



making sense.

2008 annual summary  
and community report



# 2008 annual summary and community report

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## our mission:

To develop and share  
an exceptional level  
of financial expertise  
that is:

Tailored to  
member needs.

Accessible to all.

Supportive of  
local communities.

And delivered by caring,  
professional employees.

## our values:

People First.  
Excellence.  
Integrity.

Alterna Savings is a full-service, member-focused and community-based financial co-operative.

Formed in 1908, today we are Ontario's second largest credit union serving more than 129,000 members at 22 branches throughout Ontario. We also serve clients in Québec through our subsidiary, Alterna Bank.

Alterna is guided by our commitment to support the well-being of our members, employees and communities. We promote community economic development through micro-lending initiatives, encourage our members to be financially knowledgeable, give back through many charitable activities and continually strive to be transparent at every level of our operation.

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# President & CEO and Chair Report



John Lahey,  
President & CEO



James Frank, Chair

Alterna celebrated its 100th anniversary in 2008 – a year that saw unprecedented turmoil in our economy. Ironically, when Alterna was founded in 1908, the Canadian economy was booming – yet it was still difficult for the average consumer or small business owner to get credit. Then, as today, the credit union made sense.

As a local, community-based financial institution, Alterna was well prepared for the trends that drove market chaos around the world last year.

Throughout 2008, Alterna remained strong and stable and members' deposits were well protected. We were in a good position to support members in dealing with their own financial challenges, and we continued to reach out to small businesses, micro-borrowers, new Canadians and those in need.

Despite ongoing economic uncertainty expected throughout 2009, we are committed more than ever to helping members make sense of day-to-day money matters and better prepare for life's unexpected events.

We also remain committed to improving our service to members. Although we've made great progress over the past three years, we still have work to do.

Of course, like all Canadians these days, we need to be mindful of living within our means. That means some major investments and improvements may be delayed as we balance our wants (greater member benefits) with our needs (managing our costs).

We believe we have the right focus to achieve our goals. We have designed our 2009 operating plan to help us continue to support our members, and remain strong and stable, regardless of the economic challenges that may come our way.

Our 2005 merger and subsequent banking conversions diverted some of our attention in recent years, but in 2008 Alterna got back to the basics of great member service.

## making things better

We invested time and money to ensure we could respond to your concerns more quickly and effectively – something you told us on our 2007 member survey we needed to improve. We also placed a strong focus on ensuring our employees had the skills necessary to deliver outstanding member service, and we expanded our leadership capabilities by promoting and hiring some exceptional people.

We improved our TeleService Centre response times to serve you better, and we expanded cash services through Alterna Bank in Quebec.

We introduced products in response to member needs. For instance, our No-Haggle Mortgage simplified the home-buying process for members. And our very successful high-interest Alterna Investment Savings Account helped members save an additional \$132 million last year towards a dream goal or a rainy day. In 2009, we'll be introducing new products and services that will help members make sense of the complex economy.

On our 2008 Member Survey, we achieved a 79% satisfaction rate. While that's a good score, we know we can do better. In 2009, we will be spending time and money to fix some of the recurring issues that cause member dissatisfaction, and to deliver services in new ways that are more effective, efficient and timely. We're listening!



We helped 1,500 families buy a new home.

makes sense.

We helped 7,000 people save for their retirement.



Alterna Savings received two Consumers' Choice Awards in 2008: the best provider of financial planning services in the Greater Toronto Area, and the best loan company in the Ottawa region.



# helping members prosper

We provided 100  
volunteer hours in  
financial literacy  
outreach to over  
500 of our most  
vulnerable citizens.



Understanding financial issues can be complicated; that can be particularly true in challenging economic times. Alterna is dedicated to making financial matters more simple.

Financial literacy was a focus of our micro-finance program in 2008. Throughout the year, Alterna hosted financial education and networking events in Toronto and Ottawa aimed at helping aspiring and fledgling entrepreneurs manage their small businesses successfully. We partnered with the government and community organizations to provide financial literacy workshops and materials to help thousands of new Canadians in southern Ontario plan for a better future.

