

CHINOOK CREDIT UNION LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Chinook Credit Union Ltd.

The financial statements of Chinook Credit Union Ltd. and all other information contained in the annual report are prepared and presented by management, which is responsible for their accuracy, objectivity and completeness. This responsibility includes presenting the statements in accordance with Canadian generally accepted accounting principles. The preparation of the statements necessarily involves the use of estimates which are made with careful judgement.

Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors has the ultimate responsibility for these financial statements. The Board oversees management's responsibilities for financial reporting through an Audit Committee, which is composed entirely of directors who are not officers or employees of Chinook Credit Union Ltd. The Committee reviews the financial statements and recommends them to the Board for approval.

To carry out its duties, the Audit Committee reviews the annual financial statements, as well as issues related to them. The Audit Committee also assesses the effectiveness of internal controls over the accounting and financial reporting systems. The Audit Committee's review of financial reports includes an assessment of key management estimates and judgements material to the financial results.

The external auditor, appointed by the Board, conducted an audit of these financial statements in accordance with Canadian generally accepted auditing standards. The external auditor has full and unrestricted access to the Audit Committee to discuss their audit findings as to the integrity of Chinook Credit Union Ltd.'s financial reporting and adequacy of internal controls.

Kelly & Creaghan, Chartered Accountants has examined these financial statements and their report follows.

BROOKS, ALBERTA

TOM MOSSING
CHIEF EXECUTIVE OFFICER
December 17, 2009

AUDITORS' REPORT

To the Members of Chinook Credit Union Ltd.

We have audited the accompanying balance sheet of Chinook Credit Union Ltd. as at October 31, 2009 and the statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Credit Union as at October 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CALGARY, ALBERTA
December 17, 2009

KELLY & CREAGHAN
CHARTERED ACCOUNTANTS

CHINOOK CREDIT UNION LTD.
BALANCE SHEET
AS AT OCTOBER 31, 2009

2009

2008

ASSETS

Cash	\$ 12,449,931	\$ 4,880,505
Investments and accrued interest (Note 3)	71,233,182	88,950,474
Other assets (Note 4)	1,097,376	667,337
Loans to members (Note 5)	470,168,715	437,560,683
Property and equipment (Note 6)	8,750,146	9,055,695
	<u>\$ 563,699,350</u>	<u>\$ 541,114,694</u>

LIABILITIES

Accounts payable (Note 8, 19)	\$ 1,803,389	\$ 2,497,561
Deposit accounts (Note 7)	<u>520,675,763</u>	<u>503,567,679</u>
	<u>522,479,152</u>	<u>506,065,240</u>

Commitments and contingencies (Note 8)

CAPITAL AND RETAINED EARNINGS

Allocation distributable (Note 9)	682,559	1,621,740
Common shares (Note 10)	24,442,637	19,689,627
Contributed surplus (Note 18)	466,574	466,574
Retained earnings	15,628,428	13,403,513
Accumulated other comprehensive income (Note 2)	-	(132,000)
	<u>41,220,198</u>	<u>35,049,454</u>
	<u>\$ 563,699,350</u>	<u>\$ 541,114,694</u>

Approved on behalf of the Board:

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements

CHINOOK CREDIT UNION LTD.
STATEMENT OF INCOME
FOR THE YEAR ENDED OCTOBER 31, 2009

	2009	2008
Financial income		
Interest on members' loans	\$ 22,089,108	\$ 21,512,139
Interest on investments	<u>1,412,908</u>	<u>3,158,213</u>
	<u>23,502,016</u>	<u>24,670,352</u>
Financial expenses		
Interest on deposit accounts	10,495,284	11,786,631
Interest on financing and service charges	<u>3,973</u>	<u>18,032</u>
	<u>10,499,257</u>	<u>11,804,663</u>
Financial margin	13,002,759	12,865,689
Other income - service charges, rent and fees (Note 2)	<u>3,907,044</u>	<u>3,624,846</u>
Gross margin	<u>16,909,803</u>	<u>16,490,535</u>
Operating expenses - Schedule 1		
Personnel	7,435,266	7,410,283
Occupancy	675,534	690,521
Members security	937,799	851,853
Organization	288,771	228,773
General	<u>4,103,893</u>	<u>3,892,166</u>
	<u>13,441,263</u>	<u>13,073,596</u>
Income before patronage allocation and income taxes	3,468,540	3,416,939
Patronage allocation (Note 9)	<u>-</u>	<u>581,740</u>
Income before income taxes	3,468,540	2,835,199
Income taxes (Note 16)	<u>704,406</u>	<u>652,780</u>
Net income for the year	<u>\$ 2,764,134</u>	<u>\$ 2,182,419</u>

The accompanying notes are an integral part of these financial statements

CHINOOK CREDIT UNION LTD.
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED OCTOBER 31, 2009

	<u>2009</u>	<u>2008</u>
Retained earnings		
Retained earnings, beginning of year	\$ 13,403,513	\$ 12,039,094
Add:		
Net income for the year	<u>2,764,134</u>	<u>2,182,419</u>
Less:		
Dividends on common shares (net of income tax recovery of \$143,340 ; (2008 \$222,000) (Note 9)	<u>(539,219)</u>	<u>(818,000)</u>
Retained earnings, end of year	<u>\$ 15,628,428</u>	<u>\$ 13,403,513</u>

The accompanying notes are an integral part of these financial statements

**CHINOOK CREDIT UNION LTD.
STATEMENT OF COMPREHENSIVE INCOME &
ACCUMULATED OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED OCTOBER 31, 2009**

