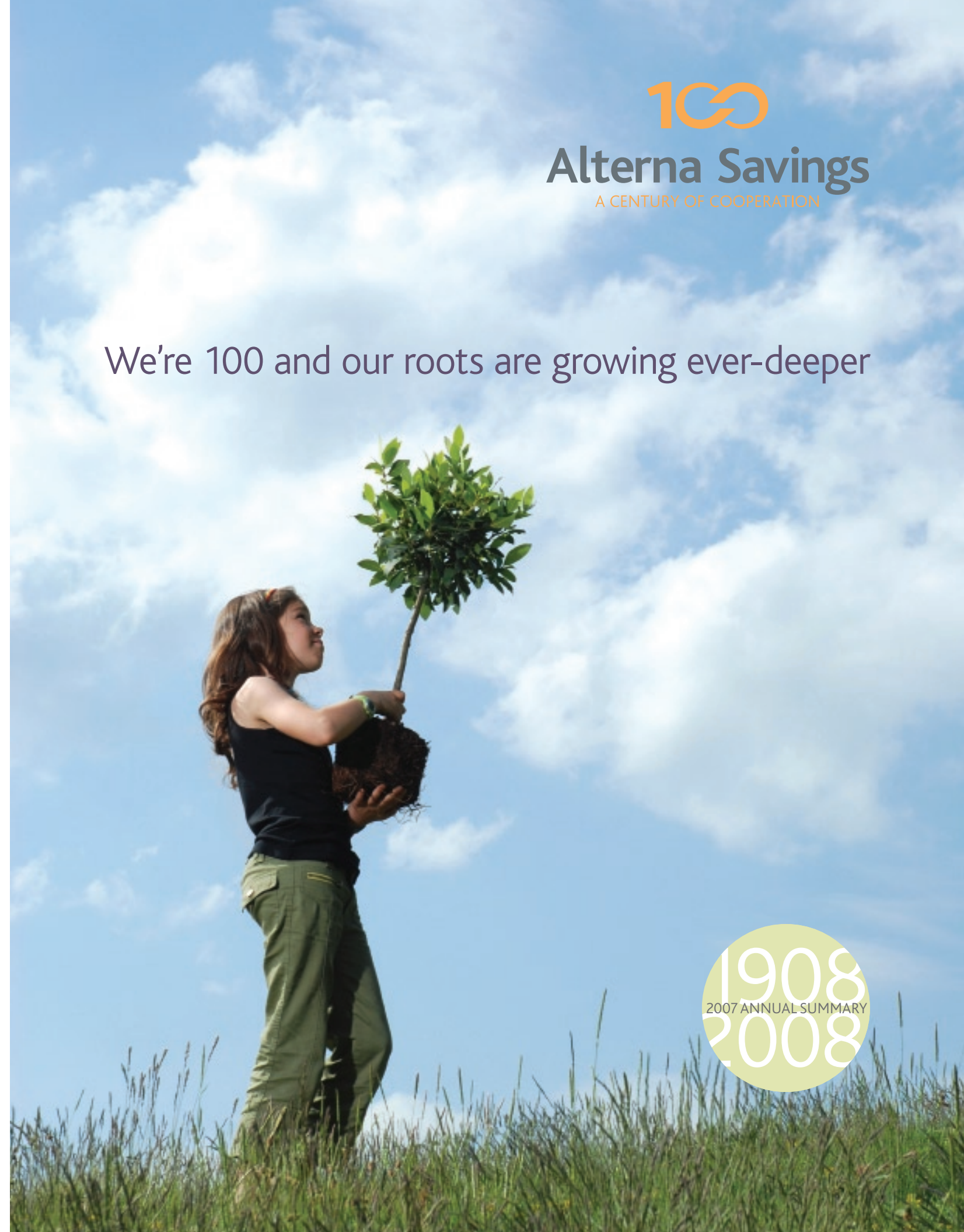


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2008

One
hundred
years of
co-operation

We're 100 and our roots are growing ever-deeper

1908
2008
2007 ANNUAL SUMMARY



We are celebrating 100 years of growth, from 1908 to 2008.

Established in 1908, our credit union marks its centennial in 2008. We're planting 100 trees to celebrate our 100 years of growth, representing our deep commitment to you and to the communities we serve from Ottawa, Kingston, North Bay, Pembroke and Toronto. We are proud to be the first Canadian credit union founded outside of Quebec and to have kept alive the spirit of harmony and co-operation established by our founders. Today, our vision is to achieve mutual growth and prosperity by providing social, economic and environmental benefits to our member communities.

