PART OF SOMETHING BIGGER

2013 ANNUAL SUMMARY

ALTERNA, PROUD SPONSOR OF THE ULTIMATE RUN FOR MEN’S CANCER, AN ANNUAL FAMILY EVENT.
ABOUT ALTERNA SAVINGS
ALTERNA SAVINGS IS A FULL-SERVICE, MEMBER-OWNED FINANCIAL COOPERATIVE, SERVING COMMUNITIES THROUGH 22 BRANCHES IN THE GREATER TORONTO AREA, THE NATIONAL CAPITAL REGION, AS WELL AS KINGSTON, PEMBROKE AND NORTH BAY. OUR QUEBEC CLIENTELE ARE SERVED THROUGH OUR WHOLLY-OWNED SUBSIDIARY, ALTERNA BANK.

VISION
TO BE THE LEADER OF COOPERATIVE 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
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SUCCESS IS

JOY IN THE FACES OF FIRST-TIME HOME BUYERS. THAT THRILL YOU FEEL TAKING YOUR FAMILY ON THE VACATION OF A LIFETIME. TEARS WEPT WHEN YOU REALIZE YOU’RE FINALLY DEBT-FREE, AND CAN RETIRE PEACEFULLY. THE EXCITEMENT OF LAUNCHING YOUR NEW BUSINESS. THE SMILE ON A YOUNG PERSON’S FACE KNOWING THEY’RE ABLE TO RECEIVE A POST-SECONDARY EDUCATION TO FOLLOW THEIR DREAMS. YOU KNOW YOU CAN’T GO IT ALONE – NEITHER CAN WE.

WE’RE BETTER, TOGETHER.
5,000
NEW MEMBERS

$397 MIL
IN GROWTH OF FUNDS UNDER MANAGEMENT

UP 8%
MEMBER LOYALTY INDEX

OVER
$70,000
AWARDED IN POST-SECONDARY SCHOLARSHIPS THROUGH POWER OF LEARNING PROGRAM

$10 MIL
NET INCOME AFTER TAXES, A $4.1 MILLION IMPROVEMENT OVER 2012
2013 WAS A GREAT YEAR FOR ALTERNA, FILLED WITH MILESTONES, GROWTH AND OPPORTUNITY. AND YOU’VE BEEN WITH US ALL THE WAY.

Alterna’s successes of 2013 have proven that we’re much stronger together. Our ability to create an effective balance between being the reliable and competitive financial institution you’ve come to depend on while supporting our people and communities is something we can all be proud of. We’re your financial cooperative, and we advocate and support you and the communities we serve.

Building and nurturing solid, lasting relationships with each and every one of you will continue to be a primary focus for us in the coming year. Alterna is a competent and strong organization, with the people and practices in place to support your financial needs. Our success is defined by our ability to meet your financial needs and help you achieve your goals.

To help guide us to a path that will not only improve the products and services we provide to you, but work to grow our membership and capital base in order to keep the organization healthy and strong, we introduced a new executive management team. And to provide a better member experience, improve our cost structure, and position us for future investment opportunities, we undertook an exercise in organizational efficiency. As you’ll
see in this report, we’re already seeing results from these changes, and we’re confident that more favourable achievements will be seen in the coming year, as we continue to centre our efforts on regularly reviewing, updating and improving on the systems we have in place.

Strength in numbers is the lifeblood of our organization, and we’re delighted to report that 2013 saw a record increase in Alterna’s membership growth, as we welcomed almost 5,000 new members into the Alterna family. Your recommendations through the New Member Referral Program that was launched last year directly contributed to this growth, and helped us end the year with an unprecedented growth of $397 million in Funds Under Management including loans, deposits, and wealth.

Additionally, you showed us that we’re doing much better at meeting your needs – our Member Loyalty Index increased by 8%. In a year’s time, we expect to report even more good news to you about how we’re meeting your needs while strengthening the organization’s numbers.

We will continue to build on the momentum of our membership growth activities in 2014 – after all, a solid foundation of capital and growth supports and drives the expansion and improvement of the products and services we provide to you. Part of this momentum will come from a province-wide campaign that focuses on the difference of cooperative banking and credit unions. Studies show that a significant portion of Ontario’s residents have little knowledge of credit unions and cooperative banking, which is why we worked extensively with a team of other credit unions in 2013 to develop the Ontario-wide television awareness campaign. We’re pleased to report that our organizations are already seeing results from the early days of this campaign.

