

Prospera Credit Union's Annual Report **2009**







At Prospera Credit Union, we believe in making a difference. We remain true to our values. The annual survey and business results prove that our commitment to integrity, respect, accountability, teamwork, focus, and innovation served us well in 2009.

We maintained our focus on building strong relationships between our members and sales and service staff. We have always believed that strong member relationships are important to our long term success, and help deliver on our promise of making a meaningful difference in the financial well-being of our members.

Even though 2009 was a volatile year, Prospera Credit Union created a plan and stuck to it. Staff continued to stay the course, deliver our unique member service and members noticed the difference. More members told us we exceeded their expectation this year.



Innovation

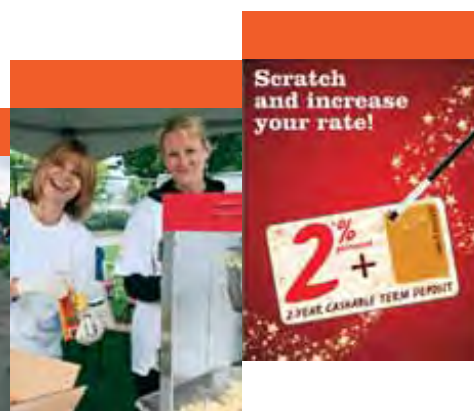
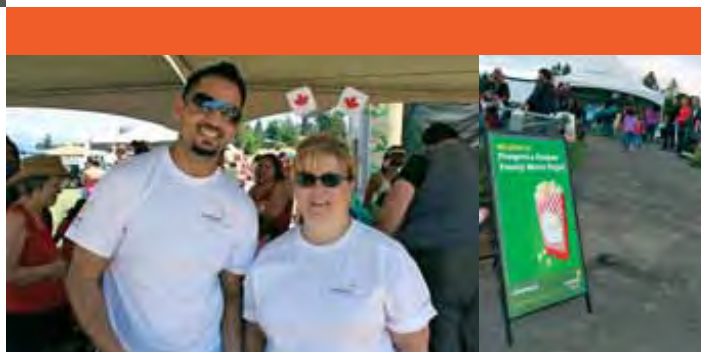
We bring forward new ideas. We find a way to say yes. We are original and value creative solutions.

Our members stated they valued being able to do more online with us. As a result, this was an area we worked hard on developing and delivering:

- Personal loan applications through our website;
- Mobile Banking and iPhone banking which allow members the opportunity to do banking through their phones;
- Purchasing home and travel insurance online; and
- Electronic statements, allowing us to reduce paper.

We listened to our members needs and developed innovative new products such as:

- The *myStyle Mortgage*™ which provides a better rate in lieu of additional options compared to our regular mortgages.
- The *Tax-Free Savings Account* which provides an opportunity to save without paying tax on the income generated. Best of all, the funds can be withdrawn tax free!
- The *myWay Mortgage*™ which has a rate that moves up and down with our prime rate.
- The *Young Adult Chequing Account*™ which helps save costs for those members that are starting out, may still be in school, or entering the workforce.
- The “*Just like Magic*” 2 year cashable term deposit which allowed members to scratch and increase the rate up to 2%.



Integrity

**We keep our word and do the right thing.
We are honest, sincere, and trustworthy.**

Globally the financial services industry retracted credit during 2009. We did not.

Consumers in our markets needed help and we stepped up by becoming more active in our markets and introducing our 2.99% Personal Loan.

During the first three months of 2009, given what was happening in global markets; we talked to our members while others did not.

We supported our communities throughout 2009, funding and volunteering in many events including: Canada Day activities, Abbotsford's Outdoor Movie Night, Mission's Candlelight Parade, the Rotary Okanagan International Children's Festival, Kelowna's Eat it to Beat it for Cancer Research, Langley's Outdoor Movie Night, Chilliwack's Skate Day, and much, much, more.

We continued to help in our communities at the grass roots level by being actively involved with local sports teams and organizations such as the Rotary Clubs, Big Brothers Big Sisters, Easter Seals, and many more.

Despite the economic downturn, our support of local charities remained strong in 2009. The United Way received \$52,000, Prospera's Golf Classic has raised \$390,000 for the Child Development Centre over the past 14 years and employee donations for the BC Children's Hospital totalled \$47,200. We are actively involved with the Abbotsford Crystal Gala, Chilliwack Hospice Society and Mission Hospice Society to name just a few of the other worthwhile causes that touch our members and staff every day.



Teamwork

We support each other to achieve success. We work together to fulfill our members' needs. We take pride in each other's victories. We have fun.