Alterna staff also shared their expertise at in-branch seminars and at financial literacy events such as Credit Education Week Canada and the Ottawa Community Loan Fund's Financial Literacy Summit.

Rollercoaster capital markets in 2008 introduced an added element of confusion for those members who hold market-related investments with Alterna. Our Financial Advisory Services team reached out to members to provide answers, guidance and peace of mind.

Late last year we changed the focus of our member newsletter to provide more financial tips and advice, in response to member requests. And we introduced a pilot project to help members manage their day-to-day expenses and prepare for life's unexpected events. If it's successful, we hope to roll out this customized program more broadly in 2009.

Our commitment to giving back is simple: we believe in the principle of 'people helping people'. As a locally-based, co-operative financial institution, we share our deposits and profits with the citizens and organizations in communities in which we operate.

## supporting our communities

In 2008, we expanded our renowned micro-loan program to the Ottawa region. Sixty-five micro-entrepreneurs and workers (from Ottawa and the Greater Toronto Area) in need of retraining received loans from Alterna last year, averaging \$5,600 each. These small loans are making a big difference. About 90% of our 2008 micro-borrowers are now making an important contribution to the Ontario economy. We are also in the process of finalizing an agreement with the City of Toronto and other local community organizations to fund an entrepreneurship program to help foster self-employment for at-risk youth.

Alterna provided donations and sponsorships to a number of organizations last year – funds that are helping to develop non-profit housing, support healthcare and diversity, and encourage young people to make a difference.

In 2008 we began developing a comprehensive environmental program to further address our impact in a number of areas, such as recycling, waste generation and electricity consumption at our branches and corporate offices. We are excited about this enhanced focus on the environment and look forward to reporting our progress to you throughout the year. This commitment is important to Alterna and our members, and to the planet we all share.

We believe that helping people and communities simply makes sense!



Do It For Dad!



Habitat for Humanity



Run for United Way

2% of our pre-tax profits was shared with deserving, local organizations in the form of donations and sponsorships.

  
makes sense.

In 2003, Panagiotis Tsiriatakis (pictured, centre) received his first micro-loan from Alterna to establish Acropolis – an importer and distributor of olive oils and vinegars from Greece. That year, Acropolis recorded \$69,000 in gross revenue. In 2007, the solely owned and operated business boasted revenues of over \$164,000.



A few cents a month might not make a difference to most of us, but it can make a big difference to those in need.

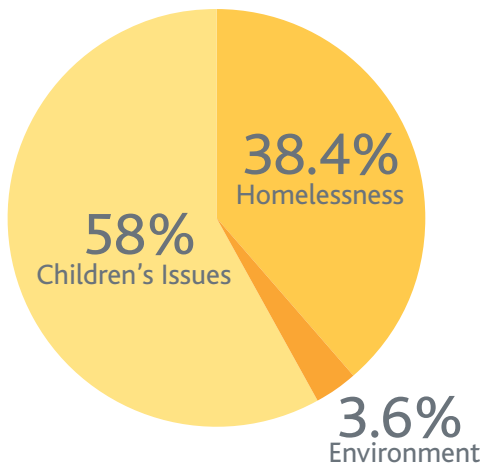
# spare change donations



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Alterna's Spare Change program allows members to direct the monthly "spare change" in their credit union account – those amounts under a dollar – to help local organizations do vital work in our communities. Alterna will transfer Spare Change donations to the fund of your choice: environmental issues, children's issues or projects that help the homeless.

In 2008, over \$13,000 in members' spare change provided small donations that made a big difference to the following organizations.



## Children's Issues

**Cecil Community Centre** \$3,150  
In support of the Cecil Youth Program, a free after-school drop-in for local inner-city youth aged 13 to 19.

