MEMBERS MATTER MOST

2010 MEMBER SAVINGS ANNUAL REPORT

Member Savings

Bank Where You Matter Most

2010 ANNUAL REPORT

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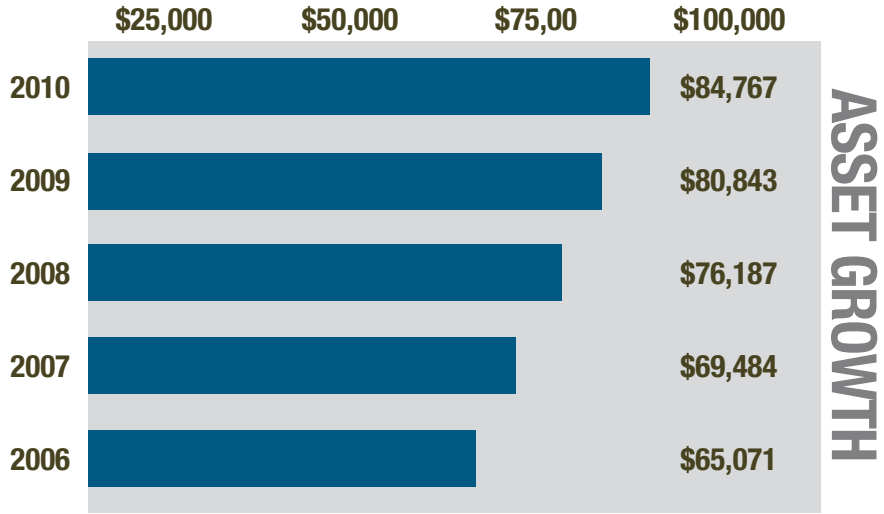
FINANCIAL HIGHLIGHTS

IN THOUSANDS OF DOLLARS		2010	% CHANGE		2009
Total Assets	$	**84,767**	**5%**	$	80,843
Loans To Members	$	**72,788**	**5%**	$	69,600
Deposits from Members	$	**78,392**	**4%**		$75,159
Capital & Retained Earnings					
Retained Earnings	$	**5,343**		$	4,940
Share Capital	$	**398**		$	415
Tier 2 Capital	$	**111**		$	30
Total Regulatory Capital	$	**5,852**		$	5,385
% of total assets		**7%**			7%
% of risk-weighted assets		**16%**			17%
Total Income	$	**4,317**	**6%**	$	4,057
Interest Expense	$	**1,628**	**-22%**	$	2,089
Operating Expense	$	**1,866**	**8%**	$	1,728
as a % of average assets		**2%**			2%
Net Income before Distributions	$	**607**		$	87
Distribution to Members	$	**204**		$	–
Net Income	$	**403**		$	87

ASSET GROWTH



REPORT OF THE BOARD OF DIRECTORS

The 61st year for Member Savings Credit Union was a very successful one with profits and total assets reaching an all time high. These results are truly remarkable given a difficult economy and record low interest rates. The Credit Union continues to maintain a high level of capital reserves and liquidity which will ensure it can meet all financial obligations anytime. Your Credit Union continues to be conservatively managed keeping Operating Costs contained, below the rate of inflation, with an increase of only 1%. Furthermore, despite a weak Ontario economy and high unemployment, loan losses declined by over 25%.

Although profitability is important, our focus is not on maximizing profits for shareholders, but rather to provide our members with increased value through very competitive pricing and excellent service. As this year's results exceeded our requirements, we saw an opportunity to give back. Back in 2008, as interest rates were rapidly declining, we established a floor on Prime at 4.00% in order to preserve our margins and remain profitable. With the tremendous results this year, a distribution was declared to members with Prime based loans which provided an interest rebate of 18.75%. About 1,000 recipients shared in the total distribution of over $204,000.

Once again, the Board takes great pleasure in being able to congratulate the senior management team for successfully steering the Credit Union through difficult waters, ably assisted by a dedicated and experienced staff.