	2009	2008
Net Income	\$ 2,764,134	\$ 2,182,419
Other Comprehensive Income (net of tax)		
Net unrealized gains (losses) on available for sale financial instruments	132,000	(132,000)
Net unrealized gains (losses) on available for sale financial instruments realized during the year and reported in the statement of income	<u>-</u>	<u>-</u>
Comprehensive Income	<u>\$ 2,896,134</u>	<u>\$ 2,050,419</u>
Accumulated Other Comprehensive Income, beginning of year	(132,000)	-
Other Comprehensive Income	<u>132,000</u>	<u>(132,000)</u>
Accumulated Other Comprehensive Income, end of year	<u>\$ -</u>	<u>\$ (132,000)</u>

The accompanying notes are an integral part of these financial statements

**CHINOOK CREDIT UNION LTD.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2009**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES (CASH USED)		
Interest received	\$ 24,216,653	\$ 24,698,310
Other income received	3,875,676	3,553,945
Interest paid	(10,202,826)	(10,886,679)
Income taxes paid	(181,120)	(720,963)
Operating expenses paid	<u>(14,204,152)</u>	<u>(11,854,724)</u>
	<u>3,504,231</u>	<u>4,789,889</u>
CASH FLOWS FROM FINANCING ACTIVITIES (CASH USED)		
Common shares issued, net of redemptions	3,162,638	3,166,881
Net increase in deposits	<u>16,684,485</u>	<u>117,926,766</u>
	<u>19,847,123</u>	<u>121,093,647</u>
CASH FLOWS FROM INVESTING ACTIVITIES (CASH USED)		
Purchase of property and equipment, net of sale proceeds	(308,551)	(366,579)
Net increase in loans	(32,874,787)	(71,808,784)
Purchase of investments	<u>17,401,410</u>	<u>(53,575,985)</u>
	<u>(15,781,928)</u>	<u>(125,751,348)</u>
Increase in cash	7,569,426	132,188
Cash, beginning of year	<u>4,880,505</u>	<u>4,748,317</u>
Cash, end of year	<u>\$ 12,449,931</u>	<u>\$ 4,880,505</u>

The accompanying notes are an integral part of these financial statements

**CHINOOK CREDIT UNION LTD.
SCHEDULE OF OPERATING EXPENSES - SCHEDULE 1
FOR THE YEAR ENDED OCTOBER 31, 2009**

	2009	2008
Personnel expenses	<u>\$ 7,435,266</u>	<u>\$ 7,410,283</u>
Occupancy expenses		
Amortization	195,929	198,800
Property taxes	90,705	91,507
Rent	65,037	64,248
Repairs and maintenance	215,606	217,342
Utilities	<u>108,257</u>	<u>118,624</u>
	<u>675,534</u>	<u>690,521</u>
Members' security expenses		
Bonding	(5,247)	47,669
Deposit guarantee assessment	877,582	749,380
Insurance	<u>65,464</u>	<u>54,804</u>
	<u>937,799</u>	<u>851,853</u>
Organization expenses		
Annual meeting	10,931	11,777
Central dues	159,067	102,881
Directors' fees and mileage	40,641	35,155
Other directors' expenses	<u>78,132</u>	<u>78,960</u>
	<u>288,771</u>	<u>228,773</u>
General expenses		
Advertising	268,756	256,712
Amortization	418,171	363,252
Computer expenses	736,960	676,416
Courier and postage	131,308	110,195
Employee training seminars	86,891	69,432
Office	97,183	109,178
Other	142,301	129,294
Professional fees	222,958	167,289
Repairs and equipment lease	128,121	144,014
Service charges and clearing fees	1,032,547	938,437
Telephone	154,613	154,087
Travel and meetings	161,564	199,609
Wealth management expenses	<u>522,520</u>	<u>574,251</u>
	<u>4,103,893</u>	<u>3,892,166</u>
Total operating expenses	<u>\$13,441,263</u>	<u>\$13,073,596</u>

The accompanying notes are an integral part of these financial statements

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009

1. NATURE OF OPERATIONS

- a) The credit union is incorporated under the Credit Union Act of the Province of Alberta and operates branches in Brooks, Hussar, Strathmore, Drumheller, Bassano, Lomond and Hanna. The credit union serves members in the trading area of its branches.
- b) The Credit Union Deposit Guarantee Corporation (Corporation), a Provincial Corporation, guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. The Credit Union Act provides that the Province of Alberta (Province) will ensure that the Corporation carries out this obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared by Management in accordance with Canadian generally accepted accounting principles (GAAP).

The credit union follows Canadian accounting policies appropriate to its activities and governing legislation, which conform to Canadian generally accepted accounting principles. The significant accounting policies adopted by the credit union include:

a) Loans to Members

Member loans are recorded net of any unearned income and an allowance for loan impairment. Interest income from loans is recorded on an accrual basis.