Last June we added a page to the Alterna memory book with the opening of our flagship branch, Place de Ville in Ottawa. The bright, new space features a member lounge – a hub for our members and the community, where they can learn, grow and bank together. Setting a new service standard for Alterna, Place de Ville was designed with convenience and member comfort in mind, with iPads, private meeting areas, and a coffee lounge. The grand opening event attracted not only the local press, but Ottawa’s mayor, the Hon. Jim Watson, Alterna staff, the general public and many of you.

In the fall, we joined forces with Ottawa Women’s Credit Union (OWCU), which provides the opportunity for us to offer financial advice, products and services to support local markets.
in Ottawa’s vibrant Centretown. Place de Ville and the OWCU integration projects are just two examples of what can be achieved together.

It’s imperative that Alterna continues to demonstrate to you that we’re a better banking alternative. We don’t take our financial and social responsibilities lightly – we believe that building strong communities helps nurture and support our members and their families. Proof of this is the fact that our staff hosted and participated in more community events in 2013 than ever before, due in part to a company-sponsored staff volunteer day. To complement our physical community presence, our participation in social media through Facebook, Twitter, and LinkedIn, has helped expand our community reach, and establish a personal connection with you, community organizations and prospective new members.

We’re founded on the principle and belief that our financial institution should be open and available to all, without exception, and are motivated by the fact that you share this belief, something you clearly demonstrate through your actions.

In 2013, with your generosity and support, we helped provide 23 young people with post-secondary education through scholarships to Boys and Girls Clubs of Canada. Through Candlelighters, we put iPads in the hands of children living with cancer, enabling them to stay in touch with their friends and continue their schooling throughout treatment. And, our long-standing relationship with the Centre for Social Innovation continues to provide much-needed assistance to social entrepreneurs and innovators, like the Toronto Tool Library, in order to help transform ideas into real-life change through the Ontario Catapult Microloan Fund.

The successes of the past year are a true testament to what we can accomplish, and we’re confident that the year ahead holds promise of more great things to come. We, along with our dedicated staff and community partners, are part of something bigger.

Together, we’re doing great things – in our communities, our neighbourhoods, and for each other. That’s the difference cooperative banking at Alterna makes.

Rob Paterson
President & CEO

Duncan Munn
Chair
SPOTLIGHT
ON ALTERNA
MEMBER LOYALTY INDEX – MEASURABLE MEMBERSHIP

The annual Alterna member survey provides insights into your opinions about our products and services. Many of you also take the opportunity to provide constructive feedback about our organization’s strengths and where we could improve.

Your input and comments are always welcome. We’re here for you, and want to ensure your needs are being met. The Member Loyalty Index is one area we look at closely to gauge just how well we’re doing that.

Questions related to your overall satisfaction, willingness to recommend us to others, and whether you intend to increase or decrease your business with us in the coming year, make up the Member Loyalty Index.

We’re pleased to report that our Loyalty Index reflects an increase of 8%. Overall, the survey showed us that you were happier overall with our service, you were more likely to recommend Alterna to others, and you had a stronger intention of using Alterna exclusively in the future for your financial needs.

You also identified areas in our services and products that could be improved, and you have our promise that we’re committed to strengthening and improving to better serve you.

YOU are at the heart of everything we do.

PLACE DE VILLE

On June 13, 2013, we opened our new flagship branch at Place de Ville, at 112 Kent St. Serving 24,000 members and employing 24 staff, this branch is the largest of our 24 branch network.

The fresh, new modern location not only provides the excellent customer service and sound financial advice you expect, but also comes with a few member ‘perks’, such as a dedicated member lounge featuring self-serve computers and tablets, a community boardroom for member education seminars, and digital displays throughout the branch to keep you informed of the latest events, products and services.

We’re excited to know that the branch will be used as a central meeting place for members to network and connect, exchange ideas, participate in educational seminars and workshops, and empower each other.
OTTAWA MAYOR, HON. JIM WATSON
ALTERNA SAVINGS PLACE DE VILLE
BRANCH MANAGER, ANGELA DZINAS
ALTERNA SAVINGS BOARD CHAIR,
DUNCAN MUNN

MEMBERS AND STAFF AT PLACE DE VILLE

THE ALTERNA STREET TEAM LENDING A HAND AT THE PLACE DE VILLE GRAND OPENING EVENT
NEW GROUND BROKEN ON REDDIT.COM’S “ASK ME ANYTHING”

In July, our President & CEO Rob Paterson made news as the first financial institution CEO to host an “Ask Me Anything” (AMA) session on reddit.com – a social news and entertainment website where registered users submit content related to just about anything.