Message from Your Board Chair

2008 is a very special and significant milestone for us all, as we celebrate our 100th anniversary. Milestones are natural times to reflect – to take a step back and look at the cornerstone of our values and philosophy. In looking back on our history, it is a strong sense of integrity, co-operative and community spirit that has been at the root of our success. As to integrity, our credit union could not have flourished, let alone survived, if we hadn't treated our members and staff with forthright honesty and respect. Why does it matter? Because what we do demonstrates our long term commitment to you, our members. On behalf of the Board, I take great satisfaction in knowing that we are accountable to you as a member-owned co-operative. We've been doing it for 100 years, and I have every confidence that we will continue to build on our strong foundation as we shape Alterna's future.



*Earl Campbell
Chair,
Alterna Savings*

Message from the President & CEO

Alterna is 100 years young in 2008! As we celebrate the 100th anniversary, I along with our Board of Directors, Senior Management Team and all of our employees want to thank you. We planted an idea 100 years ago and it's still flourishing today. As I look back on the past year, I am pleased to report that Alterna has now been able to complete the integration of CS CO-OP and Metro Credit Union. The final stages, completed in the fall, proved challenging but the support and understanding of our members was there every day and I can tell you that it was very much appreciated. I had the opportunity to meet many of you personally in Toronto, Ottawa, Pembroke and Kingston during our Member Town Hall meetings. I enjoyed the insightful comments and suggestions as well as your engagement in your credit union. All ideas have been shared with our Board and Senior Management Team as input into our future planning. Later this year, you will have another opportunity to attend a Member Town Hall in your community – I encourage you to take advantage of that unique event and help us make Alterna the best it can be. As we move forward, I am impressed by the sense of common purpose that permeates our organization and promises so much for our future. Our members and staff continue to make invaluable contributions to our development and growth. I look forward to 2008, as our plans for the year focus on improvements to services across the organization. We continue to be committed to providing an excellent experience for our members. In the meantime, thanks for being a member and choosing Alterna as your preferred financial services provider.



*John Lahey,
President & CEO
Alterna Savings and
Alterna Bank*



- Founded on September 3, 1908*
- The Civil Service Savings and Loan Society*
- Robert Baden-Powell begins the Boy Scout Movement*
- Canadian branch of the Royal Mint opens in Ottawa*
- Wilfred Laurier is Prime Minister of Canada*
- Henry Ford produces his first Model T*

The story of Alterna Savings

Alterna Savings - Ontario's premier credit union celebrates our centennial by reaffirming our founding principles of honesty, integrity and service. Our founders chose never to give up their dream and we are proud to be Canada's first credit union established outside of Quebec.

Over the years, the Alterna family has evolved from many credit unions coming together. Our history is colourful with major events, highlights and innovative thinking that have contributed to our growth over the past 100 years.

Built on a foundation of co-operative principles and commitment to our communities, we continue the tradition today through leadership in social responsibility and community involvement.

***We're planting 100 trees to
celebrate 100 years of growth.***



The story of the early days of our credit union is characterized by a spirit of cooperation and determination. Its roots were planted in 1908 - a century ago when exploitation reigned supreme, and Gabriel-Alphonse Desjardins saw opportunity to help others.

The Civil Service Savings and Loan Society was founded on September 3, 1908 in response to the actions of the infamous "loan sharks" on Parliament Hill who charged an astronomical interest rate of two hundred per cent.

At the time, Mr. Desjardins worked with the federal government. He was already a pioneer of the credit union movement in Quebec and had started a movement dedicated to co-operative values by treating members fairly, ethically and respectfully.

At first, it took great effort to attain legal status. The difficulty was with the Charter that the Society received from the province of Ontario in 1908. It was simply not suitable for a co-operative organization such as this. No other provincial legislation or Charter existed to meet the needs of the Society.

Since legislation was already in place in Quebec, officials considered establishing their head office in Hull, however, some felt that this would not be a bold enough approach and they searched for other alternatives.

The Civil Service Savings and Loan Society became Canada's first credit union outside of Quebec. In its early years, it was often referred to as "The Society" until it was incorporated as The Civil Service Co-Operative Society Limited ("CS CO-OP") in 1928.

