



Strong. Secure. Yours.



2009 Corporate Profile

Strong. Secure. Yours.

People are at the heart of our credit union. Our strength lies in the members and employees who believe that financial services are about more than money. Our security lies in the credit union principles that guide our decisions, putting people first. Your success is our success. Servus Credit Union—Strong. Secure. Yours.

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message from the Board Chair

William J. (Bill) Anhorn
Chair, Board of Directors

*A credit union that is strong
enough to compete but small
enough to care.*

On November 1, 2009, we celebrated the first anniversary of our expanded Servus—Alberta’s province-wide credit union and Canada’s third largest—a credit union that is truly **Strong. Secure. Yours.**

On behalf of the Board of Directors, I am pleased to report on our key accomplishments. Despite a tough economic environment including a recession and liquidity crisis, our first year of operations has been a success. The Board ensures that Servus meets the needs of member-owners by setting the direction of the organization and monitoring

performance. We do this in part through policy which provides management with clear parameters for operational decisions.

This year we developed several major policies regarding liquidity, investments, risk tolerance, common shares, capital, and interest rates. Reflecting our new beginnings, the Board devoted significant time and effort to develop and refine the structure, roles and responsibilities of Directors, the authority of the Board and our code of conduct.

The goal of the Board during fiscal 2009 was to ensure that the amalgamation of Common Wealth Credit Union, Community Savings and Servus Credit Union was a success for you, our members. The Board approved a one-year business strategy and budget for Servus. This plan sets targets for management and employees in a Balanced Scorecard.

Proof of the success of the amalgamation for our members, our employees and our communities is plentiful:

- A province-wide network of more than 100 locations in 62 communities to serve members
- \$42.2 million distribution of Profit Share to members, \$9.1 million more than last year
- Investment of \$1.8 million in our communities through donations and employee fundraising
- Strong capitalization by national and international standards that puts Servus in an excellent position to meet future challenges and invest in opportunities
- New loans of more than \$2.3 billion to individuals and businesses in Alberta
- Enhanced support for the credit union system provincially, nationally and internationally
- Greater opportunities and mobility for employees.

We are starting to realize some of the anticipated cost savings from amalgamation. All the savings achieved through the amalgamation will be reinvested in the form of profit sharing, community programs, expanded branches, new products and services, increased training for our employees, retained earnings and other meaningful benefits that will contribute to the member experience.

In March 2009 we faced the challenge of replacing the President and Chief Executive Officer (CEO) after mutually agreeing on the retirement of Steve Blakely. We were fortunate to quickly identify Garth Warner from within our management team as an excellent replacement. He has been a member of the Servus Credit Union family for 28 years, and his commitment to the principles and values of credit unions is indisputable. Garth was appointed President and CEO effective April 3, 2009.

Also in March, Apex Credit Union of Calgary sought a merger partner. In support of the credit union way of banking in Alberta, Servus was able to respond to Apex’s call from a position of strength. Their members voted 97% in favour and the amalgamation took place November 1, 2009, expanding the Servus branch network in Calgary and adding 5,000 new members.

I want to thank my fellow Board members for their advice and guidance during our first year of operations. I commend the management and employees of Servus for their high level of service to our members while working through integration. Most of all I thank you, our members, for your continued loyalty and support.



message from the President and CEO

Garth Warner

President and Chief Executive Officer

In April 2009 I was honoured to be appointed President and CEO of Servus Credit Union.

As a member of the Servus Credit Union family for 28 years, I firmly believe that we are stewards of the organization. Our role is to serve you—our members—and to manage the organization with integrity, fairness and an eye to the future.

Fiscal 2009 presented challenges to us as stewards of Servus. We faced a liquidity crisis that caused banks worldwide to fail, a stock market crash and recession, low prime rates that reduced income, and intensified competition in personal banking.