A loan is classified as impaired when there is reasonable doubt as to the timely collection of some portion of principal or interest. A loan where payment of interest is contractually past due 90 days is classified as impaired unless there is no reasonable doubt as to the collectibility of all interest and principal. When a loan is classified as impaired, recognition of interest income in accordance with the original loan agreement ceases. Loans, or portions of loans considered uncollectible are written off.

b) Allowance for loan impairment

The credit union maintains an allowance for loan impairment in an amount considered adequate to absorb credit losses in its portfolio. The allowance is increased by a charge for loan impairment which is charged to income and reduced by write-offs. The allowance for loan impairment consists of the following:

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009

- i) A specific provision is established on an individual loan basis, to reduce the carrying book values to estimated realizable values. Estimated realizable values are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans. When the amounts and timing of future cash flows cannot be reliably established, estimated realizable values are determined by reference to market prices for the loans or their underlying security.
- ii) A collective or non specific provision is established when evidence of impairment within groups of loans exists but is not sufficient to allow identification of individual impaired loans. Impairment is estimated using a formula based on historical credit loss experience, known risks in the portfolio and current economic conditions and trends. As individual impaired loans are identified, a specific allowance is assigned to that loan and the collective allowance is adjusted accordingly.

c) Translation of foreign currencies

Foreign currency assets and liabilities are translated into Canadian dollars at rates prevailing at the date of the financial statements. Revenue and expenses are translated at the average exchange rate prevailing during the year. Realized and unrealized gains and losses on foreign currency are included in the Statement of Income. The Credit Union is subject to exchange rate risk as the value of the Canadian dollar exchange fluctuates in relation to the foreign currency.

d) Property and equipment

Land is recorded at cost. Other property and equipment are reported at cost less accumulated amortization. Amortization is recorded at the following annual rates:

Buildings	2.50%	straight line basis
Furniture & equipment	20.00% - 40.00%	straight line basis
Computer equipment/software	10.00% - 40.00%	straight line basis
Leaseholds improvements	10.00% - 20.00%	straight line basis
Vehicles	33.33%	straight line basis

The annual rates established are based on the estimated useful lives as determined by management.

Gains and losses on the disposal of property and equipment are recorded in the Statement of Income in the year of disposal.

e) Unauthorized overdrafts

At the end of each fiscal year, unauthorized overdrafts are reviewed and those considered to be uncollectible are written off.

f) Income taxes

The credit union follows the asset and liability method of accounting for income taxes. Under this method future tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the financial statement carrying value and their respective tax values. Future tax liabilities and assets are measured using enacted tax rates. The effect on future tax liabilities and assets of a change in tax rates is recognized in income in the period that the change occurs.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009

g) Derivative instruments

From time to time the credit union offers deposit products which the return on investment to members is contingent upon certain events such as the percentage change in certain equity linked indexes. The deposit liability is restated at year end to reflect any changes in amounts due to members as a result of changes to the index. Gains or losses are reflected in net income unless the credit union has hedged it's risk, whereby the gain or loss on the deposit product is offset to the gain or loss on hedging contract resulting in no change to current income or financial position. In the current year, no gains or losses were recognized as all derivative deposit products were hedged.

h) Other income - service charges, rent and fees

Other income is recorded as earned and collection is reasonably assured. Other income consists of the following:

	2009	2008
Service charges, commissions, fees	\$ 1,940,376	\$ 1,939,233
Prepayment loan fees	598,257	126,166
Wealth management revenue	619,164	672,071
Insurance commissions	242,764	135,915
Gain on sale of assets	70	1,760
Other	<u>506,413</u>	<u>749,701</u>
	<u>\$ 3,907,044</u>	<u>\$ 3,624,846</u>

i) Comprehensive income

Comprehensive income includes net income and other comprehensive income (OCI).

OCI is comprised of unrealized fair value gains and losses from available for sale financial instruments.

Accumulated OCI (AOCI) includes unrealized fair value gains and losses arising from available for sale financial instruments. When the underlying securities are subsequently sold or written down, the resulting realized gain or loss is released from AOCI into income in the statement of income.

j) Financial instruments

Effective November 1, 2006, the credit union adopted the following Canadian Institute of Chartered Accountants (CICA) accounting recommendations for the recognition, presentation and disclosure of financial instruments:

- CICA Handbook Section 3855 "Financial Instruments - Recognition and Measurement"
- CICA Handbook Section 3862 "Financial Instruments - Disclosures"
- CICA Handbook Section 3863 "Financial Instruments - Presentation"
- CICA Handbook Section 1530 "Comprehensive Income"
- CICA Handbook Section 3251 "Equity"

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009

Under these standards, on acquisition, all financial assets must be classified as held-to-maturity, loans and receivables, held-for-trading or available-for-sale and at inception. All financial liabilities must be classified as held-for-trading or other. The credit union has classified cash and cash equivalents as held for trading; loans and account receivable have been classified as loans and receivables; accounts payable and member deposits have been classified as other liabilities. Investments have been classified as indicated below.

Investments in securities that are classified as held-to-maturity or as loans and receivables are valued at cost or amortized cost, adjusted to recognize other than a temporary impairment in the underlying value.

Investments in securities that are classified as available-for-sale are initially recognized at acquisition cost and subsequently re-measured at fair value at each reporting date. Chinook Credit Union Ltd. utilizes the trade-date accounting (date when transactions are entered into rather than when they are settled) for all purchases and sales of financial assets in its investment portfolio. The fair value of publicly traded securities is based on their quoted market prices. All other securities' fair value is determined by discounting the expected future cash flows at current market rates.

Investments in securities that are classified as held for trading are recorded at fair value.