*Alterna Savings celebrates its 100th anniversary
Alterna Savings grows to \$1.8 billion in assets
Still a co-operative, owned by 150,000 members
Committed to making life better in the communities we serve
Alterna introduces an Investment Savings Account
for our retail and business members
First Alterna employee Corporate Social Responsibility
(CSR) Idol Award is named
Alterna Community Alliance Housing Fund created
President & CEO, John Lahey, of Alterna Savings attends
conference in the United Kingdom where he meets with
His Royal Highness The Prince of Wales*



It was the Prohibition era and a time in history known as the roaring twenties; CS CO-OP was granted "Charter No. 1" under the Credit Unions Act one year before the stock market crash of 1929 that sparked the Great Depression.

Despite the Great Depression, the credit union managed to grow steadily. Success was partly attributed to salary cheque deduction privileges, granted in 1933, the same year Prohibition ended. Deductions ensured that loans were repaid regularly and on time and members could easily move funds to their savings accounts. Today, this concept is known as "pay yourself first".

World War II started - 1939
1945 World War II ended
and the post-war economic boom known as the Baby Boom era began.
The number of members jumped shortly after World War II and continued to increase steadily afterwards.

It is 1949, and the North Atlantic Treaty Organization (NATO) is signed this year in world history. Meanwhile, in Toronto, The University of Toronto Employees' Credit Union (which will later evolve as Metro Credit Union) is formed with 111 members and \$1,012 in assets.

In 1950, the very first credit card is issued and cardholders can charge meals at 27 different restaurants in New York City. A milestone was reached at CS CO-OP with savings reaching the one million dollar mark for the very first time.

It's 1952 and CS CO-OP member, Edison Merritt, opened his first share account for \$5. Mr. Merritt says, "Over the years, the staff has treated me very well and has given me great service." Today, his grandson works for Alterna Savings. At about the same time, other groups of employees in different parts of the province were planting the seeds to realize similar dreams. Jet Power Credit Union, which would later merge with Metro Credit Union, is created for the employees of A.V. Roe working in Malton.

The first CF-105 Avro Arrow, the world's most advanced supersonic fighter aircraft rolled off the assembly line at A.V. Roe in Canada.

In Scarborough, Secul Savings & Credit Union Limited started serving Scarborough's teachers in 1956 and continued to do so for the next 38 years.

By 1964, as the country's economic boom came into its own, savings had bloomed to an impressive \$15.6 million for CS CO-OP.

In 1966, CS CO-OP opened for business in its current premises at 400 Albert Street. Just two years later, Jean Spear became a member and has been with the credit union ever since. Mrs. Spear recalls arriving in Ottawa in 1944 from her native England with just a suitcase in the middle of a snowstorm. Her first job paid just \$5,000 a year but after accepting a job with Statistics Canada that paid \$6,500, Jean decided it was time to start saving with CS CO-OP. A saver by nature, she has enjoyed the many fruits of her labour.

Hers is a success story of a wonderful partnership with the Tunney's Pasture branch that continues to this day. Over the years, she has fond memories of the helpful staff giving her advice. In 2006, after realizing a lifelong dream of meeting the Queen and visiting Buckingham Palace, Alterna Savings' staff gathered to cheer Jean and listen to the highlights of her trip upon her return.

In 1973, after just a little more than 25 years of operations, the University of Toronto Employees' Credit Union changed their name to the University and Colleges Credit Union. Shortly thereafter, it was referred to as Unicoll.

Starting around 1973, something fundamental in the world economy and in the world changed. Some of the optimism of the early years waned as credit unions faced a challenging economic period in the late seventies and early eighties. Throughout the seventies, eighties and nineties, CS CO-OP, Unicoll and Jet Power Credit Unions continued to grow. As smaller credit unions dissolved and joined these organizations, their bond of association expanded to accept a wider group of members over larger territories.

In 1976, Ryerson Polytechnical Credit Union joined Unicoll. CS CO-OP's by-law amendments removed geographic boundaries, making any employee of the federal government eligible for membership, regardless of employment location. The dreams of Mr. Desjardins were being realized many years later during the "disco era".

"An Alterna First" - CS CO-OP introduces the first ABM network in the Ottawa region in 1982.

Through the acquisition of the Federal Civil Servants Credit Union in North Bay, CS CO-OP established its first location outside the National Capital Region in 1985. A series of acquisitions by Unicoll ensued in the eighties notably Tech Toronto, Toronto Board of Education Staff Credit Union and Etobicoke Community Credit Union.

These co-operatives remained committed to the spirit of cooperation and adhered to that "faith in an ideal" on which they were all founded. When Secul merged with Unicoll in 1994, the new entity became Metro Credit Union. Jet Power Credit Union and Metro Credit Union merged four years later and, finally, Metro Credit Union and CS CO-OP joined forces in 2005 to become ~ Alterna Savings.