The Board would like to thank the LCBO, Honeywell Ltd., Shell and MTS Allstream for their continued support and co-operation. It would also like to acknowledge Black Cat Advertising for its assistance in the area of marketing, Mike Howard of Picuz Solutions for its sophisticated work in the area of structural risk analysis and Rick Belsby for his fine work as our Internal Auditor.

Your Credit Union Board, Management and Staff continue to strive for excellence in serving its members. The slogan "Bank Where You Matter Most" sums up the attitude of the entire team.

The economy is expected to show modest economic recovery in 2011 and the Credit Union expects a "steady as she goes" year with continued growth in the residential mortgage area.

THE SLOGAN "BANK WHERE YOU MATTER MOST" SUMS UP THE ATTITUDE OF THE ENTIRE TEAM.

As one year passes into another there are always changes. This year there are two changes that require special mention. Joe Callura, the Credit Union's auditor for over 33 years, has decided to retire. We wish to thank Joe for his many years of service to the Credit Union. Also retiring is one of our fellow Board members, Benny Fernandes. Benny has served the credit union for an incredible 32 years and a very special thank you goes out to him.

On behalf of the entire Board I would like to thank Management and the Credit Union Staff for their hard work and dedication. Once again, congratulations for a job well done!

On behalf of the Board of Directors,

Robert Callander
Chair

REPORT OF THE AUDIT COMMITTEE

The Audit Committee functions to assist the Board of Directors in reviewing financial reports and reporting processes. The Audit Committee consists of four directors, and complies with the specifications outlined for Audit Committees in the Credit Unions and Caisses Populaires Act (1994), and the associated regulations. Elected members of the Committee include directors: Tracy Danbrook, Benny Fernandes, Liesma Morris and myself, Bruno Lopes, Chair.

- Review management's response to each report and related recommendations;
- Review the Credit Union's polices, procedures and controls for legislative compliance;
- Report that our credit union is in compliance with the Act, our By-laws, the requirements of the Deposit Insurance Corporation of Ontario (DICO), and all resolutions and policies of the Credit Union's Board of Directors.

OUR CREDIT UNION IS IN COMPLIANCE WITH THE ACT, OUR BY-LAWS, THE REQUIREMENTS OF DICO AND OUR POLICIES.

To carry out its responsibilities, the Audit Committee met six times during the 2010 fiscal year to:

- Review the Audited Financial Statements and all reports received from the external auditor;
- Meet with the external auditor to review the results of the year end audit;
- Review the external auditor's Engagement Letter and proposed fees;
- Review the Internal Audit Work Plan;
- Review the quarterly internal audit reports from the internal auditor;

Management has implemented all recommendations made by the Audit Committee and there are no matters which the Committee believes should be reported to the membership or which are required to be disclosed pursuant to the Act or the regulations.

Respectfully submitted,

Bruno Lopes, CGA
Audit Committee Chair

REPORT OF THE CHIEF EXECUTIVE OFFICER

We are proud to report that 2010 posted some record results for Member Savings. After weathering through two years of very challenging economic times your credit union is stronger than ever with record profits, steady growth and strong capital levels far above the statutory requirements.

Recent enhancements to our website are also proving to be successful. We have already experienced a 30% increase in site visits over the past two months. Especially popular are the educational pages like "Finding your Debt Age", "The Debt-Freedom Calculator", "Mortgage Basics", and our "Lunch & Learn".

WE HAVE ALREADY EXPERIENCED A 30% INCREASE IN SITE VISITS OVER THE PAST TWO MONTHS.

Interest rates continue to remain low making the cost of borrowing very favourable for our members. Despite these very low rates, our depositors receive top rates in relation to the posted rates from the major banks and furthermore our Quarter Century members earn an extra ¼% above our posted deposit rates.