Chinook Credit Union Ltd. recognizes interest income as earned, and investment gains and losses when realized. Unrealized gains and losses on available-for-sale securities are recorded in other comprehensive income and recognized in income when realized. For investments held for trading, realized and unrealized gains and losses are recorded in income.

k) New accounting pronouncements

Convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises. These include listed companies and other profit-oriented enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Credit Union is currently evaluating the impact of adopting IFRS.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009

3. INVESTMENTS AND ACCRUED INTEREST

	2009			2008
	Within 1 year	Maturities Over 1 to 5 years	Total Book Value	Total Book Value
HELD TO MATURITY				
Term deposits	\$ 55,109,169	\$ 6,143,859	\$ 61,253,028	\$ 80,592,277
Mortgage pools				
- principal	-	4,113,871	4,113,871	1,842,727
Accrued interest	<u>86,459</u>	<u>218,114</u>	<u>304,573</u>	<u>690,110</u>
Subtotal	55,195,628	10,475,844	65,671,472	83,125,114
AVAILABLE FOR SALE				
Credit Union Central				
Alberta Limited Shares(1a)	-	5,450,000	5,450,000	5,200,000
Asset Backed Commercial Paper	-	-	-	424,548
Others	-	16,676	16,676	26,757
Accrued Interest	<u>-</u>	<u>111,710</u>	<u>111,710</u>	<u>174,055</u>
Subtotal	<u>-</u>	<u>5,561,710</u>	<u>5,578,386</u>	<u>5,825,360</u>
Total	<u>\$ 55,195,628</u>	<u>\$ 16,037,554</u>	<u>\$ 71,233,182</u>	<u>\$ 88,950,474</u>
Effective Book Yield(1b)	<u>0.73%</u>	<u>3.09%</u>	<u>1.23%</u>	<u>2.97%</u>
1(a) These securities have no specific maturity.				
1(b) The effective book yield does not include accrued interest.				

As required by the Credit Union Act, the credit union holds investments in Central to maintain its liquidity level.

4. OTHER ASSETS

	2009	2008
Accounts receivable	\$ 684,409	\$ 88,192
Income taxes receivable	-	83,030
Prepaid expenses and other	412,967	368,115
Future income tax asset (Note 16)	<u>-</u>	<u>128,000</u>
	<u>\$ 1,097,376</u>	<u>\$ 667,337</u>

Prepaid expenses and other, includes the fair value of derivative instruments, (held for trading assets), as discussed in note 2(G). The fair values of the derivative instruments as at October 31, 2009 were \$278,530 (2008 - \$151,362). Deposit products pursuant to this derivative instrument is interest due to members on RRSP's and classified as held for trading liabilities in the same amounts.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009

5. LOANS TO MEMBERS

	2009			2008		
	Recorded Loan	Allowance	Net Carrying Value	Recorded Loan	Allowance	Net Carrying Value
Consumer Loans	\$ 40,398,597	\$ (612,820)	\$ 39,785,777	\$ 37,869,413	\$ (628,864)	\$ 37,240,549
Residential Mortgages	215,497,349	(175,092)	215,322,257	202,583,862	(179,675)	202,404,187
Commercial Loans	44,519,638	(425,275)	44,094,363	35,196,361	(539,026)	34,657,335
Commercial Mortgages	115,578,236	(100,000)	115,478,236	111,496,912	-	111,496,912
Agricultural Loans	44,530,429	(437,729)	44,092,700	41,929,091	(449,189)	41,479,902
Agricultural Mortgages	9,596,578	-	9,596,578	8,216,239	-	8,216,239
	<u>470,120,827</u>	<u>(1,750,916)</u>	<u>468,369,911</u>	<u>437,291,878</u>	<u>(1,796,754)</u>	<u>435,495,124</u>
Accrued Interest	<u>1,838,242</u>	<u>(39,438)</u>	<u>1,798,804</u>	<u>2,069,796</u>	<u>(4,237)</u>	<u>2,065,559</u>
	<u>\$ 471,959,069</u>	<u>\$ (1,790,354)</u>	<u>\$ 470,168,715</u>	<u>\$ 439,361,674</u>	<u>\$ (1,800,991)</u>	<u>\$ 437,560,683</u>

Credit risk is the risk of loss due to borrowers failing to meet their financial obligations. Credit risk arises from both on and off balance sheet transactions. The credit union's credit risk is significantly influenced by movements in the Alberta economy which in recent years has shown strong growth and occasional sharp declines. The loan portfolio is managed to ensure diversification. Further, policies and procedures are established to promote sound lending practices and ensure prompt attention to problem loans.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009

The allowance consists of:

	2009			2008		
	Specific Allowance	Non-specific Allowance	Total	Specific Allowance	Non-specific Allowance	Total
Consumer Loans	\$ 230,000	\$ 382,820	\$ 612,820	\$ 92,400	\$ 536,464	\$ 628,864
Residential Mortgages	-	175,092	175,092	-	179,675	179,675
Commercial Loans	704,600	675	705,275	53,100	385,926	439,026
Commercial Mortgages	-	-	-	100,000	-	100,000
Agricultural Loans	15,100	242,629	257,729	67,600	381,589	449,189
Agricultural Mortgages	-	-	-	-	-	-
Total	<u>\$ 949,700</u>	<u>\$ 801,216</u>	<u>\$ 1,750,916</u>	<u>\$ 313,100</u>	<u>\$ 1,483,654</u>	<u>\$ 1,796,754</u>

Impaired Loans (included in the preceding schedule) consists of the following:

	2009			2008	
	Recorded Loan	Specific Allowance	Net Carrying Value	Net Carrying Value	
Consumer Loans	\$ 262,825	\$ (230,000)	\$ 32,825	\$ 24,765	
Residential Mortgages	-	-	-	-	
Commercial Loans	1,192,514	(704,600)	487,914	(222)	
Commercial Mortgages	-	-	-	3,200,607	
Agricultural Loans	15,100	(15,100)	-	(81)	
Agricultural Mortgages	-	-	-	-	
Total	<u>\$ 1,470,439</u>	<u>\$ (949,700)</u>	<u>\$ 520,739</u>	<u>\$ 3,225,069</u>	

Loans to members mature as follows:

	Up to	13 to	25 to	37 to	49+	Total	Weighted Average Yield
	12 mos	24 mos	36 mos	48 mos	mos		
Consumer Loans	\$ 18,432,092	\$ 4,821,202	\$ 3,700,824	\$ 2,870,761	\$ 10,573,718	\$ 40,398,597	4.05%
Res Mortgages	40,465,058	32,185,930	35,732,863	34,726,769	72,386,729	215,497,349	4.61%
Commercial Loans	20,595,504	4,703,138	2,603,342	6,228,826	10,388,828	44,519,638	3.59%
Commercial Mortgages	16,327,653	27,923,941	33,526,474	26,642,241	11,157,927	115,578,236	5.25%
Agricultural Loans	20,426,376	7,068,098	3,889,399	2,619,856	10,526,700	44,530,429	4.40%
Agricultural Mortgages	3,436,455	1,856,767	686,858	1,437,515	2,178,983	9,596,578	5.30%
Totals	<u>\$ 119,683,138</u>	<u>\$ 78,559,076</u>	<u>\$ 80,139,760</u>	<u>\$ 74,525,968</u>	<u>\$ 117,212,885</u>	<u>\$ 470,120,827</u>	<u>4.62%</u>
Effective book yield	<u>4.17%</u>	<u>5.10%</u>	<u>5.42%</u>	<u>5.30%</u>	<u>3.81%</u>	<u>4.62%</u>	

The effective book yield does not include accrued interest.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009

Details of the changes in the allowance for loan impairment are as follows:

	2009	2008
Allowance, beginning of year	<u>\$ 1,796,754</u>	<u>\$ 1,890,989</u>
Charge for loan impairment:		
Non-specific	<u>-</u>	<u>-</u>
Deduct:		
Amounts written off	<u>(45,838)</u>	<u>(94,235)</u>
Allowance, end of year	<u>\$ 1,750,916</u>	<u>\$ 1,796,754</u>

6. PROPERTY AND EQUIPMENT

	2009		2008	
	Cost	Accumulated Amortization	Net	Net
Land and Parking Lot	\$ 1,063,328	\$ -	\$ 1,063,328	\$ 1,063,328
Buildings				
- commercial	7,798,699	1,589,437	6,209,262	6,403,668
Furniture & equipment	1,135,982	913,936	222,046	294,121
Computer equipment	2,386,136	1,145,938	1,240,198	1,269,710
Leasehold improvements	101,538	95,597	5,941	7,465
Vehicles	<u>24,097</u>	<u>14,726</u>	<u>9,371</u>	<u>17,403</u>
	<u>\$ 12,509,780</u>	<u>\$ 3,759,634</u>	<u>\$ 8,750,146</u>	<u>\$ 9,055,695</u>

Amortization in respect of the above property and equipment for the year amounted to \$614,100 (**2008** - \$562,052).

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009

7. DEPOSIT ACCOUNTS

The repayment of all deposits, including accrued interest is guaranteed by Credit Union Deposit Guarantee Corporation for which the credit union pays a deposit guarantee assessment fee.

	2009	2008
Demand Deposits	\$ 203,734,204	\$ 221,546,576
Term Deposits	271,235,442	237,249,118
RRIF	6,381,157	6,534,760
RRSP	34,345,904	33,799,953
RESP	<u>842,769</u>	<u>724,584</u>
	516,539,476	499,854,991
Accrued interest	<u>4,136,287</u>	<u>3,712,688</u>
	<u>\$ 520,675,763</u>	<u>\$ 503,567,679</u>

Concentra Financial acts as the trustee of the Registered Plans offered to members. Under an agreement with Concentra Financial, contributions to the plans, as well as interest earned on them, are deposited in the credit union.

Deposit accounts, not including the related accrued interest, mature as follows:

	On demand	Up to 12 months	13 to 24 months	25 to 36 months	37 to 48 months	49+ months	Total	Weighted Average Yield
Demand Deposits	\$ 203,734,204	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,734,204	0.240%
Term Deposits	-	121,487,973	42,841,711	25,079,777	38,173,323	43,652,658	271,235,442	3.190%
RRIF	-	1,277,579	1,635,377	1,313,155	1,363,380	791,666	6,381,157	3.260%
RRSP	-	14,927,240	5,459,845	5,107,366	5,109,539	3,741,914	34,345,904	3.410%
RESP	-	351,107	-	-	287,723	203,939	842,769	2.640%
Totals	<u>\$ 203,734,204</u>	<u>\$ 138,043,899</u>	<u>\$ 49,936,933</u>	<u>\$ 31,500,298</u>	<u>\$ 44,933,965</u>	<u>\$ 48,390,177</u>	<u>\$ 516,539,476</u>	<u>1.860%</u>
Effective book yield	<u>0.240%</u>	<u>1.13%</u>	<u>4.02%</u>	<u>4.05%</u>	<u>3.87%</u>	<u>3.05%</u>	<u>1.860%</u>	

The effective book yield does not include accrued interest.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009

8. CONTINGENT LIABILITIES AND COMMITMENTS

a) Authorized Borrowings

The credit union has established an authorized overdraft of \$13,250,000 CDN including \$1,000,000 US with Credit Union Central (Central). In both cases, the authorized overdraft bears interest at Central prime plus or minus the applicable discount or margin of Central in effect from time to time and is secured by a security interest in all present and future accounts, book debts, instruments, deposits and all monies payable by Central to the Credit Union. No balance was outstanding at October 31, 2009.