Today, Alterna is a proud contributor to the communities it serves. Approximately 85 cents of every dollar deposited into the credit union is reinvested into our local communities in the form of personal and small business loans and mortgages. We pride ourselves in the manner in which we can facilitate global thinking while allowing members and communities to bank locally.

2007 – The year in retrospect

We completed the final phase of integration in 2007. Our staff worked diligently behind the scenes to complete the integration of our system and products and services. While we acknowledge this as a challenging time, going forward, the strong technology foundation we now have in place will help us ensure that your expectations can be exceeded again. Members from Ottawa to Toronto can now enjoy a made-for-Alterna Savings customized product suite along with new banking packages. We also introduced the Business Investment Savings Account in 2007 offering our business members access to a savings account that pays significantly higher interest.

We thank you for the trust you have placed in us.

GreenSaver Loan Launch

In an effort to reduce your environmental footprint, Alterna Savings introduced the GreenSaver Improvement Loan at a great prime interest rate. Alterna can help you finance the recommended energy retrofits and upgrades using our GreenSaver loan.

"A GreenSaver energy assessment identifies problem areas and provides home and business owners with unbiased recommendations to deliver the most cost-effective, energy efficient solutions. GreenSaver can also help you qualify for any government rebates that may be available, like the current EcoENERGY program."
Kimberley Ney, Senior Vice President, Marketing, Communications and Corporate Social Responsibility, Alterna Savings.

Growing our branches

In 2007, two exciting new developments happened. As we grew to serve you better, we opened our new Bramalea Community Banking Centre in August, 2007. This updated, bright, friendly new location was now home to new members and those from the Bramalea Branch. Members of the former Scarborough Town Centre branch moved to our new Scarborough Community Banking Centre in May, 2007. Members can now enjoy the beautiful new branches and a full range of banking services including financial planning, commercial and cash services and much more. Our child-friendly play areas are a big hit for parents and children alike.

Deepening our commitment

In October 2007, we officially launched the Community Micro Loan Program in partnership with the Ottawa Community Loan Fund (OCLF). Alterna has been working with the OCLF since February 2007 to provide small loans to micro-businesses, social enterprises and new Canadians for educational training.

"Our partnership with OCLF is part of our commitment to developing the communities we serve. Micro-credit is a powerful anti-poverty tool used around the world, and it can make a difference."
Susan Henry, Alterna's Manager of Community Economic Development.

Alterna Savings teamed up with Ogrant ~ a new organization that helps students fund their education through creativity and collaboration on a wide variety of themes. Alterna Savings will award three grants totalling \$6,000 to students in Ontario who make a difference in their local community.

2008 - Looking forward

An Environmental Sustainability Committee made up of employees will be formed this year. The committee will review the credit union's footprint, develop a long-term action plan and take advantage of some quick wins within the operation.

Socially Responsible Investing (SRI) ~ Alterna will actively promote socially responsible investing to our members in 2008. We will accomplish this through ongoing member education. Alterna is a sustaining member of the Social Investment Organization and we will continue to support the growth and health of this investment sector in Canada.

Alterna will continue to be involved in policy and advocacy activities that advance co-operative and community development goals in 2008. Members of the Senior Management Team will continue to be involved in programs for micro-lending, loan guarantees and human resources funding.

Within the co-operative system, Alterna will sponsor and participate in a number of activities:

- Co-op Funders Forum to discuss ways to support and fund Ontario co-ops
- Co-op Young Leaders Camp to build leadership skills and awareness of co-operatives among youth
- Credit Union/Co-op CSR Conference to bring together Canadian co-operators to discuss social responsibility strategies
- Completion of first Corporate Social Responsibility Accountability Report (2006-2007 data)
- Women's Mentoring Program, Canadian Co-operative Association to help mentor female credit union managers from developing countries.
- New Social Enterprise Program, an initiative to seed and support social enterprise in the Greater Toronto Area. Grants of up to \$10,000 will be provided to non-profit organizations to help them start and grow social enterprises. The funding can be used to access support at any stage along the social enterprise development path.

VISION

MISSION

VALUES

PILLARS

CORPORATE SOCIAL RESPONSIBILITY

“We are thankful that our staff embrace the ethic of social responsibility wholeheartedly”

All too often, Vision, Mission and Value statements are just that – statements! Alterna Savings members quickly discover that we live and breathe ours every day.