We continually seek new ways to reach out to our membership and potential members to ensure we deliver the products and services that will meet their needs. This past spring we conducted two non-member focus groups in an effort to determine what they were seeking in a financial institution. We learned some very valuable insight and it prompted our "Pedro the Pigeon" campaign inviting both members and non-members to spend thirty minutes with one of our financial professionals. We also learned that many of our members and potential members were still not aware of all of the products and services we had to offer. Various "Lunch & Learn" sessions are scheduled to improve awareness of the credit union and to provide valuable information on a variety of topics.

New legislation in the credit card industry prompted our current campaign to bring additional awareness to the cost of high interest credit cards. Credit card providers are now required to disclose the number of years it will take to retire the debt if only the minimum payment is made each month. This inspired the development of our innovative "Debt Freedom Calculator" that calculates the savings when one consolidates their credit card debt into a Member Savings consolidation loan.

We have learned that financial freedom is not the same for everyone and is unique to each individual. We strive to assist our members in achieving their "Financial Freedom" as they progress through various stages of their lives. We continue to seek new innovative ideas to educate our members through easy to understand information and hands-on tools.

The results of the past year would not be possible without the people behind the organization. I would like to take the opportunity to thank both the Staff and Board for contributing to this tremendous success. This past April marked a personal milestone in my career as I celebrated 25 years with Member Savings. Although I've experienced many changes throughout those years the foundation of this Credit Union remains the same. We strive to build lasting relationships with our members to help them achieve their financial goals. Members are not just customers they are owners and I extend my thanks to all of you for trusting us with your financial needs. Bank, Borrow, Invest - "Talk to us"! We're here to help.

Sharon A. Kent
Chief Executive Officer

REPORT ON LENDING

Meeting the borrowing needs of our members remained a primary focus for the credit union in 2010. We continued to offer historically low rates and flexible re-payment schedules to assist our members with solutions to fit their individual situations. Whether funds are needed for debt consolidation, car financing, home renovation or a home purchase we strive to find an affordable lending solution for all our members.

European countries are resolved. The real estate market in Ontario may slow down in 2011 but most economists are still forecasting moderate growth in house prices, particularly in the GTA.

During the year ahead we hope to see our economy continue to rebound, allowing our members an increase in financial flexibility. The professional staff at Member Savings truly cares about our members and we are

WE ARE COMMITTED TO HELPING YOU FIND THE BORROWING SOLUTION THAT IS RIGHT FOR YOU.

While many institutions continued to restrict their lending in 2010, Member Savings experienced strong growth in our lending portfolio. This was obtained with excellent mortgage growth of over 6% with many members taking advantage of our low mortgage rates.

We continually strive to find ways to help our members save money and become debt free. Our marketing campaigns are focused on increasing awareness on the cost of high interest credit card debt. Many members are utilizing our recently launched "Debt-Freedom Calculator" which calculates the savings members can realize by paying off their credit cards with a Member Savings consolidation loan.

In the year ahead we expect to see interest rates remain low while the United States continues its economic recovery and the financial issues in many

committed to helping you find the borrowing solution that is right for you. We wish to thank our members for choosing Member Savings and invite you to bank where you matter most!