**Jefferson Public School** \$70  
(plus a \$930 corporate donation)  
Donations were used to purchase outdoor playground equipment for students and other children in the community.

**Retired Teachers of Ontario, District #24** \$300  
The donation sponsored nutrition programs in east-end Toronto schools.

**Modern Times Stage Company** \$800  
Modern Times is devoted to offering socially-engaged, culturally inclusive theatre experiences. Funds support an annual acting workshop for 10 at-risk youth who are introduced to theatre as a tool for self expression, empowerment and communication.

**Mayworks Festival** \$1000  
The festival has developed a cultural agenda that bridges communities, promotes dialogue between communities and sustains the momentum of community driven initiatives. The donation will be used to help implement arts workshops for at-risk youth.

**Debra Dynes Family House** \$2358.57  
The Debra Dynes Family House has a strong focus on programs and services for children and youth. The donation was used to pilot a program for children aged 5-7 years to help them learn social and independent skills in a comfortable and welcoming environment.

## Help for the Homeless

**Working Skills Centre** \$500  
Working Skills Centre's mission is to empower immigrant women to create their own futures by providing settlement services, language and skills training, Canadian work experience and job search support.

**Street Health Community Nursing Services** \$1,500  
Street Health is a non-profit, community-based agency that provides physical and mental health programs to homeless and low-income individuals. The donation will be used to enhance and expand the Nurse Clinic and Outreach program.

**FCJ Refugee Centre** \$1,500  
FCJ strives to meet the diverse needs of uprooted people in communities across Ontario through community-based programs that promote self-help, personal growth, community economic development and social justice.

**Talisker Players Chamber Music** \$1,500  
Talisker Players has a mission to help build stronger communities by bringing live music to some of the most vulnerable members of our inner-city neighbourhoods. The concerts are also important vehicles in helping marginalized people to re-establish their connection to the larger community.

## Environment

**Ashbridges Community Garden/East End Community Centre Program** \$472.19  
Provides garden plots free of charge for those who might not otherwise have access to land to grow food. Promotes food security, sustainable practices and a stronger sense of community.

spare change total: \$13,150.76

Despite the very challenging economic environment, Alterna delivered a strong performance last year – a reflection of our talented people and solid business practices.

## financial highlights

Alterna focused on aggressively managing our costs last year, which allowed us to keep our operating expenses below 2007 levels. In spite of this, we were able to make a major investment in our information technology infrastructure. This project will ensure improved, ongoing safety and security of member information and has provided us with a foundation on which we can build future services – such as an improved online banking platform.

We are also very proud of the progress we have made on the commercial side of our business, which grew by 42% to over \$600 million last year while continuing to maintain strict credit standards. This achievement reflects our continued focus on providing value to small- and medium-sized businesses. The quality of our portfolio is reflected in our low delinquency rate.

This kind of strong growth, combined with expense control, helped us offset lower interest margins and turmoil in the stock markets last year.

The economy did have one noticeable impact on your credit union. As you know, the current global financial crisis began with problems with sub-prime mortgages in the U.S. where lending practices were lax. Although Alterna had no direct exposure to sub-prime mortgages, we had an indirect exposure to asset-backed commercial paper (ABCP) through our membership at the time in Credit Union Central of Ontario (Ontario Central), the trade association and primary banking services provider for the majority of Ontario credit unions. Alterna, and other

Ontario credit unions, already owners of ABCP by virtue of an ownership position in Ontario Central, were obligated to take control of these investments when Ontario Central merged with Credit Union Central of British Columbia to form Central 1 Credit Union on July 1, 2008. These funds are now being held proportionately by Ontario credit unions in a limited partnership for which John Lahey, Alterna's President and CEO, serves as chair of the board. Alterna's share of this investment was \$9 million at year end, which represents a decrease of \$2.6 million in market value since it was acquired. Also, as a result of Ontario Central's ABCP holdings prior to its merger, Alterna's investment in Ontario Central was written down to reflect our proportional share of Central's residual deficit. Overall, Alterna's income was reduced by over \$3.7 million as a result of the ABCP originally held by Ontario Central. (This situation is similar to losses suffered by other holders of ABCP in Canada.)