We began the financial year with the biggest amalgamation in Alberta credit union history. This amalgamation significantly enhanced the capacity of Servus by strengthening our financial foundations.

Servus surpassed \$10 billion in assets in June 2009, a first for an Alberta credit union. Loans grew by 6.6% to \$8.9 billion and deposits increased 6.9% to \$9.3 billion. Member equity rose to \$764.7 million, or 10.0%.

We achieved strong operating income of \$90 million (before patronage and taxes) and grew our capital base to twice the level required by legislation. Because of this Servus was able to return \$42.2 million to members, \$9.1 million more than last year.

Members could bank at any of our branches from the first day of the amalgamation. As well, Servus opened six new branches in 2009. Members now receive financial services at more than 100 locations in 62 Alberta communities.

During 2009 Servus earned outstanding scores for member service excellence in an independent survey of financial institutions in Alberta. As well, I am very proud that Servus earned national recognition with admission to the Platinum Club of Canada's 50 Best Managed Companies program, recognizing continued success in achieving the highest standards of business strategy and performance.

One of the defining events of the year was the selection of corporate values through a process that gave employees, management and the Board of Directors many opportunities for

input and an equal voice in the final choices. The values we chose to define Servus are:

- Member Service
- Integrity
- Life/Work Balance
- Community
- Teamwork
- Fairness
- Investing in Our People

The next key integration step will be the definition of a vision and mission for Servus.

This year we laid many building blocks for the full integration of Servus. These include establishment of organizational structures, development of human resource policies, internal communication improvements, selection of accounting and human resource software, a review of banking systems and completion of exterior branch signage.

I express my deep appreciation to all the employees of Servus for their contributions. Amalgamations can create uncertainty and anxiety, yet our employees continued to deliver excellent member service and to demonstrate the cooperative principles that make Servus unique. In our first employee survey, employees gave Servus an Engagement Index score of 82%, indicating a very high degree of commitment to Servus and the actions that support our credit union's success. With this foundation, the future of Servus is in good hands.

I also wish to thank the Executive Leadership Team and the Board of Directors for sharing their knowledge and experience in this crucial first year of our operations as a province-wide credit union. Along with our employees, they have ably fulfilled their responsibilities as stewards in creating a Servus Credit Union that is **Strong. Secure. Yours.**



strong

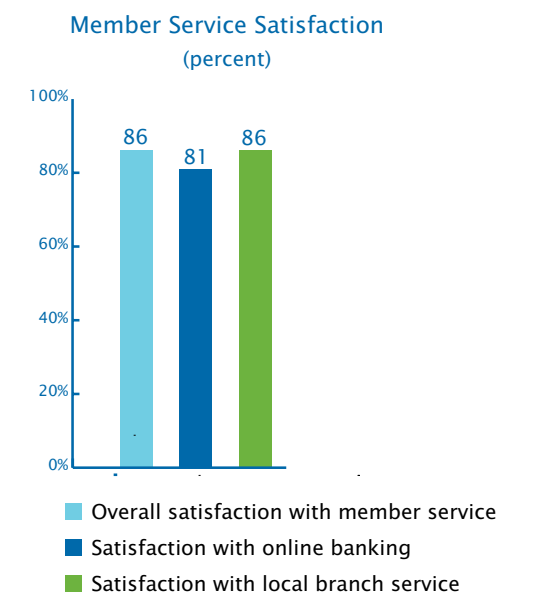
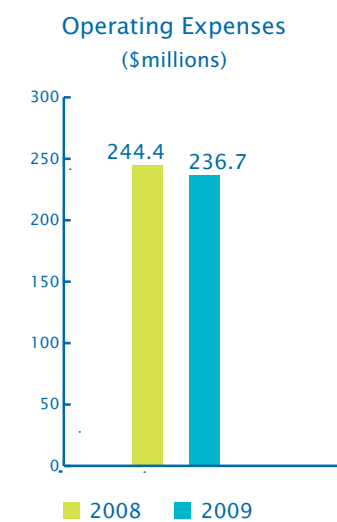
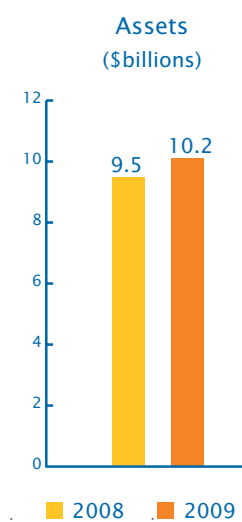
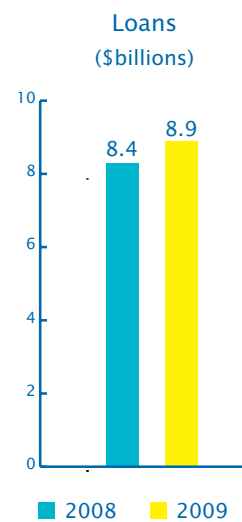
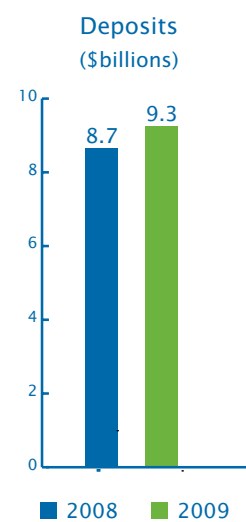
setting the direction

