

annual summary 2006



*getting you  
from here to there*



we're connected



connected to each other

Connected to you, connected to the communities you call home. Whether you live in Ottawa, Toronto, Kingston, Pembroke or North Bay. Whether you joined us as a concerned cooperator, a federal government employee, a teacher, an airline industry worker or a savvy consumer looking for a better financial services experience. As we wrap up our second year as Alterna Savings, we are also celebrating 99 years of connection, 99 years as one of Ontario's leading financial alternatives.

From 1908 to today.

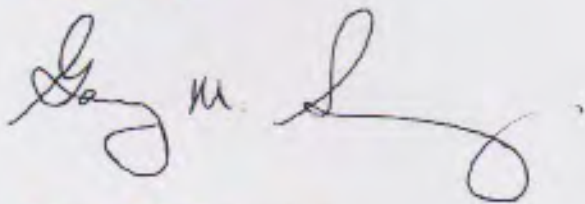


## Message from the President & CEO

Dear Members:

As I begin my retirement and look back over my 33 year career at CS CO-OP and now Alterna Savings, it's the connections that matter most. Helping connect members to their first home, a comfortable retirement, or business success. Connecting the resources of the credit union with community need, from United Way to the Alterna Do It For Dad! Run and Family Walk for prostate cancer. I am proud of the credit union that members and employees have built together, and confidently pass the torch to our able Senior Management Team. I wish you all well and look forward to reconnecting in my new role as an interested member.

Sincerely,



Gary M. Seveny  
President & CEO





## Behind the Scenes

The year 2006 saw the connections between the former legacy credit unions, Metro and CS CO-OP, multiplying within our operation. Much planning took place, leading to the completion of our new branching strategy and Corporate Social Responsibility strategy, a robust Annual Operating Plan process, and the strategy for our subsidiary Alterna Bank. We also worked diligently behind the scenes in preparation for the 2007 integration of our banking system and final merging of our products and services. In all, 35 of 59 integration initiatives are now completed. And when members of former Metro Credit Union move to the new system and products and services in mid-2007, the final connections will be made.

## Building Member Services

As your credit union moved forward so did the services we were able to provide to members. Our Financial Advisory Services group was expanded to increase investment services, and the credit union moved to one integrated supplier of investment products. The TeleService Centre was also relocated to Toronto and expanded. Further, we launched a Small & Medium Enterprise initiative to improve our services to small business members.

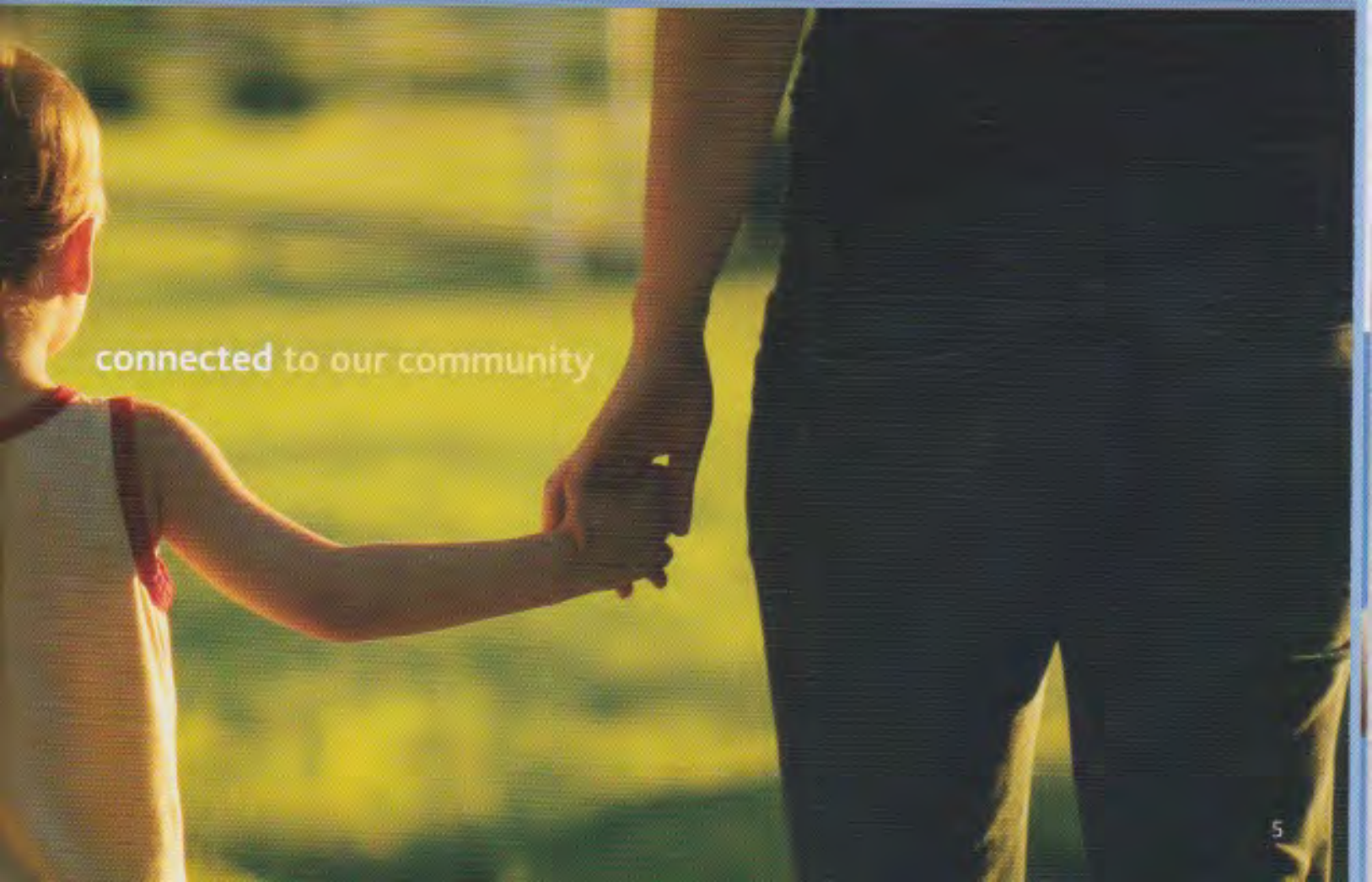
In December 2006, two exciting developments took place. The first was the launch of the new Scarborough Community Banking Centre. This brighter, updated space replaced the Brimley Branch. In 2007, Scarborough Town Centre members will move to the new space. Also in December, members of former CS CO-OP began to enjoy our new made-for-Alternia banking packages and accounts. These members were also the first to access our new website in early 2007.



