701,486</td>
</tr>
<tr>
<td>Financial margin</td>
<td>13,524,332</td>
<td>14,707,994</td>
</tr>
<tr>
<td>Provision for credit losses</td>
<td>(500,000)</td>
<td>(500,000)</td>
</tr>
<tr>
<td>Other income</td>
<td>15,134,515</td>
<td>11,215,679</td>
</tr>
<tr>
<td>Operating margin</td>
<td>28,158,847</td>
<td>25,423,673</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>30,602,360</td>
<td>24,477,945</td>
</tr>
<tr>
<td>Hedge ineffectiveness on cash flow</td>
<td>–</td>
<td>(9,274)</td>
</tr>
<tr>
<td>Change in fair value of derivative instruments</td>
<td>(30,684)</td>
<td>(4,784)</td>
</tr>
<tr>
<td>Income (loss) from operations</td>
<td>(2,412,829)</td>
<td>959,786</td>
</tr>
<tr>
<td>Distributions to members</td>
<td>–</td>
<td>90,777</td>
</tr>
<tr>
<td>Income (loss) before income taxes</td>
<td>(2,412,829)</td>
<td>869,009</td>
</tr>
<tr>
<td>Income taxes</td>
<td>93,295</td>
<td>(129,042)</td>
</tr>
<tr>
<td>Net income (loss) for the year</td>
<td>(2,506,124)</td>
<td>998,051</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>42,797</td>
<td>128,897</td>
</tr>
<tr>
<td>Total comprehensive income (loss)</td>
<td>$ (2,463,327)</td>
<td>$1,126,948</td>
</tr>
</tbody>
</table>
### Summarized Consolidated Statement of Changes in Members’ Equity

<table>
<thead>
<tr>
<th></th>
<th>Contributed Surplus</th>
<th>Accumulated Other Comprehensive Income</th>
<th>Retained Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance on December 31, 2013</td>
<td>950,936</td>
<td>–</td>
<td>35,453,262</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>–</td>
<td>128,897</td>
<td>–</td>
</tr>
<tr>
<td>Net earnings</td>
<td>–</td>
<td>–</td>
<td>998,051</td>
</tr>
<tr>
<td><strong>Balance on December 31, 2014</strong></td>
<td><strong>950,936</strong></td>
<td><strong>128,897</strong></td>
<td><strong>36,451,313</strong></td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>–</td>
<td>42,797</td>
<td>–</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>–</td>
<td>–</td>
<td>(2,506,124)</td>
</tr>
<tr>
<td><strong>Balance on December 31, 2015</strong></td>
<td><strong>950,936</strong></td>
<td><strong>171,694</strong></td>
<td><strong>33,945,189</strong></td>
</tr>
</tbody>
</table>

### Summarized Consolidated Statement of Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating activities</td>
<td>$ 92,573,797</td>
<td>$(8,837,698)</td>
</tr>
<tr>
<td>Investing activities</td>
<td>(38,389,766)</td>
<td>(4,808,143)</td>
</tr>
<tr>
<td>Financing activities</td>
<td>(16,033,453)</td>
<td>11,578,387</td>
</tr>
<tr>
<td>Net increase (decrease) in cash resources</td>
<td>38,150,578</td>
<td>(2,067,454)</td>
</tr>
<tr>
<td>Cash resources, beginning of year</td>
<td>40,779,910</td>
<td>42,847,364</td>
</tr>
<tr>
<td><strong>Cash resources, end of year</strong></td>
<td><strong>$ 78,930,488</strong></td>
<td><strong>$ 40,779,910</strong></td>
</tr>
</tbody>
</table>

### 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, 2015. 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, 2015, together with the auditors’ report thereon, were authorized for issue by the Credit Union’s Board of Directors on March 17, 2016 and can be obtained at any of our branches.
# LOCATIONS

## Corporate Office
138 3rd Avenue West  
Prince Rupert, BC  

## Personal and Commercial Banking, Wealth Management

<table>
<thead>
<tr>
<th>Branch</th>
<th>Address</th>
<th>City</th>
<th>Province</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masset Branch</td>
<td>1663 Main Street</td>
<td>Masset</td>
<td>BC</td>
</tr>
<tr>
<td>Prince Rupert Branch</td>
<td>138 3rd Avenue West</td>
<td>Prince Rupert</td>
<td>BC</td>
</tr>
<tr>
<td>Queen Charlotte Branch</td>
<td>110 Causeway Street</td>
<td>Queen Charlotte</td>
<td>BC</td>
</tr>
<tr>
<td>Terrace Branch</td>
<td>4660 Lazelle Avenue</td>
<td>Terrace</td>
<td>BC</td>
</tr>
</tbody>
</table>

## Insurance Services

<table>
<thead>
<tr>
<th>Branch</th>
<th>Address</th>
<th>City</th>
<th>Province</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masset</td>
<td>2001 Harrison Avenue</td>
<td>Masset</td>
<td>BC</td>
</tr>
<tr>
<td>Prince Rupert</td>
<td>138 3rd Avenue West</td>
<td>Prince Rupert</td>
<td>BC</td>
</tr>
<tr>
<td>Queen Charlotte</td>
<td>106 Causeway Street</td>
<td>Queen Charlotte</td>
<td>BC</td>
</tr>
<tr>
<td>Terrace</td>
<td>4660 Lazelle Avenue</td>
<td>Terrace</td>
<td>BC</td>
</tr>
</tbody>
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