With his participation in this AMA session on July 19, 2013, Rob helped Alterna break new ground by setting a strong precedent of accessibility and transparency. He joins the ranks of other notable individuals who have hosted similar AMA sessions, including Canadian astronaut Chris Hadfield, President Barack Obama, Microsoft founder Bill Gates, former U.S. Vice President Al Gore, talk show host Stephen Colbert, and professional tennis player Roger Federer.

For more information, visit www.reddit.com/about.

STAYING IN TOUCH

We’ve seen and heard your feedback at events and through our research about wanting to connect more with us online, and in 2013 we made significant headway. To ensure you’re kept informed of events and important news about Alterna, we moved our member newsletter, fresh!, to an electronic format that’s delivered right to your inbox once a month, and announced our media channels on Facebook and Twitter.

If you haven’t already signed up for the newsletter, it’s easy – just visit alterna.ca. And, be sure to ‘Like’ us on Facebook and follow us on Twitter, @AlternaSavings.

“AT ALTERNA, WE WORK TIRELESSLY EVERY DAY TO PROVIDE OUR MEMBERS WITH THE SERVICES AND PRODUCTS THEY NEED AND EXPECT. WE’RE ALSO VERY PROUD TO SUPPORT OUR LOCAL COMMUNITIES IN OUR HIRING PRACTICES, AS WELL AS THROUGH GRANTS, SPONSORSHIPS, LOANS THAT STAY IN OUR NEIGHBOURHOODS, AND MORE.”

- ROB PATERSON, ALTERNA SAVINGS PRESIDENT & CEO
ENHANCED SERVICES

Through our arrangement with Trusteer Rapport, we provided our online banking users added protection and peace-of-mind to complement our already-secure online banking service that works with the users’ own firewall and anti-virus software.

We were pleased to further enhance our online services throughout the year, with the introduction of Interac® e-Transfers, the convenience of Online Term Renewals, viewing and saving your cleared cheques online, as well as improved financial calculators and tools.

You provided continuous feedback and input about how to improve our telephone auto attendant in order to more easily conduct your business. We thank you for that, and redesigned our telephony in late 2013 with significant streamlining of the auto attendant, as well as the addition of direct branch telephone numbers so you no longer need to go through our central switchboard to speak with branch personnel.

OTTAWA WOMEN’S CREDIT UNION – MAKING ALTERNA STRONGER

Last October, we had the opportunity to join forces with another ground-breaking credit union, the Ottawa Women’s Credit Union (OWCU). As the only financial institution founded and operated by women in Canada, we realized a synergy with Alterna’s values and our commitment to helping build and support the communities we serve.

We offer a warm welcome to the OWCU members, and look forward to continuing the OWCU legacy, supporting the Centretown community in years to come.
CENTRETONW COMMUNITY

Take a look and you will find just beyond this door,
The canal where you can run or walk, roll or skate or stroll.
A spot where you can rest your legs, a café or a park,
And a gallery where people can go look at all the art.
Windows stocked with wonders and wares,
Coffee pots, bikes, books and Teddy bears.
There’s a castle filled with rooms where dinos left their bones,
And a sheet of ice where you can slide some curling stones.
A music hall where you can sit and listen to some songs.
Or the fenced-in field where people go to walk their dogs.
It’s a place where you can live your life, no matter who you are.
It’s your Centretown community, so why not go explore!
STRONG MEMBERS = STRONG COMMUNITIES

AS A FINANCIAL COOPERATIVE, WE BELIEVE THAT STRONG COMMUNITIES WORK BETTER. PART OF WHAT MAKES ALTERNA A GREAT ORGANIZATION IS THAT WE SUPPORT AND EMPOWER OUR MEMBERS AND THEIR FAMILIES, AS WELL AS STRENGTHEN THE COMMUNITIES WE SERVE.

WE HAVE AN OPPORTUNITY TO GIVE BACK, AND SUPPORTING LOCAL ORGANIZATIONS IS ONE OF THE MANY WAYS WE CAN POSITIVELY IMPACT OUR COMMUNITIES. IT’S A COMMITMENT WE DON’T TAKE LIGHTLY.
ALTERNA’S BRAMALEA COMMUNITY BANKING CENTRE STAFF AT A BRAMALEA CHARITY BBQ WITH BOYS AND GIRLS CLUB OF PEEL REGION VOLUNTEERS (left to right: Alterna’s Sonia Morrison, Velma Jagroop, and Grace Comisso with Club Volunteers)
BOYS AND GIRLS CLUBS OF CANADA SCHOLARSHIPS

The 2nd consecutive year of our partnership with Boys and Girls Clubs of Canada helped make post-secondary education for 23 young people a reality in 2013. With more than $70,000 raised, you and Alterna staff helped ensure that some of our brightest leaders aren’t limited by the costs of post-secondary education.