## Expanding Our Commitment

*Community Economic Development, Accountability, Philanthropy,  
Financial Literacy and now Environment*

In 2006 we expanded the scope of our social responsibility work under our five pillars, and enhanced some of our programs. Our Community Micro Loan Program has expanded to Ottawa through a partnership with the Ottawa Community Loan Fund. And our Community Donations Program also expanded to include Ottawa, Kingston, Pembroke and North Bay. The Social Audit Advisory Committee has been hard at work preparing for our first accountability report to cover the period ending in December 2007. And the Diversity Advisory Committee has been tasked with looking at ways to better serve the diverse communities amongst our membership and at large. Finally, through the addition of the environment as a pillar, the credit union began to expand our commitment to environmental responsibility.

A photograph showing a young child on the left, seen from the side, holding the hand of an adult on the right. The background is a bright, out-of-focus green field, suggesting an outdoor setting. The lighting is warm, likely from the sun being low in the sky. The text "connected to our community" is overlaid on the image in a white, sans-serif font.

connected to our community

## Financial Results

Financial performance in 2006 shows that Alterna Savings is putting down the roots of a solid fiscal base. Consolidated assets closed at \$1.8 billion, with an additional \$385 million in off-balance sheet relationships, primarily mutual funds and other investments purchased by members. Growth in our consolidated credit portfolio totaled \$97 million in 2006. Growth in commercial loans and mortgages exceeded \$55 million as we continue to build relationships with small and medium enterprises. Despite competitive pressures, consolidated retail mortgages have shown a healthy increase of \$41 million, bolstered by Alterna Savings' leading mortgage rates throughout the fiscal year. Consolidated deposit growth, coupled with off-balance sheet mutual fund and other investments, has also been successful with combined growth of \$46 million in 2006.

Consolidated net income for the year closed at \$3.5 million, with competitive pressures keeping interest margins slim throughout 2006. Offsetting these challenges to revenue, operating expenses were well controlled while loan losses continued at historically low levels, due to a high quality credit portfolio and strong collection processes.



connected to our world



## Alterna Savings Consolidated Statement of Income and Reserves (in thousands of dollars)

Year Ended December 31

	2006	2005
Interest income	\$ 81,862	\$ 71,154
Investment income	8,613	9,475
	90,475	80,629
Interest expense	38,338	32,994
Net interest income	52,137	47,635
Loan costs	860	966
	51,277	46,669
Other income	14,221	14,120
	65,498	60,789
Operating expenses	59,698	54,726
Income before integration costs and income taxes	5,800	6,063
Integration costs	1,595	1,314
Income before income taxes	4,205	4,749
Provision for income taxes		
Current	1,057	732
Future	(371)	165
	686	897
Net income	3,519	3,852
Reserves, beginning of year	75,633	72,887
Dividend on special shares (net of tax)	1,171	1,106
Reserves, end of year	\$ 77,981	\$ 75,633