Vision

To be the leader of co-operative financial services.

Mission

Develop and share an exceptional level of financial expertise that is:

- tailored to member needs
- accessible to all
- supportive of local communities
- delivered by caring, professional employees.

Values

People First, Excellence, Integrity

Corporate Social Responsibility Pillars

Accountability
Community Economic Development
Financial Literacy
Environmental Sustainability
Philanthropy

Member & Staff Testimonials

As an embodiment of our vision and values, we share first-hand accounts and testimonials of member and staff experiences with the credit union over the years.

‘I’ve grown up with the credit union and am happy to call Alterna home for the past twenty years. I’m proud to be a part of the Alterna family’

Velma Jagroop, Branch Manager, Bramalea Community Banking Centre

‘I think the culture at Alterna Savings is one of service. My experience with our employees is that the one thing they share in common is a real passion for our members. A passion for doing the right thing for our members, at the right time, with a kind of friendliness that is very hard to find in financial services today’

John Lahey, President & Chief Executive Officer

‘I’ve been with Alterna Savings for five years. Even though it’s only been five years, I’ve always felt very welcomed. The staff here are amazing, as are the members’

Cathy McLeod, Fraud Analyst, Finance Department

‘Over the years, the staff has treated me very well and I’ve enjoyed great service’

Edison Meritt, member since 1952

‘Thank you for all of the help and advice I have received from the staff. I have made many friends and shared lovely memories’ *Jean Spear, member since 1968*

‘We, at Alterna Savings really care about our members and we like to get to know them. To quote one of our members: ‘I view a visit to the bank as coming in to see my friends, not just to do my banking. They have always bent over backwards to help me out.’ I think that says it all, about how we treat our members’

Elizabeth Doull, Branch Manager, Tunney’s Pasture

‘My very first task was to learn how to file. I was very impressed with the opportunities that were available as an employee. In 1994 I had the opportunity to open the Merivale branch right from scratch. I am now in my 21st year here at Alterna Savings’

Nancy Elliott, Branch Manager, Billings Bridge & South Keys

Consolidated Financial Statements of Alterna Savings December 31, 2007

Alterna Savings Consolidated Balance Sheet (in thousands of dollars)		
As at December 31		
	2007	2006
ASSETS		
Cash and cash equivalents	\$ 56,801	\$ 67,108
Investments	150,174	148,213
Loans, net of allowance for impaired loans	1,529,150	1,499,781
Property and equipment	25,692	29,180
Derivative financial instruments	14,676	1,920
Other assets	13,670	14,519
	\$ 1,790,163	\$ 1,760,721
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Deposits	\$ 1,574,662	\$ 1,580,498
Borrowings	50,000	18,400
Future tax liability	1,274	1,439
Derivative financial instruments	12,858	214
Other liabilities	25,952	32,494
Membership shares	2,530	2,531
	1,667,276	1,635,576
Members' equity:		
Special shares	26,143	28,111
Contributed surplus	19,247	19,053
Reserves	76,982	77,981
Accumulated other comprehensive income	515	-
	122,887	125,145
	\$ 1,790,163	\$ 1,760,721

Alterna Savings Consolidated Statement of Income (in thousands of dollars)			
Year Ended December 31			
	2007		2006
Interest income	\$	86,860	\$ 81,862
Investment income		7,491	8,613
		94,351	90,475
Interest expense		41,134	38,338
Net interest income		53,217	52,137
Loan costs		1,738	860
		51,479	51,277
Other income		14,196	14,221
		65,675	65,498
Operating expenses		61,396	59,698
Income before integration costs and income taxes		4,279	5,800
Integration costs		3,261	1,595
Income before income taxes		1,018	4,205
Provision for income taxes			
Current		90	1,057
Future		184	(371)
		274	686
Net income	\$	744	\$ 3,519

The complete audited Consolidated Financial Statements of Alterna Savings are available at www.alterna.ca.