Combining the 2013 scholarships with the 21 awarded in 2012, Alterna’s Power of Learning Program has now provided BIG opportunities for 44 deserving youth.

“ALTERNA SAVINGS AND OUR MEMBERS KNOW THAT THESE SCHOLARSHIPS REPRESENT MORE THAN JUST MONEY FOR SCHOOL. THEY’RE AN INVESTMENT IN FUTURE LEADERS WHO WILL BE SHAPING OUR COMMUNITIES IN YEARS TO COME.”

- ROB PATERSON, ALTERNA SAVINGS PRESIDENT AND CEO

POWER OF LEARNING GRANT RECIPIENTS

On an annual basis, a minimum of 1% of Alterna Savings’ pre-tax profits are distributed to worthy community organizations. Twice a year, in December and June, we’re pleased to consider grant requests from community organizations and projects where a modest donation can make a big impact. Alterna grants are focused in the communities we serve—the Greater Toronto Area, the National Capital Region, Kingston, Pembroke, North Bay, Gatineau and Hull.

Applications are reviewed by the Alterna Grants Advisory Committee, comprised of a group of 12 Alterna Savings’ employees from across the organization.

We’ve highlighted a sampling of organizations we supported in 2013 here. For the complete lists, please visit alterna.ca.

Ottawa Renewable Energy Co-operative Inc. (OREC), an Ottawa-based organization that supports the growth of the local renewable energy sector through responsible long-term investments that finance projects together as members of a democratic cooperative. Alterna was pleased to support OREC’s upcoming installation of a solar energy system at Samuel Genest French Catholic High School, helping educate students and local residents about renewable energy.
Free Geek Toronto (formerly CyberEquality Inc.), is a non-profit organization that provides access to computers and communications technologies, as well as education, training and job skills. Free Geek promotes the use of Free and Open Source software, and strives to reduce the environmental impact of electronic waste. Their two Sharing Programs, Computer Adoption and Computer Build, provide useful, transferrable skills to program participants. Funds awarded were used to support their Computer Build program and Thrift Store.

The Natural Step Canada is a dynamic non-profit organization with over a decade of experience helping organizations and individuals understand and make meaningful progress toward sustainability. Their vision is a sustainable society – one in which individuals, communities, businesses and institutions thrive within nature’s limits. The Natural Step knows that young people are passionate about the fate of the planet, and Alterna is pleased to support the IMPACT! program, helping bring inspiration to Ottawa and Toronto-area youth.

Christie Lake Kids (CLK) works specifically with kids in poverty who would otherwise have little or no access to recreational and skill-building programs. Their STAR Inner City Program brings opportunities to learn, grow and build skills in two social housing areas in Ottawa, right where they live. Children and youth enjoy barrier-free access to the programs and are mentored by staff and volunteers sensitive to their needs and circumstances. Children will learn new skills or skill development, and are recognized for their accomplishments, encouraging belief in their capabilities, ultimately leading to success in all avenues of their lives.

The Cecil Street Community Centre offers a wide range of recreational, educational, social and cultural programs and activities, serving adults, seniors, children and youth. The Alterna Community Grant funds were used to support the Cecil Youth Program, a program for at-risk, low-income, newcomer youth, ages 13 to 19. Approximately 400 youth attend the program annually. The program addresses a critical community need for a safe, supervised environment for youth to spend their after-school hours. Program activities focus on sports and games, including: ping-pong, badminton, billiards, dance, card and board games, drawing, and cooking.
CASHOU HELPING OUT AT STREETSVILLE'S CHARITY BBQ, IN SUPPORT OF EDEN COMMUNITY FOOD BANK

LEFT TO RIGHT: PAT THAIN, STREETSVILLE BRANCH MANAGER WITH BOYS AND GIRLS CLUBS SCHOLARSHIP RECIPIENTS

ALTERNA SAVINGS PRESIDENT & CEO, ROB PATERSON, WITH BOYS AND GIRLS CLUB SCHOLARSHIP RECIPIENTS
LOCAL EVENTS & FUNDRAISING

—WHO DOESN’T LOVE A PARTY?