## Alterna Savings Consolidated Balance Sheet (in thousands of dollars)

As at December 31

### ASSETS

Cash and cash equivalents	\$ 67,134	\$ 180,472
Investments	150,567	116,481
Loans, net of allowance for impaired loans	1,502,582	1,405,716
Property and equipment	29,180	31,298
Other assets	11,258	9,883
	\$ 1,760,721	\$ 1,743,850

### LIABILITIES AND MEMBERS' EQUITY

<b>Liabilities:</b>		
Deposits	\$ 1,596,547	\$ 1,597,208
Borrowings	18,421	-
Future tax liability	1,439	1,810
Other liabilities	16,638	18,496
Membership shares	2,531	2,625
	1,635,576	1,620,139
<b>Members' equity:</b>		
Special shares	28,111	29,025
Contributed surplus	19,053	19,053
Reserves	77,981	75,633
	125,145	123,711
	\$ 1,760,721	\$ 1,743,850

The complete 2006 audited Financial Statements of Alterna Savings are available at alterna.ca.

## Board Of Directors, Credit Committee and Senior Management Team Members

NAME	TITLE	COMMITTEE	ATTENDANCE	OTHER BOARDS THAT DIRECTOR SERVES ON
<b>Board of Directors</b>				
Earl Campbell	Chair	Executive	17/17	Province of Ontario Consent and Capacity Board, Bloorview School Authority Board of Trustees, Ontario Public School Boards Association, Ontario Credit Union Charitable Foundation Board, Parish Council St. Dunstan of Canterbury Anglican Church, Scarborough Training Centre International Inc.
Fred Garbet	Vice Chair	Executive Nominating	19/20	Alterna Bank, Assuris, LawPro (Lawyers Professional Indemnity Company), North American Electric Reliability Council, Covenant House Toronto, Institute for Research in Public Policy, Credit Union Central of Ontario
Don Altman	Director	Finance and Audit Nominating	21/21	Ontario Natural Food Co-operative, Church Isabella Residents Co-operative, Co-operative Resources Pool of Ontario, Karma Food Co-operative
Gini Bethell	Director	Executive Finance and Audit	21/24	Alterna Bank, Elisabeth Bruyère Research Institute
Penny Bethke	Director	Member Relations	11/12	Campus Co-operative Residence Inc. - alumnae member
Mary-Lu Brennan	Director	Human Resources Member Relations	15/15	North York Tennis Association
Ted Brown	Director	Member Relations	12/12	The Friends of the Merril Collection - Toronto Public Library; Cecil Community Centre
Bill Burleigh	Director	Finance and Audit Nominating	21/21	Brenyon Way Charitable Foundation, Burnleigh Property Management Limited, Ridgford Charitable Foundation, W G Burleigh Management Services Inc.
Johanne Charbonneau	Director	Human Resources	7/8	CRC Pension Plan, Certified General Accountants of Ontario
Pierre Choquette	Director	Member Relations Nominating	16/16	Ottawa River Project Inc.
Gail Di Cintio	Director	Executive Human Resources	19/19	
James Frank	Director	Executive Human Resources	24/25	Alterna Bank; Elisabeth Bruyère Research Institute; Investment Advisory Committee, Community Foundation of Ottawa; Board of Directors; Investment Committee, The Canadian Forces Personnel Support Agency; Standards Council of Canada.
David Kinsman	Director	Member Relations	11/12	
Mel Lang	Director	Executive Member Relations	21/21	Compass Charitable Foundation
Jeff May	Director	Finance and Audit Nominating	21/21	
Richard Neville	Director	Finance and Audit	18/18	Alterna Bank, RCMH - MRCH Inc.
Richard Ranger	Director	Finance and Audit Human Resources	19/20	Alterna Bank
John Richmond	Director	Member Relations	11/12	Karma Food Co-operative
Doug Thwaites	Director	Human Resources	11/11	
Anna Tosta	Director	Finance and Audit	13/17	
<b>Credit Committee</b>				
Alexandra Wilson	Chair			
Penny McCabe	Vice Chair			
Ken Chan				
Bruce Hirst				
Hugh Reilly				
Stewart Robertson				
Andrew Stabins				
<b>Senior Management</b>				
Gary Severy	President & CEO			
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 Organizational Performance and Chief Financial Officer			
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			

## Message from Your Chair

Throughout 2006, your Board of Directors focused on guiding your credit union through to the completion of merger integration while maintaining a high quality of member service and a solid financial base.