Despite the economic turmoil the world faced in 2009, Servus Credit Union's overall results were ahead of forecast. This is due to the loyalty of our members, effective governance and hard work by our dedicated employees.

In 2009 Servus:

- Served more than 400,000 members
- Offered province-wide banking
- Opened six new branches
- Made more than \$2.3 billion in new loans to Albertans
- Gave \$1.8 million to Alberta communities
- Returned \$42.2 million to members in the form of profit sharing (patronage and dividends), up \$9.1 million—a 28% increase from 2008
- Increased our loan portfolio by 6.6% to \$8.9 billion
- Increased our deposits by 6.9% to \$9.3 billion
- Increased our assets by 6.4% to \$10.2 billion
- Reduced operating costs by 3.1%.

2009 Performance Summary



Servus 2009 Balanced Scorecard

Objective	Strategy	Target	Actual Results
Financial Top quartile financial performance	Operating Income (millions) ¹	\$84.4	\$90.0
	Other income as a percentage of average assets ²	0.74%	0.75%
	Operating Efficiency Ratio ^{2,3}	73.0%	68.5%
	Return on Average Assets ²	0.82%	0.96%
Employee Experience Our employees take pride, feel valued and are highly satisfied with our credit union and the role they play in it	All employees contribute to the development of corporate values	Corporate values developed	Completed
	Ensure all employees complete performance plans for 2009	Employee performance plans for 2009 completed	Completed
	Develop the new Servus performance management strategy and learning and development framework	Performance management framework developed	Completed
	Design employee engagement survey and establish benchmark	Survey designed and benchmarking completed	Completed
	Develop employee incentive plan for implementation in 2010	Incentive plan developed	Completed
Member Experience Build differentiation through superior member and internal services	Develop a member satisfaction program and establish benchmark	Member satisfaction program developed and benchmark established	Completed
	Identify departmental service level standards and build into performance management program	Departmental service level standards identified	Completed
Business Processes Ensure our resources are deployed effectively and efficiently	Operating Expense as a percentage of Average Assets ²	2.46%	2.33%
	Build a corporate inventory of core processes and identify five key processes to map and review	Inventory completed and five key processes mapped and reviewed	Completed

1. Income before patronage and income taxes.
2. Results are before patronage, taxes, employee incentives and extraordinary items.
3. The Operating Efficiency Ratio is a ratio of expenses to revenues. In essence it measures how much the credit union spent to earn a dollar of revenue.

What is a balanced scorecard?