Tom Elsdon
Manager of Lending Operations

REPORT ON LENDING

LOANS ADVANCED

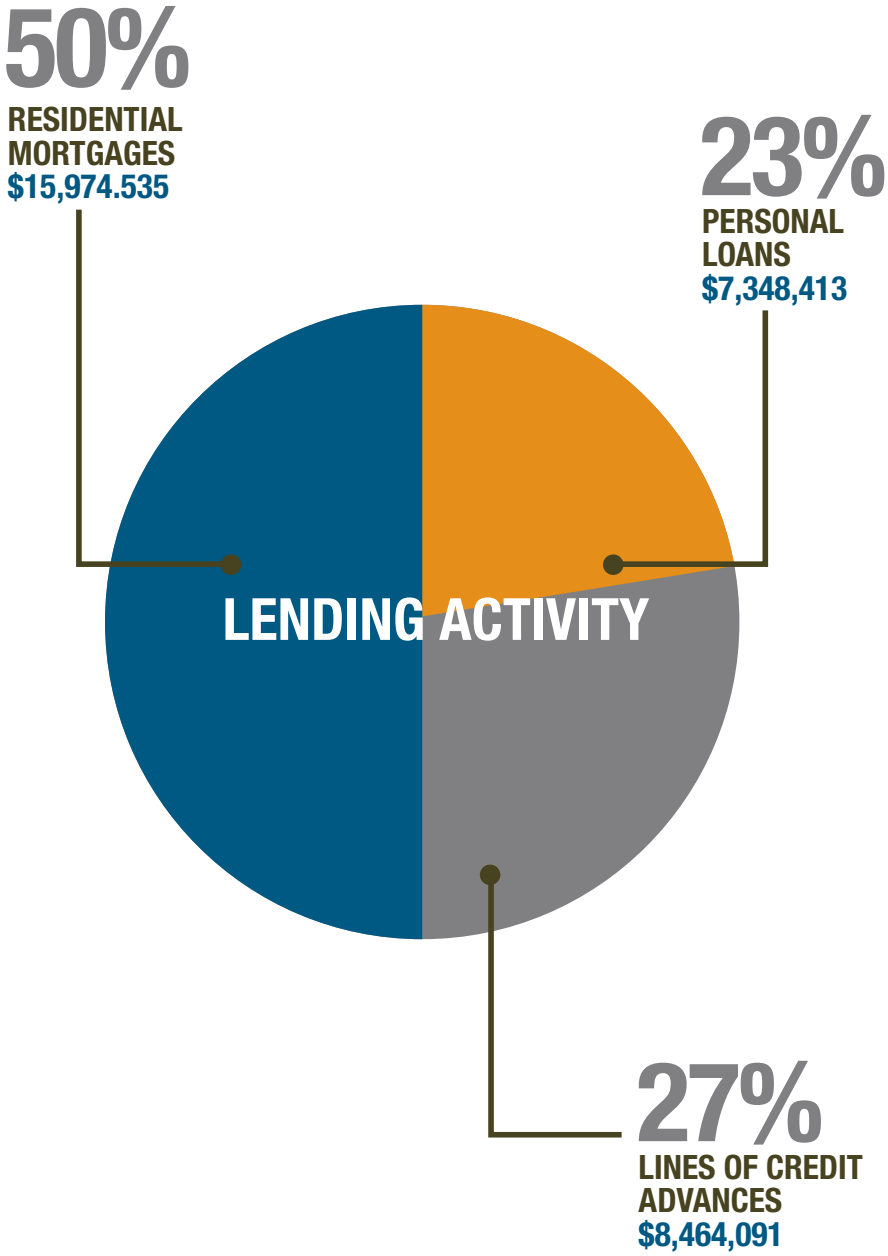
PURPOSE	2010		2009	
	NUMBER	AMOUNT	NUMBER	AMOUNT
Debt Consolidation	256	$ 3,119,388	228	$ 2,903,195
Motor Vehicle Expense	101	2,029,994	106	2,019,916
Recreational Vehicle	6	89,001	6	95,322
Vehicle Expense	25	110,178	19	73,997
Home Purchase	5	642,286	5	355,664
Computer Loans	0	–	0	–
Home Furnishings	6	41,372	9	51,587
Home Expenses	24	219,827	27	250,236
Investments	7	17,871	7	94,851
RRSPs	0	–	1	12,690
Christmas and Weddings	70	181,842	57	137,211
Vacation	20	70,909	11	42,075
Miscellaneous	164	825,744	161	844,256
Total Personal Loans	684	$ 7,348,413	637	$ 6,881,000
Line of Credit Advances (including Personal LOC, RSP LOC & Home Equity LOC)	6,505	$ 8,464,091	6,522	$ 7,926,709
Residential Mortgages	80	$ 15,974,535	79	$ 13,687,028
Grand Total	7,269	$ 31,787,039	7,238	$ 28,494,737