The decrease in our interest margin in 2008 is a reflection of the writedown we took on ABCP, and the higher interest we paid members on their Investment Savings Accounts.

Other income includes an \$11.2 million increase in the market value of swaps, held to manage interest rate risk, which increased in value due to interest rate volatility experienced in 2008. This is expected to reverse over the next five years as these derivatives expire.

Overall, we had a good year with income before taxes of \$12.9 million. Alterna fared very well in a challenging environment and delivered a healthy bottom line for the benefit of our members. As a financial cooperative, the better we do, the more opportunities we have to invest in our members, our staff and our communities. Now that's financial news that makes sense!

# consolidated financial statements

## of Alterna Savings

Consolidated Balance Sheet (in thousands of dollars)  
As at December 31

	2008	2007
<b>Assets</b>		
Cash and cash equivalents	\$ 59,833	\$ 56,801
Investments	159,038	150,174
Loans, net of allowance for impaired loans	1,708,118	1,529,150
Property and equipment	19,971	25,692
Derivative financial instruments	16,959	14,676
Other assets	15,038	13,670
	<b>\$ 1,978,957</b>	<b>\$ 1,790,163</b>
<b>Liabilities and Members' Equity</b>		
Liabilities:		
Deposits	\$ 1,776,589	\$ 1,574,662
Borrowings	34,700	50,000
Future income tax liability	2,628	1,274
Derivative financial instruments	3,560	12,858
Other liabilities	27,837	25,952
Membership shares	1,898	2,530
	<b>1,847,212</b>	<b>1,667,276</b>
Members' equity:		
Special shares	24,545	26,143
Contributed surplus	19,282	19,247
Retained earnings	86,459	76,982
Accumulated other comprehensive income	1,459	515
	<b>131,745</b>	<b>122,887</b>
	<b>\$ 1,978,957</b>	<b>\$ 1,790,163</b>

Consolidated Statement of Income (in thousands of dollars)  
Year Ended December 31

Interest income	\$ 91,079	\$ 86,860
Investment income	2,109	7,491
	<b>93,188</b>	<b>94,351</b>
Interest expense	46,278	41,134
Net interest income	46,910	53,217
Loan costs	767	1,738
	<b>46,143</b>	<b>51,479</b>
Other income	27,455	14,196
	<b>73,598</b>	<b>65,675</b>
Operating expenses	60,319	61,396
Income before integration costs and income taxes	13,279	4,279
Integration costs	385	3,261
Income before income taxes	12,894	1,018
Provision for income taxes		
Current	741	90
Future	1,528	184
	<b>2,269</b>	<b>274</b>
Net income	<b>\$ 10,625</b>	<b>\$ 744</b>

The complete audited Consolidated Financial Statements of Alterna Savings are available at [www.alterna.ca](http://www.alterna.ca).

# consolidated financial statements

## of Alterna Savings *continued*

### Consolidated Statement of Comprehensive Income (in thousands of dollars) Year Ended December 31

	2008	2007
Net income	\$ 10,625	\$ 744
Other comprehensive income (loss), net of tax:		
Change in unrealized gains and losses on available-for-sale securities	1,507	5
Reclassification of realized gains and losses on available-for-sale securities to net income	-	(17)
Change in gains and losses on derivatives designated as cash flow hedges	(563)	(146)
	944	(158)
Comprehensive income	\$ 11,569	\$ 586