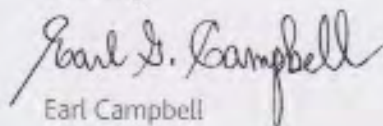
We stayed connected to you through Member Town Hall meetings, the Annual General Meeting and special interest seminars. I appreciate your feedback as it helps us get where we need to go. Also, I want to express the appreciation of the Board to employees of The Alterna Group who have worked diligently on a daily basis to ensure success on behalf of the members.

I want to take this opportunity to thank Gary Severy for his leadership as President and CEO during the last several years and for guiding our organization to this point in our history in providing financial services in the community. Gary has served Alterna for 33 years and members, employees and the members of the Board all extend to Gary best wishes in the future.

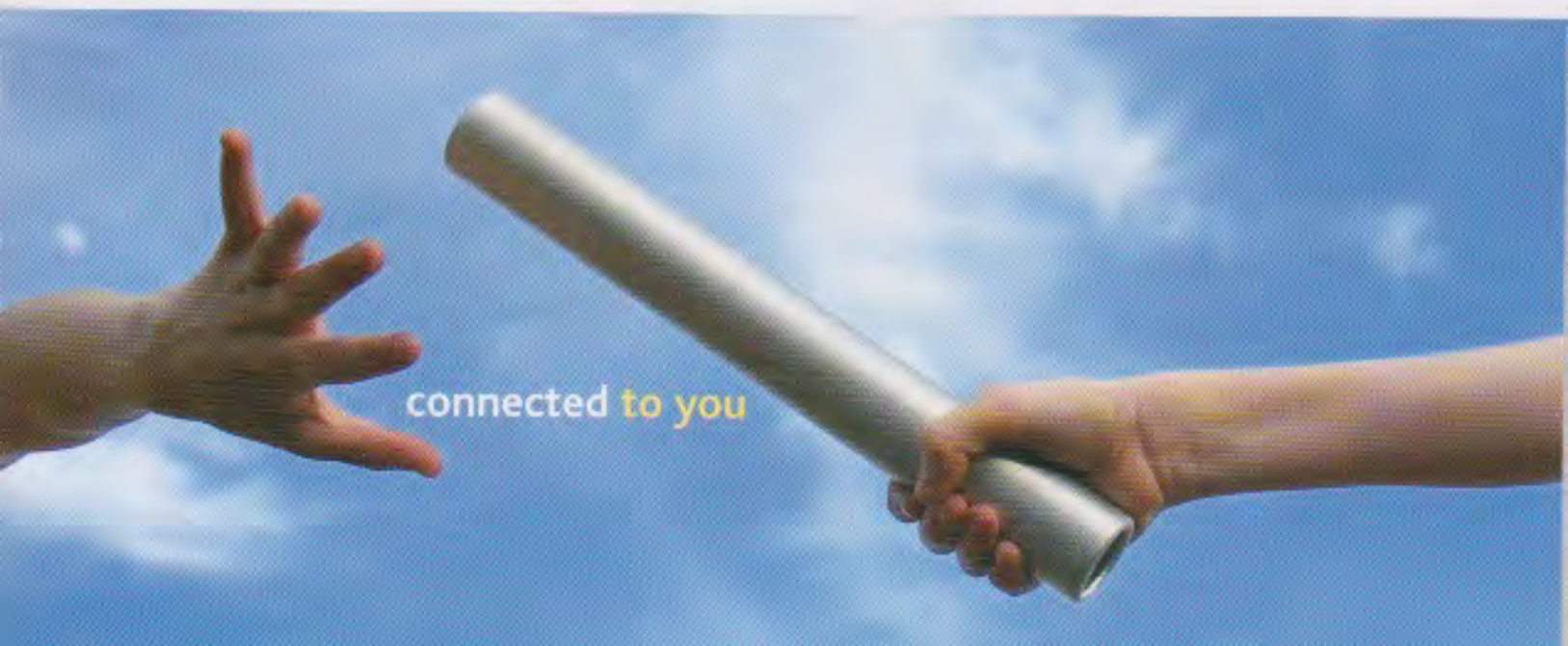
A search for a new President and CEO is well underway and I look forward to announcing the successful candidate to the membership and staff as soon as the decision is made by the Board.

The Alterna Group – Alterna Savings and Alterna Bank – is in a good position to complete the integration projects in 2007 relating to the merger and is poised to have your credit union become the leader of cooperative financial services. Alterna members are invited to join us on that journey.

Sincerely,



Earl Campbell  
Chair



connected to you



Alterna

*getting you  
from here to there*

stay **connected** [alterna.ca](http://alterna.ca)