Simply put, it is a mixture of financial and non-financial measures against specified targets. It is not a replacement for traditional financial or operational reports, but instead a summary that shows the organization’s performance at a glance.



Servus’ expectations for 2010 and beyond

- Moderate growth in line with the Alberta economy
- Increased competition for loan and deposit business
- Net interest income remaining lower until interest rates begin to rise, which is not expected until later in 2010
- Continued investment in our services across the province
- Emphasis on improved processes for members and employees
- Strong improvement in growth and financial performance through 2011 and beyond as the Alberta and Canadian economies recover



secure

working together

The Credit Union Difference

Servus Credit Union, with roots dating back to 1938, is Alberta's largest credit union and Canada's first province-wide credit union. Servus provides financial services to over 400,000 member-owners in 62 communities across the province.

Servus provides a complete line of financial services including loans, deposits, investments, telephone and Internet banking, ATMs, debit and credit cards, financial planning, insurance, trust, wealth management, agricultural and business services.

What sets Servus apart from other financial institutions?

Member-Ownership

Servus is owned by its members. All it takes is a \$1 investment to benefit from credit union membership—including the right to elect the Board of Directors and to run for a position on the Board.

Profit Share

Sharing our success is a basic principle of our credit union. In 2009 we returned \$42.2 million in Profit Share payments to our member-owners.

100% Deposit Guarantee

The money you deposit and the interest you earn is secure—up to any dollar amount. It is 100% guaranteed by the Credit Union Deposit Guarantee Corporation. The Government of Alberta ensures that the Credit Union Deposit Guarantee Corporation will carry out its obligations to depositors.

Exceptional Service

Our service is powered by approximately 2,000 employees—every one of them dedicated to helping you improve your financial wellbeing. In 2009 Servus earned outstanding scores for member service excellence in a Synovate survey of 1,300 member-owners across Alberta. Members rated their satisfaction with the overall quality of service at 86%, online banking at 81% and service at their own branches at 86%. In 2009 Servus was recognized as a member of the Platinum Club of Canada's 50 Best Managed Companies program.

A Local Presence

Servus is an Alberta company. We are based in Edmonton with regional offices in Lloydminster and Red Deer. We serve you from across the province—from Fort McMurray to Crowsnest Pass and Jasper to Lloydminster. We also support 35 Community Councils—volunteer groups made up of credit union members who identify activities and needs within their communities.

Community Involvement

Community building and helping people are two of the guiding principles that make Servus Credit Union and our employees unique. Servus helps build lives not just bank accounts. Read more about our community involvement on page 13.



yours

caring for our communities

Corporate Social Responsibility

Credit unions were created by people banding together to pool their resources for the benefit of all. In keeping with this philosophy, Servus invested significant time, effort and money in supporting our communities, members, employees and environment in 2009. This forms the basis of our Corporate Social Responsibility.

Investing in our communities

We all benefit from living and working in strong, connected and healthy communities. By investing in the areas we serve, we become active participants, helping shape communities for today and the future. Credit unions have always been about lending a helping hand, and this value is a significant part of who we are.

In 2009 Servus contributed \$1.8 million to support organizations across the province. Our commitment goes beyond simply investing dollars. In addition to donations and sponsorships, Servus supports charitable organizations, service clubs, and community groups through employee fundraising and volunteerism.

Each year Servus is proud to award scholarships to deserving students in recognition of their academic achievement and commitment to their schools and communities. This year Servus awarded 81 scholarships totaling \$65,300 to rural and urban students from across Alberta.

Servus also supports fairs and festivals across the province. Whether it is the Medicine Hat Stampede or the Servus Heritage Festival in Edmonton, we provide support to ensure families can enjoy great activities at affordable prices. We also support local minor sporting groups in various locations to help keep our young people active and healthy.