We continue to invest in staff development, understanding that they play the biggest part in making a meaningful difference in the financial well-being of our members. We have dedicated considerable time and investment into coaching and helping staff better understand our products and deliver outstanding advice and our unique service.

We believe in investing time in our communities. Prospera Credit Union staff, through the Prospera Credit Union Volunteer Program, have volunteered more than 4,500 hours since the program originated two years ago.

We continued increasing communication with members. In 2009 we started communicating through enhanced personal messages. We sent messages directly to members through online banking and were able to respond quickly to members needs through our contact centre.

Synergy between our branches, contact centre, insurance, wealth management, and online channels continued to increase. Better coordination of campaigns, increased communication, and more integration helped enhance the member experience. Our members reinforced an improvement in our service through our annual member survey.





Skye Kaidannek, Okanagan

After winning Prospera's "Win Your Loan" contest, Skye Kaidannek can be comfortable not only with her new ride but also her financial situation.

Accountability

We take ownership. We fix the problem and do not blame. We empower each other to make decisions.

Twenty-five-year-old Skye Kaidannek was almost positive no financial institution would give her a loan—not as long as she still had thousands of dollars in student loans hanging over her head. But then she noticed a window painting go up at Prospera’s Mission Park branch across the street from her apartment. It had three big numbers on it: 2.99%.

“I’d been driving my Pontiac Asuna since high school,” she recalls. “It still ran, but barely, and I needed reliable transportation to get to school and work. When I saw the sign, I decided to give it a shot.”

The good news? Skye got an \$8000 loan and was able find a reliable new-ish ride.

A few months later her phone rang. The caller told Skye she didn’t have to make payments on her car loan anymore. “It was quite shocking,” says Skye. “I thought it was a joke at first.”

But then Skye remembered that she’d entered Prospera’s Win Your Loan contest—never thinking, of course, that she’d win.

For Skye, the money couldn’t have come at a better time. A student at the School of Social Work at UBC Okanagan (UBC-O), she was working two jobs, living with two roommates and pinching pennies wherever she could.

“I’d originally wanted to go into the RCMP after I finished my psychology degree,” she explains. “But then I got a job working in a group home for people with mental illness in Osoyoos. When I moved to Kelowna, I started working as a support worker for people with disabilities.”

The more Skye saw at work, the more she realized she wanted — ‘a little more power to help people’. “There are things you see at work that you know should be different,” she says. “I realized social work would give me that opportunity.”

Today, Skye is continuing her studies at UBC-O, working 26 hours a week as a support worker and 23 hours a week at an assisted living facility. “I don’t know what to do with myself if I’m not doing something,” she laughs.

But one thing Skye’s not doing is worrying about car payments. “Getting that loan at Prospera and then winning the contest took a lot of my stress away,” she says. “I feel so much more settled now and able to focus on the rest of my life.”



Diana Farrell, Chilliwack

At a difficult time in her life, Diana Farrell was grateful for the support and advice she received from Prospera Credit Union.

Respect

We earn it through our actions. We honour people's opinions and differences. We treat others as we would like to be treated.

When Diana Farrell and her husband, Mike, decided to finance a new truck through Prospera's Langley Branch a few years back, they didn't think twice about purchasing life and disability protection for the loan. But like most people, they never imagined they'd actually have to use it.

"Mike passed away unexpectedly in 2008," explains Diana. "When I went into Prospera and explained what had happened, the staff offered to take care of everything for me, including contacting the insurance company. Because we had insurance, the loan on the truck was fully paid and I never had to worry about how to make a payment."

It wasn't the first time the credit union helped Diana through a tough time. "I've been a Prospera member for 20 years," says Diana. "A lot of things have happened in those years and Prospera has always been there."

Diana can still remember the year she and Mike lost their business. "We made railings for stairs, but we got into it just as the housing market collapsed," she says. "We'd invested everything."

It was a situation no couple ever wants to find themselves in. Ditto for the time a business partner defrauded them.

"Prospera has always treated me with respect" says Diana. "They've always been concerned about me as a person, and looked after me—not just my money. We used to have some of our banking with other financial service providers, but over time we consolidated everything with Prospera."

In the months following Mike's death, Diana was especially appreciative of the way Prospera never tried to push her into making any decisions.

"They didn't try to sell me on anything," she says. "They would give me advice if I asked for it, but they never pushed me or forced me to make decisions. They never presumed to know what was best for me."