The credit union has established a term loan of \$14,150,000 CDN with Credit Union Central and bears interest at Central prime plus or minus the applicable discount or margin of Central in effect from time to time. No balance was outstanding at October 31, 2009. Security is the same as the authorized overdraft.

b) Credit Commitments

To meet the needs of its members and manage its own exposure to fluctuations in interest rates, the credit union participates in various off-balance sheet (not included on the Balance Sheet) financial instruments. It subjects all of these financial instruments to its normal credit standards, financial controls and risk management and monitoring procedures.

To ensure that its members receive funds when needed, the credit union issues financial instruments with contractual amounts representing credit risk which carry the same requirements for collateral security as loans. It makes the following instruments available to its members:

- i) Guarantees and standby letters of credit represent irrevocable assurances that the credit union will pay if a member cannot meet his obligations to a third party.
- ii) Documentary and commercial letters of credit require the credit union to honour drafts presented by third parties upon completion of specific activities.
- iii) Commitments to extend credit represent undertakings to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions and include recently authorized credit not yet drawn down and credit facilities available on a revolving basis.
- iv) These credit arrangements are subject to the credit union's normal credit standards and collateral may be obtained where appropriate. The contract amounts set out below represent maximum credit risk exposure to the credit union should the contracts be fully drawn, and any collateral held proves to be of no value. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts do not necessarily represent future cash requirements.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009

As at October 31, 2009 the credit union had the following amounts outstanding:

	2009	2008
Financial instruments whose amounts represent credit risk:		
Guarantees & standby letters of credit commitments to extend credit with a maturity of:	\$ 803,725	\$ 652,000
1 year or less	85,392,277	82,138,037
Beyond one year	2,163,907	9,176,671

c) Lease Commitments

- i) The credit union has leased space for its Drumheller branch commencing January 1, 2000 for ten years with an option to renew for a further five years. The lease will have future minimum lease payments for the final year as follows:

2009 - 2010	\$41,987
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The Credit Union entered into a renewal period in the year extending the lease for its Drumheller branch for three (3) years starting January 1, 2010 for rent of \$6,540 per month.

- ii) The credit union is leasing space for it's Hanna Branch. The lease contract agreement ended November 30, 2008, however the Credit Union exercised its right in the expired lease to start leasing on a month to month basis at a rate of \$1,300 per month. The credit union is responsible for all telephone and all business taxes and rates in connection with any business carried on upon the premise.
- iii) The credit union has signed a new lease for space for it's sub branch in Brooks commencing July 1, 2008 for a total of eighteen months ending November 30, 2009 at a rate of \$700 per month. The credit union is responsible for all utilities and all business taxes and rates in connection with any business carried on upon the premise.

d) Card Loyalty

The credit union participates in a card loyalty program whereby members earn points redeemable for merchandise or travel. At October 31, 2009, the credit union's contingent liability if all points were redeemed would amount to \$264,642. Based on experience, management estimates that 50% of the total outstanding points are likely to be redeemed in the future and accordingly have accrued a liability of \$132,321 in these financial statements.

**CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009**

e) Celero Solutions Inc.

The credit union has signed an agreement with Celero Solutions Inc., for a 10 year commitment effective April 1, 2007. The commitment involves a variable cost component for computer support and administration. Management estimates that the commitment to be \$450,000 per annum, adjusted for inflation.

9. ALLOCATION DISTRIBUTABLE

The Board of Directors declared a 3% dividend (2008 - 5.75%) in the amount of \$682,559 (2008 - \$1,040,000). The dividend consists of dividends on non-registered common shares in the amount of \$384,236 and dividends on registered common shares in the amount of \$298,323 to be paid subsequent to year end by way of issuance of additional registered and non registered common shares.

The Credit Union has decided not to declare a patronage rebate to members in the current year (2008 - \$581,740).

10. COMMON SHARES

The Credit Union Act created a class of equity shares, known as common shares, having the following characteristics:

- i) an unlimited number may be issued;
- ii) a par value of \$1, but fractional shares may be issued;
- iii) transferable only in restricted circumstances;
- iv) non-assessable;
- v) redemption of common shares is at par value and is at the discretion of the credit union, subject to the restrictions contained in the Credit Union Act and Regulations and Credit Union By-Laws.

A membership in the credit union requires the purchase of a minimum of one share upon joining the credit union.

The Corporation does not guarantee common shares which represent "at risk" capital. Common share purchases can qualify for Registered Plan status under the Canadian Income Tax Act and such shares are identified as RRSP common shares.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009

Movements in common shares for the year are as follows;

	2009	2008
Balance non-registered, beginning of year	\$ 11,534,432	\$ 9,792,512
Members purchases	2,641,157	1,723,719
Previous years credit union contributions paid	1,192,324	1,045,722
Redemptions during the year	<u>(1,670,595)</u>	<u>(1,027,521)</u>
Total non registered common shares outstanding	13,697,318	11,534,432
RRSP common shares	<u>10,745,319</u>	<u>8,155,195</u>
Balance, end of year	<u>\$ 24,442,637</u>	<u>\$ 19,689,627</u>

RRSP common shares purchased net of redemptions and transfers to member RRIF's were in the amount of \$2,192,076 (2008 - \$2,470,683). Prior year credit union contributions paid on RRSP common shares were in the amount of \$398,048 (2008 - \$299,977).