### Consolidated Statement of Changes in Members' Equity (in thousands of dollars) Year Ended December 31

	2008	2007
Special shares:		
Balance, beginning of year	\$ 26,143	\$ 28,111
Net shares redeemed	(1,598)	(1,968)
Balance, end of year	24,545	26,143
Contributed surplus:		
Balance, beginning of year	19,247	19,053
Income tax adjustment on integration costs	35	194
Balance, end of year	19,282	19,247
Retained earnings, net of tax:		
Balance at beginning of year, as previously reported	76,982	77,981
Transitional adjustment on adoption of new accounting policies	-	(762)
Balance at beginning of year, as restated	76,982	77,219
Net income	10,625	744
Dividend on special shares	(1,098)	(981)
Issuance costs	(50)	-
Balance, end of year	86,459	76,982
Accumulated other comprehensive income (loss), net of tax:		
Balance at beginning of year	515	-
Transitional adjustment on adoption of new accounting policies	-	673
Other comprehensive income (loss)	944	(158)
Balance, end of year	1,459	515
Members' equity	\$ 131,745	\$ 122,887

The complete audited Consolidated Financial Statements of Alterna Savings are available at [www.alterna.ca](http://www.alterna.ca).

# 2008 board of directors

Name	Title	Committee	Attendance	Remuneration	Other Boards that Director Serves On
James Frank	Chair	Governance Nominating	14/14	\$17,700	Investment Advisory Committee, Community Foundation of Ottawa; Board of Directors' Investment Committee, The Canadian Forces Personnel Support Agency; Standards Council of Canada.
Bill Burleigh	Vice Chair	Governance Human Resources Nominating	18/19	\$11,000	Brenyon Way Charitable Foundation; Burnleigh Property Management Limited; Ridgford Charitable Foundation; W G Burleigh Management Services Inc.; Thorncliffe Chapel Housing Corporation
Don Altman	Director	Finance and Audit Member Relations	17/17	\$11,500	Ontario Natural Food Co-operative; Church-Isabella Residents Co-operative; Co-operative Resources Pool of Ontario; Karma Food Co-operative
Gini Bethell	Director	Finance and Audit	9/11	\$9,000	Alterna Bank; Elizabeth Bruyere Research Institute; SCO Health Services Foundation
Penny Bethke	Director	Member Relations Human Resources	14/14	\$11,250	
Faren Bogach	Director	Member Relations	6/7	\$7,000	
Mary-Lu Brennan	Director	Governance Finance and Audit Nominating	20/20	\$11,600	North York Tennis Association
Earl Campbell	Director	Human Resources	9/10	\$16,113	Alterna Bank; Province of Ontario Consent and Capacity Board; Bloorview School Authority Board of Trustees; Ontario Public School Boards' Association Board of Directors; Ontario Credit Union Charitable Foundation Board; Parish Council-St. Dunstan of Canterbury Anglican Church
Johanne Charbonneau	Director	Human Resources	9/10	\$9,700	CBC Pension Plan
Fred Gorbet	Director	Governance Finance and Audit	16/17	\$11,250	Assuris; LawPro (Lawyers Professional Indemnity Company); North American Electric Reliability Corporation; Covenant House Toronto; Institute for Research in Public Policy; Central 1 Credit Union.
Jorge Hurtado	Director	Member Relations	8/10	\$9,250	
Theresa Kavanagh	Director	Member Relations	7/7	\$7,250	
Jeff May	Director	Finance and Audit Nominating	13/13	\$11,000	Alterna Bank
Richard Neville	Director	Governance	15/15	\$10,550	Alterna Bank; The International Public Sector Accounting Standards Board; The St-John's Ambulance Society Board
Richard Ranger	Director	Human Resources	10/12	\$9,750	Alterna Bank

## senior management team

John Lahey	President and Chief Executive Officer
Carl Ramkerrysingh	Senior Vice President Personal and Business Services
Norman Ayoub	Senior Vice President and Chief Operating Officer, Alterna Bank
José Gallant	Senior Vice President and Chief Financial Officer
Kimberley Ney	Senior Vice President Marketing, Communications and Corporate Social Responsibility
Madeleine Brillant	Vice President Corporate Affairs
Colin Brown	Vice President Centre for Business Excellence and Project Management Office
Rebecca Robinson	Vice President Information Technology



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