NEW APPLICATIONS RECEIVED

	PERSONAL LOANS	LINE OF CREDIT (PERSONAL & RSP)	HOME EQUITY LINE OF CREDIT	MORTGAGES	DECLINED	TOTAL
2009-2010	580	103	12	88	32	815
2008-2009	487	81	9	76	34	687

	NUMBER	AMOUNT
LOANS AND MORTGAGES IN ARREARS IN EXCESS OF 90 DAYS	9	$ 48,414
ALLOWANCE FOR IMPAIRED LOANS (INCLUDING NON-SPECIFIC)		$ 100,000

LENDING ACTIVITY IN DOLLARS



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation, presentation and consistency of the accompanying summarized financial statements and other information contained in this Annual Report.

THE SUMMARIZED FINANCIAL STATEMENTS HAVE BEEN DERIVED FROM THE COMPLETE FINANCIAL STATEMENTS

The summarized financial statements have been derived from the complete financial statements which were prepared in accordance with Canadian generally accepted accounting principles and have been audited by Joseph Earl Callura, Chartered Accountant.

Management maintains the necessary system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained. This system of internal controls provides reasonable assurance that financial records are reliable and are a proper basis for preparation of the financial statements.

The Audit Committee and the Board of Directors, in carrying out their responsibility, have reviewed and approved the financial statements.

Sharon A. Kent
Chief Executive Officer

AUDITOR'S REPORT ON SUMMARIZED FINANCIAL STATEMENTS

To the Members of
Member Savings Credit Union Limited

The accompanying summarized balance sheet and statements of income and comprehensive income, contributed surplus and retained earnings and cash flows are derived from the complete financial statements of Member Savings Credit Union Limited as at September 30, 2010 and for the year then ended on which I expressed an opinion without reservation in my report dated October 15, 2010.

The fair summarization of the complete financial statements is the responsibility of management. My responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized financial statements.

In my opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above. These summarized financial statements do not include 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 financial statements.

THE FAIR SUMMARIZATION OF THE COMPLETE FINANCIAL STATEMENTS IS THE RESPONSIBILITY OF MANAGEMENT

Hamilton, Ontario
October 15th, 2010

Joseph Earl Callura
CHARTERED ACCOUNTANT
Licensed Public Accountant

MEMBER SAVINGS CREDIT UNION LIMITED

SUMMARIZED CONSOLIDATED BALANCE SHEET

SEPTEMBER 30

	2010	2009
ASSETS		
Cash resources	$ 2,369,120	$ 2,213,052
Investments	8,913,390	8,642,228
Loans to members	72,787,960	69,599,784
Land, building and equipment	174,313	221,244
Other assets	521,928	166,560
	$ 84,766,710	$ 80,842,868
LIABILITIES		
Liabilities to non-members		
Accounts payable and accrued liabilities	$ 320,707	$ 197,500
Dividends payable	204,200	–
Income tax payable	69,032	–
Certified cheques	803	104,317
	594,742	301,817
Liabilities to members		
Member Deposits	77,715,957	74,322,465
Accrued interest on deposits	675,720	836,942
	78,391,677	75,159,407
Future income taxes	17,350	26,050
Share Capital	397,568	415,307
EQUITY		
Retained earnings	5,343,005	4,940,287
Accumulated comprehensive income	22,368	–
	$ 84,766,710	$ 80,842,868