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Values

The amounts are designed to approximate the fair values of the credit union's financial instruments using the valuation methods and assumptions described below. The estimated fair values disclosed do not reflect the value of items that are not considered financial instruments, such as property & equipment or intangible assets. Since many of the credit union's financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in market rates that have occurred since their origination. Due to the estimation process and the need to use judgement, the aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The carrying value of most of the credit union's financial instruments is not adjusted to reflect changes in interest rates, as it is the credit union's intention to hold the instruments to maturity.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
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Estimated fair values of on-balance sheet financial instruments are summarized as follows (rounded to nearest thousands):

	2009			2008		
	Book Value	Fair Value	Fair Value Over Book Value	Book Value	Fair Value	Fair Value Over Book Value
Cash	\$ 12,450	\$ 12,450	\$ -	\$ 4,881	\$ 4,881	\$ -
Investments	71,233	71,285	52	88,950	89,438	488
Loans to members	470,169	473,945	3,776	437,561	443,919	6,358
Other financial assets	963	963	-	240	240	-
Subtotal	<u>\$ 554,815</u>	<u>558,643</u>	<u>3,828</u>	<u>531,632</u>	<u>538,478</u>	<u>6,846</u>
Less:						
Liabilities						
Deposit accounts	520,676	527,497	(6,821)	503,568	507,352	(3,784)
Other financial liabilities	<u>1,803</u>	<u>1,803</u>	<u>-</u>	<u>2,498</u>	<u>2,498</u>	<u>-</u>
	<u>\$ 32,336</u>	<u>\$ 29,343</u>	<u>\$ (2,993)</u>	<u>\$ 25,566</u>	<u>\$ 28,628</u>	<u>\$ 3,062</u>

The following methods and assumptions were used to estimate the fair value of financial instruments:

- The fair value of cash, other assets and other liabilities are assumed to approximate book values, due to their short term nature.
- The estimated fair value for floating rate member loans and member deposits are assumed to equal book value as the interest rates automatically reprice to market.
- The estimated fair value of fixed rate member loans and fixed rate member deposits is determined by discounting the expected future cash flows of these loans and deposits at current market rates for products with similar terms and credit risks.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009

12. INTEREST RATE RISK

Interest rate risk refers to the potential impact of changes in interest rates on the credit union's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets. The interest rate risk is being managed within prudent guidelines. The table below summarizes amounts by maturity dates and effective interest rates, (rounded to nearest thousands).

2009	Floating Rate	Within 1 Year	1 to 5 Years	Non-rate Sensitive	Total
Assets					
Cash	\$ 11,505	\$ -	\$ -	\$ 945	\$ 12,450
Investments	6,950	61,214	2,647	422	71,233
<i>Effective Yield</i>	1.98 %	1.02 %	4.34 %		1.23 %
Member loans	150,481	66,132	253,494	62	470,169
<i>Effective Yield</i>	2.77 %	4.70 %	5.26 %		4.62 %
Other	-	-	-	684	684
	<u>\$ 168,936</u>	<u>\$ 127,346</u>	<u>\$ 256,141</u>	<u>\$ 2,113</u>	<u>\$ 554,536</u>
Member deposits					
	\$ 228,492	\$ 84,413	\$ 174,694	\$ 33,077	\$ 520,676
<i>Effective Yield</i>	0.37 %	2.72 %	3.72 %		1.86 %
Other				1,803	1,803
	<u>228,492</u>	<u>84,413</u>	<u>174,694</u>	<u>34,880</u>	<u>522,479</u>
Net gap	<u>\$ (59,556)</u>	<u>\$ 42,933</u>	<u>\$ 81,447</u>	<u>\$ (32,767)</u>	<u>\$ 32,057</u>
% of assets	(10.57) %	7.62 %	14.45 %	(5.81) %	5.69 %
2008					
Net gap	\$ (142,703)	\$ 73,875	\$ 120,276	\$ (26,034)	\$ 25,414
% of assets	(26.37) %	13.65 %	22.23 %	(4.81) %	4.70 %

13. RELATED PARTY TRANSACTIONS

- The credit union, in accordance with its policy, grants consumer loans to its management and staff at preferred rates. Mortgages and authorized overdrafts bear interest at the rate in effect when the loan is issued. Directors pay regular member rates on loans.
- Directors, management and staff of the credit union had \$12,348,450 (2008 - \$17,349,912) in loans outstanding authorized at October 31, 2009. All loans were in good standing at that date.
- Directors, management and staff had \$5,029,298 (2008 - \$15,046,083) in deposits and common shares with the credit union at October 31, 2009.

14. DIRECTORS' FEES AND MILAGE EXPENSE

	2009	2008
Directors' fees and committee remuneration	\$ 30,200	\$ 26,450
Directors' mileage	<u>10,441</u>	<u>8,705</u>
	<u>\$ 40,641</u>	<u>\$ 35,155</u>

Remuneration paid to directors range from \$2,750 (2008 - \$1,200) to \$6950 (2008 - \$4,650) with an average of \$4,314 (2008 - \$2,645).

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
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15. SEGMENTED INFORMATION

The credit union conducts its business through market segments that offer different products and services - investment business, mortgage lending and non-mortgage lending. The investment business market segment provides investment income to the credit union on cash balances in excess of the amount required to provide funds for lending activities and maintain operations at the credit union. The lending business market segments provide a variety of credit products and services designed specifically for each particular group of borrowers. As all lending activities at the credit union share similar economic characteristics, lending activities have been aggregated into a single market segment.

Results for these market segments are based on the credit union's internal financial reporting systems and are consistent with the accounting policies followed in preparation of the credit union's financial statements.

Other business is comprised of items such as rental, banking service charges, treasury operations and revenue and expenses not expressly attributed to the business units.