Today, Diana is back on her feet and moving forward with her life. It's been a tough few years to be sure, but ones she says would have been even tougher if not for her relationship with Prospera. "In those first few weeks after Mike died, I felt completely comfortable letting Prospera handle things for me," she says. "I knew I could trust them—and I know I can trust them to be there again no matter what unexpected circumstances life throws at me."

Message from the Chair

Once again your Credit Union has successfully negotiated a challenging and difficult year.

As we continue to make a meaningful difference in the financial well-being of you, our members, we recognize that the global economic conditions affected all of us during 2009. With focus, determination and hard work, Prospera has emerged a stronger organization, and thus better positioned to serve our communities than ever before.

Integrity, Accountability and Innovation form our guiding principles. They are not only integral in the delivery of services to our members, they also guide the decisions of your Board of Directors. One year ago, I committed us to an improved standard of governance and I am proud to report that we have taken this commitment seriously. In 2009, I graduated from the Corporate Directors Education Program operated by University of Toronto Rotman School of Management. The ICD.D program sets Canada's highest standards for corporate governance and director accountability. Angela Kaiser is continuing this commitment. She will graduate in June 2010 and we will continue to engage in raising our standards of oversight.

In 2009 I reported that we had set bold objectives in three key areas – member growth, employee engagement and organizational efficiency. Management has made great progress in all three areas, and I am pleased to say that we have grown our membership, internal employee surveys indicate that our staff is more engaged than ever before, and our efficiency ratios are improving.

We face the coming year with a clear vision, a strong foundation and a solid plan for growth. Your credit union is in good hands, and I am confident that our future is bright indeed.

It is with regret that we say goodbye to Directors Larry McLellan and Adrian Parsons. I thank them for their contributions, and wish them well in their future endeavours.

This year saw the retirement of Pauline Havelock, Prospera's Corporate Secretary and indefatigable "den mother" for the Board. Pauline has been with our organization for 23 years and will be sorely missed. Thank you, Pauline, for your experience, energy, humour and support.

I congratulate and thank our CEO, Bruce Howell, the management team and all of our staff for their very determined effort in 2009 and the success that they achieved. Our expectations have been high, and once again they have risen to the challenge.

To my fellow Board members, I would like to thank you for your support, hard work and contribution this last year.

Most importantly I want to thank you, our 70,000 members, for your continuing commitment to our credit union.

Sincerely,

Karen Laing – Chair, Board of Directors





Message from the President and CEO

Financial markets globally continued to be volatile and stressed in 2009. Through these challenging times, Prospera remained focused on providing more value for our members, improving service, and the bottom line.

Karen Laing –
Chair, Board of Directors

Bruce Howell –
President and CEO

We work hard to build cherished connections with our members. Listening closely to members has led to delivering innovative new products such as the myStyle Mortgage™, the Young Adult chequing account™ and 2.99% Personal loans.

Prospera's members awarded us with best in class service quality ratings with a significant number saying our service not only exceeded their expectations but had improved over the previous year.

Focusing on member needs, service and adding value led to our members increasing their deposits by \$104 million during 2009. We also increased member loans by \$144 million and overall total assets increased by \$161 million.

We kept a very close watch on operations during 2009 which resulted in our adding \$6.4 million to retained earnings. Operating income for the year was \$8.6 million compared to \$8.9 million in 2008. Considering the financial market conditions during the year, this was a good result.

I want to thank each and every employee of Prospera for our achievements in 2009. Without their dedication to making a difference for our members, and in the communities we live in, these results would not be possible.

All of us at Prospera are looking forward for continued success in 2010 and doing what we do best making a meaningful difference in the financial well-being of our members.

Bruce Howell – President and CEO

Management's responsibility for financial reporting

February 18, 2010

Management is responsible for preparing the accompanying financial statements and is responsible for their integrity and objectivity. The financial statements are prepared in conformity with Canadian generally accepted accounting principles and include amounts based on informed judgments and estimates of the expected effects of current events and transactions.

The Board of Directors oversees management's responsibilities for financial reporting. An Audit Committee of non-management directors is appointed by the Board of Directors to review the financial statements and report to the directors prior to the approval of the financial statements.

Management is also responsible for maintaining systems of internal control that provide reasonable assurance that financial information is reliable, that all financial transactions are properly authorized, that assets are safeguarded, and that the Credit Union adheres to legislative and regulatory requirements. These systems include the communication of policies and the Credit Union's code of ethics and business conduct throughout the organization. Management continually monitors the systems of internal controls for compliance. In addition, internal controls are actively reviewed and evaluated by the Credit Union's internal auditors.