THROUGHOUT 2013, YOU PROBABLY SAW OUR BRANCH TEAMS IN THOSE BRIGHT ORANGE ALTERNA T-SHIRTS AT VARIOUS EVENTS IN OUR COMMUNITIES. WE’RE ALWAYS GLAD TO BE PART OF OUR COMMUNITY EVENTS, WHETHER IT’S FIRING UP THE BARBEQUE, HANDING OUT ICE CREAM, OR MARCHING IN A PARADE WITH OUR MASCOT, CASHOU!
HELPING OUT AT THE STREETSVILLE BREAD AND HONEY PARADE 2013
ULTIMATE RUN FOR MEN’S CANCER

In support of the Ottawa Regional Cancer Foundation

We’re proud to continue our sponsorship of Ottawa’s longest-running Father’s Day tradition. Every year, our dedicated employees and their families run, walk, fundraise and volunteer at the event.

This annual family event raises awareness and funds in the fight against men’s cancers below the belt. Funds raised go directly to the Cancer Foundation in support of cancer research, patient care, education, and capital needs in the Ottawa area.

In 2013 the Ultimate Run for Men’s Cancer (formerly known as Do it for Dad!) marked a milestone 15th Anniversary and celebrated a total contribution to the foundation of $3.5 million over the 15 years. The 2013 Ultimate Run featured over 1,600 participants who helped to raise over $400,000!

For more information, about the event, or to register for 2014, visit alterna.ca or http://www.kintera.org/af/home/default.asp?ievent=1046598.

ALTERNA GOLF CLASSIC

2013 marked the 9th annual Alterna Golf Classic in support of Candlelighters, an Ottawa-area non-profit organization that provides critical support to children with cancer and their families. The organization fosters a better understanding of the many challenges and impacts that childhood cancer has in these families’ lives.

“ALTERNA HAS ENSURED EVERY CHILD DIAGNOSED IN THE OTTAWA AREA WILL BENEFIT FROM A LAPTOP. THIS IS AMAZING, AND WE’RE SO VERY GRATEFUL TO ALTERNA FOR CHOOSING CANDLELIGHTERS.”

- JOCelyn LAMONT, EXECUTIVE DIRECTOR OF CANDLELIGHTERS CHILDHOOD CANCER SUPPORT PROGRAMS

The annual event always draws a number of enthusiastic golfers, including Alterna staff, members and volunteers, all focused on raising funds and awareness to support a worthy cause. September is Childhood Cancer Awareness Month in Canada, and according to Candlelighters, each year approximately 400 children are diagnosed with cancer in Ontario alone.

Funds raised in 2013 supported Candlelighters CyberKids and CyberTots programs. These programs provide laptops to school-aged children and tablets to children from age 2 to school year, ensuring all diagnosed children have continued access to education and are able to keep in touch with their friends during their treatment.
ULTIMATE RUN FOR MEN'S CANCER

MARCHING WITH CASHOU, STREETSVILLE BREAD AND HONEY PARADE, 2013
ENACTUS

Enactus Canada is a community of student, academic and business leaders enabling progress through entrepreneurial action that we’ve been fortunate to support through the Telfer School of Management. This exciting partnership will help ensure at-risk youth in Ottawa have the possibility of bettering their lives through business and entrepreneurship.

COOPERATIVE YOUNG LEADERS

*In partnership with On Co-op and the Ontario Credit Union Charitable Foundation*

Every summer, Alterna Savings partners with the Ontario Credit Union Charitable Foundation to send six young people to the Co-operative Young Leaders (CYL) Development Program.

CYL is a unique and memorable experience that helps young people develop self-awareness, communication and leadership skills through cooperative activities in a fun, safe, outdoor environment. They discover more about themselves and others, and learn to become leaders, cooperators and team players.

Beyond the training program, CYL participants have an opportunity throughout the year to further build skill development, by volunteering at an Alterna event or activity or through a speaking engagement at our Annual General Meeting or internal Town Hall meetings.

TORONTO TOOL LIBRARY

Similar to regular libraries, the Toronto Tool Library provides tools on loan for both experienced and inexperienced community members who are interested in building projects, or repair and maintenance. Whether members are helping revitalize a community park or hanging a picture, they can choose from a wide variety of equipment for loan at a low cost.

Annual memberships at tool libraries reduce the costs of neighbourhood improvements, helping residents transform their homes and community spaces into vibrant places reflective of their commitment to sustainability and the environment. Plus, resource-sharing is a great alternative to purchasing and owning tools (not to mention space-saving!). Visit Toronto Tool Library for fees and information.