2009 was a transition year for Servus. It was the perfect time to review our community investment priorities and set the stage for the future. We surveyed members and identified four key areas for our community investment activities:

- Local events and initiatives
- Social services and poverty
- Education
- Children and youth

Within each area, Servus will create beneficial partnerships to focus on specific needs.

For more information about our community investment program, please visit our website at servus.ca.

Investing in our employees

A socially responsible company supports and engages its employees. By creating a healthy and diverse work environment and providing employees with the tools they need, an organization can help its employees achieve their fullest potential.

Here are some highlights of our efforts in 2009.

Defining our core values

Corporate values are an important foundation for any organization. They guide internal culture as well as relationships with the external world. Clearly defined values can build trust and commitment and link an organization together.

In 2009 Servus launched a company-wide approach to select corporate values. It was an opportunity to engage employees and have them help define their new credit union. Servus employees selected seven values: member service, integrity, life/work balance, community, teamwork, fairness, and investing in our people.

Engaging our employees

Employee engagement is desirable because it is linked to enhanced individual, group and corporate performance. It can also have a positive effect on employee retention, member service and loyalty.

In 2009 Servus commissioned Aon Consulting to conduct an Employee Engagement Survey. The result was an overall employee engagement index of 82%. This high score tells us our employees are engaged in their roles and the organization.

We introduced new communications channels such as an on-line forum for employees, a Human Resources Advisory Committee and an integrated intranet to involve employees in the various initiatives undertaken. Our focus was to ensure employees were involved in establishing new processes and programs.

Recognizing achievement

Employee recognition is the timely, informal or formal acknowledgement of a person or team’s behavior, effort or business results.

Servus recognizes individuals and groups in a variety of ways. In 2009 Servus recognized 38 employees from across the organization with a President’s Award of Excellence. Approximately 425 employees received long-service awards. Devin Selte and Jeff Rout were honoured with a nomination for the World Council of Credit Unions’ annual scholarship program and we are proud that Jeff Rout was selected as a winner. We are also proud that two Servus managers received National Young Leaders Awards: Darren Hinkel and Steve Till-Rogers.

Ethical recruitment practices

Servus Credit Union is committed to the principle of equal employment opportunity for all applicants. Our aim is to ensure the most suitable candidates are selected based on merit.

Servus is also a supporter of Alberta’s Employabilities program to promote and enhance employment and learning opportunities for people with disabilities.

Caring for Our Environment

In recent years, Servus has taken steps to become more environmentally friendly, especially in the areas of waste management and energy and water conservation practices.

Servus continued to recycle at various locations and we targeted several waste streams including paper, metal, plastic,

cardboard, electronics and furniture. Despite variable recycling infrastructure across the province, which constrains consistency among our operations, we remain focused on working with our recycling partners to enhance efforts over time.

To conserve energy and reduce our carbon footprint, most Servus branches now have energy-efficient heating/cooling systems and controls, water heaters, lighting, roofs, insulation and windows.

In addition, we select all new and retrofit plumbing fixtures to minimize water use. Our janitorial contractors use Green Seal or Eco Logo certified cleaning products. We specify FSC (Forest Stewardship Council) approved, Consort, or Green Seal certified for our paper products.

There is no doubt these changes are the right thing to do for our environment, but we believe they have also made a big difference to our operating costs. As we implement even more energy-saving technologies, we will realize further savings and develop better ways to measure the impact.

In 2010 and beyond, we will continue to reduce our carbon footprint, minimize waste, recycle, and participate in community-based programs and opportunities aimed at creating environmentally sustainable communities.

Connecting with the Local Community

Servus has 35 Community Councils—each an important link to our communities. Eight of the councils are linguistically and ethnically oriented and the remaining 27 are geographically oriented, representing most of Alberta. In 2009 Servus reviewed the mandate of these councils with an aim to strengthening their role in corporate social responsibility, strategic planning, communications and marketing.