The Audit Committee also conducts such review and inquiry of management and the internal and external auditors as it deems necessary towards establishing that the Credit Union is employing appropriate systems of internal control, is adhering to legislative and regulatory requirements and is applying the Credit Union's code of ethics and business conduct. Both the internal and external auditors have full unrestricted access to the Audit Committee, with and without the presence of management.

The Financial Institutions Commission of British Columbia conducts a periodic review of the Credit Union's affairs to determine if the Credit Union has operated within the provisions of governing legislation and to ensure that the interests of members are safeguarded.

PricewaterhouseCoopers LLP has been appointed as independent auditors to examine and report on the financial statements and their report follows.

Bruce Howell
President and Chief Executive Officer



Waheed Hirji
Chief Financial Officer



Auditors' report

February 18, 2010

To the Members of Prospera Credit Union

The accompanying condensed consolidated balance sheet and statements of income, retained earnings and accumulated other comprehensive income are derived from the complete consolidated financial statements of Prospera Credit Union as at December 31, 2009 and for the year then ended on which we expressed an opinion without reservation in our report dated February 18, 2010. The fair summarization of the complete consolidated financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the condensed consolidated financial statements.

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

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



PricewaterhouseCoopers LLP
Chartered Accountants, Vancouver, B.C.

CONDENSED CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31 (EXPRESSED IN THOUSANDS OF DOLLARS)

	2009	2008
Assets		
Cash resources	159,704	139,230
Loans to members	1,751,426	1,607,015
Investments	6,048	5,732
Property, premises, equipment and intangibles	11,718	13,598
Other assets	13,581	15,639
Total Assets	1,942,477	1,781,214
Liabilities		
Borrowings	118,000	63,500
Member deposits	1,738,358	1,634,385
Accounts payable and accrued liabilities	9,725	13,280
Total Liabilities	1,866,083	1,711,165
Members' Equity		
Members' equity shares	5,611	5,894
Retained earnings	70,560	64,155
Accumulated other comprehensive income	223	—
Total Members' Equity	76,394	70,049
Total Liabilities and Members' Equity	1,942,477	1,781,214

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME, RETAINED EARNINGS,
AND ACCUMULATED OTHER COMPREHENSIVE INCOME** YEAR ENDED DECEMBER 31 (EXPRESSED IN THOUSANDS OF DOLLARS)

	2009	2008
Interest income	86,486	94,286
Interest expense	41,695	51,958
Net interest income	44,791	42,328
Provision for credit losses	1,500	1,150
Net interest income after provision for credit losses	43,291	41,178
Other income	16,741	21,730
Net interest income and other income	60,032	62,908
Non-interest expenses		
Salaries and employee benefits	27,794	29,540
Other non-interest expenses	23,595	24,458
	51,389	53,998
Income from operations	8,643	8,910
Dividends on member deposit shares	1,126	1,159
Income before income taxes	7,517	7,751
Provision for income taxes	954	1,123
Net income	6,563	6,628
Retained earnings, beginning of the year	64,155	57,730
Net income	6,563	6,628
Dividends on members' equity shares, net of tax	(158)	(203)
Retained earnings, end of the year	70,560	64,155
Accumulated other comprehensive income, beginning of the year	—	—
Other comprehensive income	223	—
Accumulated other comprehensive income, end of the year	223	—

Approved by the Board of Directors:

Angela Kaiser



Karen Laing



These condensed consolidated financial statements do not include all disclosures required for a complete and fair presentation. A copy of our full financial statements will be available April 15, 2010 in-branch or online at prospera.ca.

Corporate Governance

Prospera's Board and Management are committed to acting responsibly, ethically and with the highest standards of integrity to ensure that Prospera's activities are continually structured and delivered in a manner that allows us to meet the needs of our members.

To achieve this, sound corporate governance business practices and policies have been adopted by the Board and cascaded throughout all levels of the organization.

We strive to ensure that our governance is of the highest standard, while at the same time practical and transparent to our members.

We are continually working to improve our governance policies and practices at the Board level and throughout the organization. As our members' needs evolve we know we must adapt our business practices to ensure we meet our obligations in a changing world.

The Board and its Committees shall act in accordance with Prospera Credit Union's Rules, the Financial Institutions Act, the Credit Union Incorporation Act and the Business Corporations Act and related regulations.