Located in the Parkdale Activity-Recreation Centre (PARC), the Toronto Tool Library is operated and managed by the Institute for a Resource-Based Economy (IBRE), a registered non-profit organization.
FINANCIAL HIGHLIGHTS

THANK YOU FOR YOUR CONTINUED TRUST AND LOYALTY IN OUR ORGANIZATION TO HELP US MAKE YOUR FINANCIAL GOALS AND DREAMS A REALITY. BECAUSE OF YOUR SUPPORT, WE’RE PLEASED TO REPORT THAT ALTERNA EXPERIENCED UNPRECEDENTED GROWTH OF $397 MILLION IN FUNDS UNDER MANAGEMENT IN 2013, WHICH INCLUDES LENDING, DEPOSITS, AND WEALTH PRODUCTS. ALMOST TWO-THIRDS OF GROWTH OCCURRED DURING THE LAST HALF OF 2013, WHEN YOU PROVIDED OVERWHELMING PARTICIPATION DURING OUR FALL DEPOSIT DRIVE AND NEWLY-INTRODUCED MEMBER REFERRAL CAMPAIGN.

WE’RE ALSO PLEASED TO REPORT A TREMENDOUS INCREASE IN EARNINGS FOR 2013. NET INCOME AFTER TAXES IMPROVED BY OVER $4.1 MILLION, WITH THE YEAR CLOSING AT $10.0 MILLION, AS COMPARED TO $5.9 MILLION IN 2012. WE ALSO RETURNED $2.249 MILLION OF DIVIDENDS TO OUR VARIOUS SPECIAL SHARES HOLDERS IN 2013. WE WOULD LIKE TO THANK ALL OF YOU FOR YOUR CONTINUED ENDORSEMENT OF THE ORGANIZATION.

WE’VE CONTINUED TO DO OUR PART INTERNALLY BY ALIGNING OUR PROCESSES TO ACCOMMODATE FUTURE GROWTH AND POSITION OUR ORGANIZATION FOR IMPROVED SERVICE EXCELLENCE, WITH A COMPANY-WIDE COST AND EFFICIENCY EXERCISE UNDERTAKEN IN 2013.
THE CHANGES WE HAD STRIVED FOR CAME TO FRUITION IN BOTH OUR 2013 EARNINGS LEVELS AND A 2.4% IMPROVEMENT IN OUR OPERATING EFFICIENCY RATIO IN 2013.

AS WE CONTINUE TO GROW IN 2014 AND REALIZE A FULL YEAR OF IMPACT FROM THE ORGANIZATIONAL CHANGES MADE, WE ANTICIPATE FURTHER IMPROVEMENTS IN FINANCIAL PERFORMANCE AND EFFICIENCY.

OVERALL, WE CAN LOOK BACK ON 2013 AS A SUCCESSFUL YEAR, MEETING ECONOMIC, STRUCTURAL AND COMPETITIVE CHALLENGES HEAD ON. WITH SOLID FINANCIAL RESULTS AND YOUR ENDURING LOYALTY AND DEDICATION, WE LOOK TO 2014 AND BEYOND WITH EXCITEMENT, ENERGY AND OPTIMISM.

ROB PATERSON  
President & CEO

BILL BONI  
Chief Financial Officer & SVP

JOSÉ GALLANT  
Chief Administrative Officer & SVP

MARK CAUCHI  
Chief Information Officer & SVP

JEFF SHINOZAKI  
Chief Member Officer & SVP

ALLAN JENSEN  
Vice President, Commercial Services

FRUGINA BALL  
Region Head, Member Experience, GTA

BRIAN LAWSON  
Region Head, Member Experience, NCR
## CONSOLIDATED BALANCE SHEET

(IN THOUSANDS OF DOLLARS)

December 31, 2013

<table>
<thead>
<tr>
<th>AS  AT,</th>
<th>DEC 31, 2013</th>
<th>DEC 31, 2012</th>
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<tbody>
<tr>
<td><strong>ASSETS</strong></td>
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<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$52,206</td>
<td>$59,214</td>
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<tr>
<td>Investments</td>
<td>240,469</td>
<td>226,466</td>
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<tr>
<td>Loans, net of allowance for impaired loans</td>
<td>2,231,848</td>
<td>2,072,842</td>
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<tr>
<td>Property and equipment</td>
<td>11,051</td>
<td>11,246</td>
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<tr>
<td>Intangible assets</td>
<td>1,973</td>
<td>2,714</td>
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<tr>
<td>Derivative financial instruments</td>
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<td>3,883</td>
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<tr>
<td>Income tax receivable</td>
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<td>890</td>
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<tr>
<td>Deferred income tax asset</td>
<td>1,499</td>
<td>1,463</td>
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<tr>
<td>Other assets</td>
<td>8,311</td>
<td>7,484</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>$2,553,445</td>
<td>$2,386,202</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND MEMBERS’ EQUITY**       |              |              |
| Liabilities:                              |              |              |
| Deposits                                  | $2,246,874   | $2,152,673   |
| Borrowings                                | 25,000       | 15,000       |
| Mortgage securitization liabilities       | 77,623       | 22,873       |
| Derivative financial instruments          | 2,392        | 1,671        |
| Income tax payable                        | 180          | -            |
| Other liabilities                         | 28,122       | 28,301       |
| Membership shares                         | 1,656        | 1,513        |
| **Total Liabilities**                     | $2,381,847   | $2,222,031   |