On behalf of the board

Director

Director

MEMBER SAVINGS CREDIT UNION LIMITED

SUMMARIZED CONSOLIDATED STATEMENTS OF RETAINED EARNINGS AND ACCUMULATED COMPREHENSIVE INCOME

YEAR ENDED SEPTEMBER 30

	2010	2009
Retained earnings, beginning of year	$ 4,940,287	$ 4,853,419
Net income	402,718	86,868
Retained earnings, end of year	$ 5,343,005	$ 4,940,287
Accumulated comprehensive income, beginning of year	$ –	$ –
Other comprehensive income, net of tax	22,368	–
Accumulated comprehensive income, end of year	$ 22,368	$ –

MEMBER SAVINGS CREDIT UNION LIMITED

SUMMARIZED CONSOLIDATED STATEMENT OF INCOME & COMPREHENSIVE INCOME

YEAR ENDED SEPTEMBER 30

	2010	2009
Interest income		
Residential mortgage loans	$ 2,401,584	$ 2,480,403
Personal loans	1,110,279	1,086,357
Cash resources, liquidity reserves and investments	186,441	690
Other income	619,076	489,696
	4,317,380	4,057,146
Interest expense		
Term deposits	567,024	691,115
Registered savings plans	607,288	777,892
Registered income funds	199,190	245,607
Tax free saving deposits	30,046	18,255
Savings	221,206	352,358
Interest on borrowings	3,354	3,946
	1,628,108	2,089,173
Financial margin	2,689,272	1,967,973
Provision for loan losses	147,423	131,664
Operating margin	2,541,849	1,836,309
Operating expenses (Page 14)	1,866,374	1,727,566
Income from operations	675,475	108,743
Distributions to members	204,200	–
Income before taxes	471,275	108,743
Income taxes	68,557	21,875
Net income representing comprehensive income	$ 402,718	$ 86,868

MEMBER SAVINGS CREDIT UNION LIMITED

SUMMARIZED CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30

	2010	2009
Increase (decrease) in cash resources		
OPERATING		
Net income	$ 402,718	$ 86,868
Depreciation and amortization	82,936	91,695
Provision for loan losses	147,423	131,664
Write-offs less recoveries	(145,423)	(306,164)
Future income tax provision	(8,700)	10,550
Unrealized loss (gain) on mutual fund units	4,621	(2,264)
Write down of CUCO shares	–	20,246
Net write down on investment in ABCP LP	–	108,424
Increase in fair value of interest rate swap contracts	(79,302)	–
Other comprehensive income, net of tax	22,368	–
Net change in other non-cash items	(62,442)	31,442
	364,199	172,461
INVESTING		
Increase in loans to members	(3,190,177)	(886,388)
Reduction in investment in Central 1 Credit Union - Ontario Region shares	506	46,876
Distribution received from investment in ABCP LP	22,807	110,511
Increase in liquidity reserves in Central 1 Credit Union - Ontario region	(219,793)	(371,658)
Purchase of portfolio investments (net)	–	(2,000,000)
Purchase of land, building and equipment	(36,005)	(4,444)
	(3,422,662)	(3,105,103)
FINANCING		
Increase in savings by members	3,232,270	6,462,072
Decrease in borrowings from Central 1	–	(1,580,418)
Decrease in shares (net)	(17,739)	(10,892)
	3,214,531	4,870,762
Net increase in cash resources	156,068	1,938,120
Cash resources		
Beginning of year	2,213,052	274,932
End of year	$ 2,369,120	$ 2,213,052
Interest received	$ 3,446,652	$ 3,773,875
Interest paid	$ 1,789,331	$ 2,233,027
Income taxes refunded	$ 21,415	$ 50,228
Income taxes paid	$ 11,265	$ 30,900