Financials 2007

Alterna Savings Consolidated Statement of Comprehensive Income (in thousands of dollars)		
Year Ended December 31		
		2007
Net income	\$	744
Other comprehensive loss, net of tax:		
Change in unrealized gains and losses on available-for-sale securities (1)		5
Reclassification of realized gains and losses on available-for-sale securities to net income (2)		(17)
Change in gains and losses on derivatives designated as cash flow hedges (3)		(146)
		(158)
Comprehensive income	\$	586
(1) Net of income tax expense of \$2		
(2) Net of income tax recovery of \$4		
(3) Net of income tax recovery of \$26		

Alterna Savings Consolidated Statement of Changes in Members' Equity (in thousands of dollars)		
Year Ended December 31		
	2007	2006
Special shares:		
Balance, beginning of year	\$ 28,111	\$ 29,025
Net shares redeemed	(1,968)	(914)
Balance, end of year	26,143	28,111
Contributed surplus:		
Balance, beginning of year	19,053	19,053
Income tax adjustment on integration costs	194	-
Balance, end of year	19,247	19,053
Reserves, net of tax:		
Balance at beginning of year, as previously reported	77,981	75,633
Transitional adjustment on adoption of new accounting policies	(762)	-
Balance at beginning of year, as restated	77,219	75,633
Net income	744	3,519
Dividend on special shares	(981)	(1,171)
Balance, end of year	76,982	77,981
Accumulated other comprehensive income (loss), net of tax:		
Balance at beginning of year	-	-
Transitional adjustment on adoption of new accounting policies	673	-
Other comprehensive loss	(158)	-
Balance, end of year	515	-
Members' equity	\$ 122,887	\$ 125,145

Financials 2007

Branch Openings



Bramalea



Scarborough



Name	Title	Committee	Attendance	Other Boards that Director Serves On
Earl Campbell	Chair	Executive	15/16	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
Fred Gorbet	Vice Chair	Executive, Member Relations	19/20	Alterna Bank, Assuris, LawPro (Lawyers Professional Indemnity Company), North American Electric Reliability Corporation, Covenant House Toronto, Institute for Research in Public Policy, Credit Union Central of Ontario, Central 1 (pro-tem).
Don Altman	Director	Finance and Audit, Member Relations	15/16	Ontario Natural Food Co-operative, Church-Isabella Residents Co-operative, Co-operative Resources Pool of Ontario, Karma Food Co-operative
Gini Bethell	Director	Executive	17/18	Alterna Bank, Elizabeth Bruyere Research Institute, SCO Health Services Foundation
Penny Bethke	Director	Member Relations, Human Resources	17/17	
Mary-Lu Brennan	Director	Human Resources, Member Relations, Nominating	18/19	North York Tennis Association
Ted Brown (Until November 24, 2007)	Director	Member Relations, Nominating	14/14	The Friends of the Merrill Collection - Toronto Public Library; Cecil Community Centre
Bill Burleigh	Director	Executive, Finance and Audit	19/19	Brenyon Way Charitable Foundation, Burnleigh Property Management Limited, Ridgford Charitable Foundation, W G Burleigh Management Services Inc.
Johanne Charbonneau	Director	Human Resources, Nominating	12/18	CBC Pension Plan
Gail Di Cintio	Director	Finance and Audit, Human Resources	21/23	Larus Technologies Corporation
James Frank	Director	Executive	18/18	Alterna Bank; Investment Advisory Committee, Community Foundation of Ottawa; Board of Directors' Investment Committee, The Canadian Forces Personnel Support Agency; Standards Council of Canada.
Jorge Hurtado	Director	Member Relations	10/11	Alameda Theatre
David Kinsman	Director	Member Relations	12/13	Dave Smith Youth Treatment Centre
Mel Lang*	Director	Executive, Human Resources	12/21	Compass Charitable Foundation
Jeff May	Director	Finance and Audit, Nominating	19/19	
Richard Neville	Director	Finance and Audit	13/15	Alterna Bank, RCMH - MRCH Inc., The International Public Sector Standards Board and The St-John's Ambulance Society Board
Richard Ranger	Director	Finance and Audit, Human Resources	18/19	Alterna Bank

* Please note Mr. Lang's absence and attendance record was impacted by health-related issues encountered throughout the course of the year.

Credit Committee (Until July 1, 2007)
Alexandra Wilson
Chair
Penny McCabe
Vice Chair
Ken Chan
Bruce Hirst
Stewart Robertson
Andrew Stabins

Senior Management Team	
John Lahey	President and Chief Executive Officer
Carl Ramkerrysingh	Senior Vice President and Chief Operating Officer
Norman Ayoub	Senior Vice President and Chief Operating Officer, Alterna Bank
José Gallant	Senior Vice President and Chief Financial Officer
Louise Horton	Senior Vice President Human Resources
Tom Gregoriades	Senior Vice President Service Delivery and Operations
Kimberley Ney	Senior Vice President Marketing, Communications and Corporate Social Responsibility
Madeleine Brillant	Vice President Corporate Affairs