Governance responsibilities include, but are not limited to:

- Board composition & committee structure;
- Approval and monitoring of the strategic plan;
- Selection, evaluation, development and succession planning of the President and Chief Executive Officer (CEO);
- Decision-making framework;
- Board assessment;
- Risk assessment; and
- Accountability and transparency mechanisms.

This governance model has been developed over time and is a blending of practices that were deemed to be most appropriate for Prospera. These practices include the following principles, which have been adopted by the Board:

- The Board governs and Management manages. The Board's role is to ensure that Prospera has the appropriate Management in place. Day-to-day management is the responsibility of the CEO, who reports to the Board of Directors.
- The Board follows a consent agenda which includes items such as minutes and items of information that are provided to members in advance of the meeting. These items are accepted as read and agreed to unless a member requests additional information or raises concerns. In such circumstances, an item will be removed from the consent agenda and added to the agenda for discussion.
- The Chair and the CEO are the official spokespersons for Prospera and a decision made by the Board is a decision that is publicly supported by all directors.
- Although the Board uses standing and ad hoc committees, only the Board can make decisions that are binding on the organization. The Board may elect to delegate these responsibilities.
- The Board has committed to transparency in its overall governance of Prospera.
- The Board Governance Manual will be reviewed annually with any revisions or additions approved by the Board of Directors.

Board Members

Left to Right

Ron Sweeney – Director and Chair Emeritus

Karen Laing – Chair

Larry McLellan – 2nd Vice Chair

Larry Thurston – Director

Karl Noordam – Director

Angela Kaiser – 1st Vice Chair

John Charlesworth – Director

Sylvia Pranger – Director

Adrian Parsons – Director

The Board of Directors is responsible for the stewardship and oversight of management and operations of Prospera.

Although Directors may bring special expertise and points of view, they are not chosen to represent a particular constituency.

Board Composition & Structure

The size and composition of the Board is subject to the limits set out in Prospera's Rules.

The Board is currently comprised of nine, shareholding members elected for three-year terms by the membership.

The Board meets at least eight times annually with sufficient opportunity for directors to meet 'in camera'.

The Board must provide for its own succession, training and development, including access to effective orientation programs and ongoing training and development initiatives.

At least annually the Board must assess its own performance and conduct an independent evaluation to ensure that it is functioning at an optimal level.

Oversight Responsibilities

- Appointing the CEO, establishing the mandate, monitoring the CEO's performance and approving the CEO's compensation;
- Approving the organizational structure;
- Reviewing proposed appointments or changes to employment contracts of the CEO's direct reports prior to finalization;

- Reviewing and approving, at least annually, human resources and compensation policies and practices, including those pertaining to succession planning;
- Reviewing and approving business objectives, strategies and plans, and regularly monitoring their execution;
- Reviewing and approving financial statements and related disclosures;
- Reviewing and approving annually, significant risk management policies and practices, and obtaining assurances that they are adhered to and effective;
- Reviewing and approving regularly, the liquidity, funding and capital management policies and plans and obtaining assurances that approved policies and plans are adhered to and effective;
- Participating in the formulation of and adopting Prospera's mission, vision and values;
- Reviewing and approving Prospera's communication and disclosure policies;
- Ensuring compliance with applicable laws, regulations and guidelines;
- Reviewing and approving on a quarterly basis, or as required, the Dividend Resolutions on the various classes of shares;
- Reviewing and approving policies and practices for dealing with conflicts of interest; and
- Establishing standards of ethical business conduct for Prospera and obtaining assurances that they are being adhered to.