2009

	Investing Business	Lending Business	Other Business	Total
Revenues from members and outside parties	\$ 1,412,908	\$ 22,089,108	\$ 3,907,044	\$ 27,409,060
Financial expenses	(1,574,293)	(8,920,991)	(3,973)	(10,499,257)
Charge for loan impairment	-	-	-	-
Gross Margin	(161,385)	13,168,117	3,903,071	16,909,803
Patronage allocation		-		-
Amortization				(614,100)
Other operating expenses				(12,827,163)
Income taxes				(704,406)
Net Income				<u>\$ 2,764,134</u>

Assets	<u>\$ 71,233,182</u>	<u>\$ 470,168,715</u>	<u>\$ 22,297,453</u>	<u>\$ 563,699,350</u>
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2008

	Investing Business	Lending Business	Other Business	Total
Revenues from members and outside parties	\$ 3,158,213	\$ 21,512,139	\$ 3,624,846	\$ 28,295,198
Financial expenses	(2,121,594)	(9,665,038)	(18,031)	(11,804,663)
Loan impairment	-	-	-	-
Gross Margin	5,279,807	31,177,177	3,933,747	16,490,535
Patronage allocation	-	(290,870)	(290,870)	(581,740)
Amortization				(562,052)
Other operating expenses				(12,511,544)
Income taxes				(652,780)
Net income				<u>\$ 2,182,419</u>

Assets	<u>\$ 88,950,474</u>	<u>\$ 437,560,683</u>	<u>\$ 14,603,537</u>	<u>\$ 541,114,694</u>
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CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009

16. INCOME TAXES

In accordance with its policy as described in Note 2(F), income taxes are as follows:

	2009	2008
Current income taxes	\$ 576,406	\$ 485,780
Future income taxes expense (benefit)	<u>128,000</u>	<u>167,000</u>
	<u>\$ 704,406</u>	<u>\$ 652,780</u>

The statutory rate is approximately equal to the effective tax rate on both taxable and accounting income. Future tax asset of \$NIL (note 4) is related to the following tax effects of temporary timing differences:

	2009	2008
Property and equipment	\$ (235,000)	\$ (200,000)
Allowance for credit losses in excess of amounts deducted for income tax purposes	189,000	303,000
Future benefit costs accrued and unrealized exchange gain (loss)	<u>46,000</u>	<u>25,000</u>
	<u>\$ -</u>	<u>\$ 128,000</u>

17. USE OF ESTIMATES

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the affect on the financial statement of changes in such estimates in future periods could be significant.

18. CONTRIBUTED SURPLUS

Contributed surplus consists of Stabilization Preferred shares cancelled at a cost less then face value of the shares, net of future income tax benefits previously recognized in relation to those shares.

CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2009

19. EMPLOYEE FUTURE BENEFIT

The credit union has established a plan for providing retirement benefits to qualifying employees. The cost of these benefits is accrued over the estimated service life of employees. The benefits are based upon years of service and salary during the final years of employment with the credit union.

The credit union has recorded a cumulative liability of \$194,050 (2008 - \$141,370). The liability is included in accounts payable and the amounts were expensed to personnel expenses. Changes to the liability are as follows:

	2009	2008
Balance, beginning of year	\$ 141,370	\$ 111,585
Payments in year	-	(19,650)
Charged to expense	<u>52,680</u>	<u>49,435</u>
Balance, end of year	<u>\$ 194,050</u>	<u>\$ 141,370</u>

20. CAPITAL DISCLOSURES

The Capital in the Credit Union, as outlined below totals \$ 42,844,700 (2007 \$ 38,593,258). Capital is administered using a set of Policies that have been approved by the Board of Directors. These policies were developed to ensure the Credit Union will be compliant with all legislative requirements. Actions in these policies include but are not limited to:

- (i) Establishing limits in which Patronage rebates and dividends are to be paid to ensure Capital Adequacy requirements adhere to legislation;
- (ii) Establishing guidelines for the redemption of common shares; and
- (iii) Setting reporting periods to ensure the Board of Directors are aware of the status of the credit union's capital.

Externally imposed regulations by the Credit Union Act require the credit union to maintain capital equal to the greater of:

- (i) 4% of total assets; and
- (ii) 8% of risk weighted assets.

At October 31, 2009 the Credit Union has met this requirement as their Capital Adequacy position is:

1. Capital as a % of risk weighted assets is 11.93% (2008 11.29)
2. Capital as a % of assets is 7.60% (2008 7.13%).

Summary of quantitative data for the Credit Union's Capital:

	<u>2009</u>	<u>2008</u>
Common shares/contributed surplus	24,909,211	20,156,201
Retained earnings	15,628,428	13,403,513
Share of Central's retained earnings	823,286	2,056,150
Allocation distributable	682,559	1,621,740
Deferred income tax payable (recoverable)	-	(128,000)
General allowance for credit risk	<u>801,216</u>	<u>1,483,654</u>
Total Capital	<u>\$42,844,700</u>	<u>\$38,593,258</u>

**CHINOOK CREDIT UNION LTD.
NOTES TO FINANCIAL STATEMENTS
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21. SUBSEQUENT EVENT

Subsequent to year end the board of directors of Chinook Credit Union passed a resolution recommending the merger with MacLeod Savings & Credit Union, subject to final approval by members of both credit unions at their Annual General Meetings.

22. PRIOR PERIOD RECLASSIFICATION

In the current year the Credit Union has reclassified mortgages purchased from another Credit Union in the prior year to residential mortgages as requested by Credit Union Deposit Guarantee Corporation. This reclassification has resulted in a prior year reclassification of these mortgages from investments to residential mortgages for comparative purposes. As a result of this reclassification there is no impact on net income in the prior period.