MEMBER SAVINGS CREDIT UNION LIMITED

CONSOLIDATED SCHEDULE OF OPERATING EXPENSES

YEAR ENDED SEPTEMBER 30

	2010	2009
Advertising and promotion	$ 41,150	$ 39,382
Annual and board meetings	12,280	11,127
Automatic teller machine expenses	22,697	20,517
Director and committee remuneration	24,775	23,858
Collection and credit costs	12,232	12,896
Depreciation and amortization	82,936	91,695
Education	8,829	7,347
Equipment service and repairs	81,074	78,152
Insurance		
Share Deposits	6,959	7,845
D.I.C.O.	60,207	55,806
Bond and casualty	62,689	50,529
League Dues	12,469	17,744
Network support	105,390	91,268
Office and general	73,494	74,686
Other service charges	40,449	39,697
Professional Fees	82,220	56,278
Salaries and benefits	1,089,320	999,445
Telephone and postage	36,672	38,872
Trustee fees - registered plans	10,532	10,422
	$ 1,866,374	$ 1,727,566

CREDIT UNION OFFICERS

BOARD OF DIRECTORS

Robert Callander	Chair	2011
Lee Morris	Vice Chair	2012
Ruth O'Leary	Director, Corporate Secretary	2010
Tracy Danbrook	Director	2011
Bob Downey	Director	2011
Benny Fernandes	Director	2010
Bruno Lopes	Director	2012

CREDIT UNION STAFF

Head Office Branch
55 Lake Shore Boulevard East
Toronto, M5E 1A4

Sharon Kent	Chief Executive Officer
Susan Tustin	Operations Manager
Tom Elsdon	Manager of Lending Operations
Marcia Downer	Member Services Supervisor
Lori Causey	Member Services Representative
Chris Clifford	Member Services Representative
Dave Kennedy	Senior Loan Officer
Jennifer Kent	Member Services Representative
Colleen Lancaster	Member Services Representative
Suzy Pereira	Loan Officer
Karyn Smith	Financial Services Officer
Barb Vincent	Business Development

Honeywell Branch
35 Dynamic Drive,
Scarborough, M1V 4Z9

Wendy Martin	Branch Manager
Lisa Churcher	Member Services Representative

MEMBER SAVINGS CREDIT UNION LIMITED

PRODUCTS & SERVICES

ACCOUNTS

Personal Chequing
Star Membership Chequing
Gold or Star Senior Membership Chequing
Daily Interest Savings
Investment Savings
U.S. Dollar Account
Platinum Savings Account

LENDING

Personal Loans
Quick Cash Loans
Personal Line of Credit
RRSP Line of Credit
Mortgages
Home Equity Line of Credit
MasterCard

INVESTING

Online Brokerage

Index Linked Term Deposits

Guaranteed Investment Certificates

Mutual Funds

Registered Retirement Savings Plan (RRSP)

Registered Education Savings Plan (RESP)

Registered Retirement Income Fund (RRIF)

Tax-Free Savings Account (TFSA)

INSURANCE

Life Insurance

Buyer Protection/ Extended Warranty

Direct Protect Group – Home & Auto Insurance

Deposit Insurance Corporation of Ontario

MEMBER SAVINGS CREDIT UNION LIMITED

BANKING OPTIONS

BRANCH LOCATIONS

Corporate Office
55 Lake Shore Boulevard East
Toronto, Ontario M5E 1A4
Office Hours: 8:30 a.m. to 4:00 p.m.
Teller Hours: 10:00 a.m. to 3:00 p.m.

Tel: 416.864.2461
Fax: 416.864.6858

ATM available at this location
Telephone Banking: 416.365.5878
Toll Free within Ontario:
1.888.560.2218
betterbanking@membersavings.ca

Honeywell Branch
35 Dynamic Drive
Scarborough, Ontario M1V 4Z9
Office Hours: 8:30 a.m. to 4:30 p.m.
Teller Hours: 10:00 a.m. to 4:00 p.m.

Tel: 416.332.3330
Fax: 416.332.3332

ATM available at this location
Telephone Banking: 416.365.5878
betterbanking@membersavings.ca

TELEPHONE BANKING

416.365.5878 or 1.888.560.2218

HOME BANKING

www.membersavings.ca

THE EXCHANGE® Network

www.the-exchange.ca