| Members’ equity:                          |              |              |
| Special shares                            | 56,726       | 56,716       |
| Contributed surplus                       | 19,282       | 19,282       |
| Retained earnings                         | 97,801       | 89,632       |
| Accumulated other comprehensive loss      | (2,211)      | (1,459)      |
| **Total Members’ equity**                 | 171,598      | 164,171      |

| **Total Liabilities & Members’ Equity**   | $2,553,445   | $2,386,202   |
## CONSOLIDATED STATEMENT OF INCOME

**(IN THOUSANDS OF DOLLARS)**

December 31, 2013

<table>
<thead>
<tr>
<th>FOR THE YEARS ENDED,</th>
<th>DEC 31, 2013</th>
<th>DEC 31, 2012</th>
</tr>
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<tbody>
<tr>
<td>Interest income</td>
<td>$ 88,421</td>
<td>$ 89,395</td>
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<tr>
<td>Investment income</td>
<td>4,741</td>
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<tr>
<td></td>
<td>93,162</td>
<td>94,457</td>
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<tr>
<td>Interest expense</td>
<td>29,398</td>
<td>31,121</td>
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<tr>
<td>Net interest income</td>
<td>63,764</td>
<td>63,336</td>
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<tr>
<td>Loan costs</td>
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<td></td>
<td>62,318</td>
<td>62,434</td>
</tr>
<tr>
<td>Other income</td>
<td>10,494</td>
<td>10,434</td>
</tr>
<tr>
<td></td>
<td>72,812</td>
<td>72,868</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>64,147</td>
<td>66,168</td>
</tr>
<tr>
<td>Operating income</td>
<td>8,665</td>
<td>6,700</td>
</tr>
<tr>
<td>Unrealized gains on financial instruments</td>
<td>3,372</td>
<td>584</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>12,037</td>
<td>7,284</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>1,829</td>
<td>961</td>
</tr>
<tr>
<td>Deferred</td>
<td>177</td>
<td>412</td>
</tr>
<tr>
<td></td>
<td>2,006</td>
<td>1,373</td>
</tr>
<tr>
<td>Net income</td>
<td>$ 10,031</td>
<td>$ 5,911</td>
</tr>
</tbody>
</table>
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(IN THOUSANDS OF DOLLARS)

December 31, 2013

<table>
<thead>
<tr>
<th></th>
<th>DEC 31, 2013</th>
<th>DEC 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$ 10,031</td>
<td>$ 5,911</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income to be reclassified to income in subsequent periods:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gain/ (loss) on available-for-sale securities (1)</td>
<td>128</td>
<td>(671)</td>
</tr>
<tr>
<td>Cash flow hedges:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes arising during the year (2)</td>
<td>(363)</td>
<td>(672)</td>
</tr>
<tr>
<td>Less: Reclassification adjustments for gain/(loss) included in the income statement (3)</td>
<td>148</td>
<td>571</td>
</tr>
<tr>
<td>Net gain/(loss) on cash flow hedges</td>
<td>(215)</td>
<td>(101)</td>
</tr>
<tr>
<td>Net other comprehensive income to be reclassified to income in subsequent periods</td>
<td>(87)</td>
<td>(772)</td>
</tr>
<tr>
<td>Other comprehensive income not to be reclassified to income in subsequent periods:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined benefit plan - actuarial losses (4)</td>
<td>(665)</td>
<td>424</td>
</tr>
<tr>
<td>Net other comprehensive income not to be reclassified to income in subsequent periods</td>
<td>(665)</td>
<td>424</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>(752)</td>
<td>(348)</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>$ 9,279</td>
<td>$ 5,563</td>
</tr>
</tbody>
</table>

(1) Net of income tax expense of $40 (2012 - recovery of $115)
(2) Net of income tax recovery of $58 (2012 - recovery of $124)
(3) Net of income tax expense of $33 (2012 - expense of $105)
(4) Net of income tax recovery of $221 (2012 - expense of $78)
## CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS’ EQUITY
(IN THOUSANDS OF DOLLARS)