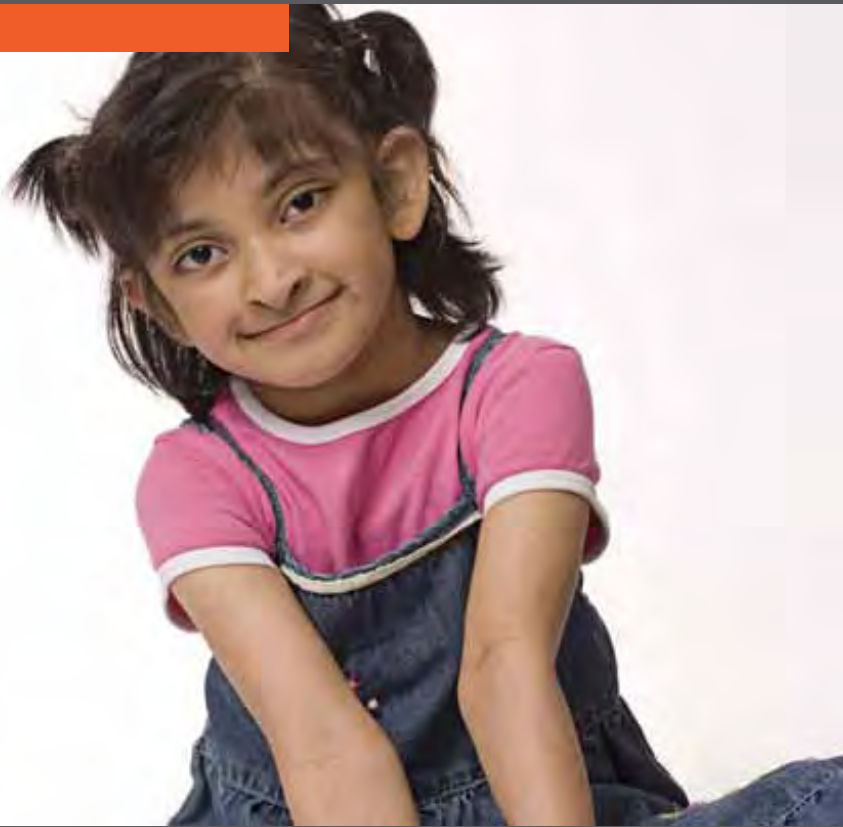
Focus

We set goals and stick to them. We have a clear vision of where we want to go. We stay the course.

We continued to build on our solid capital position by increasing retained earnings by \$6.4 million. This was achieved by focusing on delivering value to our members while effectively managing the cost of delivery.

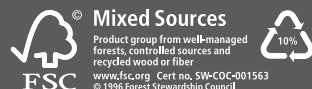
Our membership showed confidence in us and the credit union system by depositing \$104 million in new money in 2009. We also increased member loans by \$144 million and overall total assets by \$161 million.

Prospera is proud
to support BC
Children's Hospital.





Don't just bank. Prosper.



BRANCHES

South Granville Branch
3088 Granville Street
Vancouver BC V6H 3J8
604 734 5774

Langley Branch
500 – 6339 200 Street
Langley, BC V2Y 1A2
604 533 5477

Ocean Pointe
102 – 1688 152 Street
Surrey, BC V4A 4N2
604 585 3155

Surrey Centre Branch
13747 – 104 Ave
Surrey, BC V3T 1W6
604 588 0111

Abbotsford Branch
20 – 33655 Essendene Ave
Abbotsford, BC V2S 2G5
604 853 3317

Mission Branch
101 – 32423 Lougheed Hwy
Mission, BC V2V 7B8
604 826 3644

Chilliwack Branch
45820 Wellington Ave
Chilliwack, BC V2P 2C9
604 792 3301

Agassiz Branch
1810 No.9 Hwy
Agassiz, BC V0M 1A0
604 796 2202

Fleetwood Branch
100 – 15288 Fraser Hwy
Surrey, BC V3R 3P4
604 589 3211

West Oaks Branch
40 – 32700 South Fraser Way
Abbotsford, BC V2T 4M5
604 853 3430

Sardis Branch
7565 Vedder Road
Chilliwack, BC V2R 4E8
604 858 7080

Clearbrook Branch
100 – 32071 South Fraser Way
Abbotsford, BC V2T 1W3
604 850 0091

Mission Park Branch
15 – 3151 Lakeshore Road
Kelowna, BC V1W 3S9
250 979 6400

Prospera Centre Branch
100 – 2106 Harvey Ave
Kelowna BC V1Y 6G8
250 869 3600

Vernon Branch
910 – 4400 32nd Street
Vernon BC V1T 9H2
250 550 7500

Penticton Branch
402 Main Street
Penticton BC V2A 5C4
250 770 8500

Corporate Office
500 – 32071 South Fraser Way
Abbotsford, BC V2T 1W3
604 850 0999

INSURANCE OFFICES

Mission Insurance
102 – 32423 Lougheed Hwy
Mission, BC V2V 7B8
604 826 5611

Clayburn Insurance
530 – 3033 Immel Street
Abbotsford, BC V2S 6S2
604 854 6131

West Oaks Insurance
30 – 32700 South Fraser Way
Abbotsford, BC V2T 4M5
604 852 6127

Sardis Insurance
104 – 7491 Vedder Road
Chilliwack, BC V2R 6E7
604 847 0338

Fleetwood Insurance
101 – 15288 Fraser Hwy
Surrey, BC V3R 3P4
604 589 5951

Kelowna Insurance
15A – 3151 Lakeshore Road
Kelowna, BC V1W 3S9
250 979 6420

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