December 31, 2013

<table>
<thead>
<tr>
<th>FOR THE YEARS ENDED,</th>
<th>DEC 31, 2013</th>
<th>DEC 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Special shares:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$ 56,716</td>
<td>$ 24,059</td>
</tr>
<tr>
<td>Net shares issued</td>
<td>10</td>
<td>32,657</td>
</tr>
<tr>
<td><strong>Balance, end of year</strong></td>
<td>56,726</td>
<td>56,716</td>
</tr>
<tr>
<td><strong>Contributed surplus:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>19,282</td>
<td>19,282</td>
</tr>
<tr>
<td><strong>Balance, end of year</strong></td>
<td>19,282</td>
<td>19,282</td>
</tr>
<tr>
<td><strong>Retained earnings:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year, as previously reported</td>
<td>89,632</td>
<td>86,539</td>
</tr>
<tr>
<td>Transitional adjustment on adoption of new accounting policies</td>
<td>-</td>
<td>(969)</td>
</tr>
<tr>
<td><strong>Balance at beginning of year, as restated</strong></td>
<td>89,632</td>
<td>85,570</td>
</tr>
<tr>
<td>Net income</td>
<td>10,031</td>
<td>5,911</td>
</tr>
<tr>
<td>Dividend on special shares</td>
<td>(1,840)</td>
<td>(1,849)</td>
</tr>
<tr>
<td>Issuance costs</td>
<td>(22)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance, end of year</strong></td>
<td>97,801</td>
<td>89,632</td>
</tr>
<tr>
<td><strong>Accumulated other comprehensive income (loss), net of tax:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year, as previously reported</td>
<td>(1,459)</td>
<td>(2,080)</td>
</tr>
<tr>
<td>Transitional adjustment on adoption of new accounting policies</td>
<td>-</td>
<td>969</td>
</tr>
<tr>
<td><strong>Balance at beginning of year, as restated</strong></td>
<td>(1,459)</td>
<td>(1,111)</td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td>(752)</td>
<td>(348)</td>
</tr>
<tr>
<td><strong>Balance, end of year</strong></td>
<td>(2,211)</td>
<td>(1,459)</td>
</tr>
<tr>
<td><strong>Members’ equity</strong></td>
<td>$ 171,598</td>
<td>$ 164,171</td>
</tr>
</tbody>
</table>

ALTERNA 2013 ANNUAL SUMMARY
LEADERSHIP TEAM

ROB PATERSON
PRESIDENT & CEO

JOSÉ GALLANT
CHIEF ADMINISTRATIVE OFFICER & SVP

JEFF SHINOZAKI
CHIEF MEMBER OFFICER & SVP

FRUGINA BALL
REGION HEAD, MEMBER EXPERIENCE, GTA

BILL BONI
CHIEF FINANCIAL OFFICER & SVP

MARK CAUCHI
CHIEF INFORMATION OFFICER & SVP

ALLAN JENSEN
VICE PRESIDENT, COMMERCIAL SERVICES

BRIAN LAWSON
REGION HEAD, MEMBER EXPERIENCE, NCR
BOARD OF DIRECTORS

DUNCAN MUNN
CHAIR
Committees: Governance, Chair; Nominating
Attendance: 18/18
Remuneration: $41,338

KEVIN LINDSEY
VICE CHAIR
Committees: Governance; Nominating, Chair
Attendance: 19/20
Remuneration: $26,408

NORM AYOUB
DIRECTOR
Committees: Governance; Business Oversight, Chair
Attendance: 24/24
Remuneration: $22,708

MARIA BARRADOS
DIRECTOR
Committees: Finance & Audit, Nominating
Attendance: 9/9
Remuneration: $12,808

RUTH BAUMANN
DIRECTOR
Committees: Risk Oversight, Nominating
Attendance: 18/18
Remuneration: $20,094

FAREN BOGACH
DIRECTOR
Committees: Governance, Business Oversight
Attendance: 20/24
Remuneration: $22,402

MARY-LU BRENNAN
DIRECTOR
Committees: Finance & Audit; Business Oversight
Attendance: 21/23
Remuneration: $22,020

KEN CHAN
DIRECTOR
Committees: Governance; Nominating; Alterna Bank
Attendance: 23/25
Remuneration: $22,867

JOHANNE CHARBONNEAU
DIRECTOR
Committees: Finance & Audit; Risk Oversight
Attendance: 18/19
Remuneration: $21,152

RANDAL HEIDE
DIRECTOR
Committees: Business Oversight; Risk Oversight, Chair
Attendance: 19/21
Remuneration: $22,058

PETER OSTAPCHUK
DIRECTOR
Committees: Finance & Audit, Chair; Alterna Bank
Attendance: 27/27
Remuneration: $23,537
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