Reaching out to the Global Community

In October 2009 we made Canadian credit union history when Servus signed a formal partnership agreement with Caja Yanga Credit Union from the state of Veracruz in Mexico. The partnership, facilitated by the World Council of Credit Unions’ International Partnerships Program, is the first direct relationship involving an individual Canadian credit union. The partnership will involve the exchange of knowledge between the two credit unions to foster growth and stability. In 2009 we also continued to be an active partner in the Canadian Cooperative Association and their international outreach, development and exchange programs.

In 2010 – 2011 we will take steps to broaden and strengthen our Corporate Social Responsibility program. We look forward to working with our members, employees and other stakeholders in this endeavour.



Community Investment

In south and central Alberta Servus partnered with Big Brothers and Big Sisters Bowl for Kids fundraiser for children at risk. As a sponsor we helped with the bowling events. Staff pitched in to participate, garnering pledges to more than double our initial investment. We were proud to contribute over \$40,000 through Servus Credit Union’s staff involvement and sponsorship.

The Sherwood Park community launched a capital campaign for a new library in 2009. Servus committed \$35,000 to help with learning, literacy and leisure needs of the growing community. Servus also donated over 100 books to enrich lives one book at a time.

In 2009 Servus Credit Union donated funds to the Lloydminster Legacy Centre, a senior citizens centre integral to the lives of many who gather there regularly. The funds provided much needed upgrades to their stage, now known as the Servus Credit Union Stage.

Across Alberta Servus participated in an annual fall fundraising campaign for United Way and Catholic Social Services. Through the tireless efforts of our campaign team, leaders and employees, we raised over \$350,000 for community and social needs in the province.

The Servus Kids Foundation, an organization supported by Servus Credit Union, raises and distributes funds to improve the quality of life for children. In 2009 the Servus Kids Foundation distributed a total of \$105,000 in Alberta.



governance—representing our member-owners

Board of Directors left to right: Merv Loewen, Randy Harper, Penny Reeves, Peter Galloway, Rene Dumas, Bob Porozni, Terry Cooper, Peter Elzinga, William J. (Bill) Anhorn, Lloyd Robinson, Alison Starke, Doug Hastings

Strong governance is characterized by effectiveness, transparency, accountability, openness, ethics, and rule of law. The Servus Board of Directors sets the strategic direction and puts in place the controls necessary for our credit union to be a success.

Board Mandate

The Board of Directors ensures that Servus creates and maintains value for stakeholders and serves the needs of member-owners and their communities. The Board sets the strategic direction, formulates and monitors policies, evaluates organizational performance and ensures that an effective risk management framework is in place.

The Board has adopted a policy governance model and functions in accordance with the Credit Union Act and Servus Credit Union bylaws. It is responsible for the election of the Board Chair, Vice Chair, and for selecting Directors to represent Servus on the Board of Credit Union Central of Alberta.

Board Structure

The Servus Credit Union Board of Directors consists of 12 Servus members. The Board has established committees to help govern the organization effectively and to better manage risk. Currently the three committees of the Board are:

1. The **Audit and Finance Committee**—Oversees the financial reporting process, reviews financial statements, liaises with internal and external auditors and regulators, and reviews internal control procedures. The committee consists of at least four Board Directors. Servus senior management and external auditors also attend the Audit and Finance Committee meetings. The committee's terms of

reference, guidelines and requirements are outlined in the Credit Union Act, regulations and bylaws. Committee members are chosen based on skills and abilities defined by the Board.

2. The **Governance and Human Resource (HR) Committee**—Establishes and maintains effective governance guidelines, ensures the performance and succession of senior leadership, and ensures compliance with the Credit Union Act, governance policies and Servus bylaws. This committee also serves as the Nominating Committee for the Director elections. It consists of four Directors. Their terms of reference, guidelines and requirements are outlined by the Board.
3. The **Enterprise Risk Management Committee**—Oversees the identification, understanding and management of risks that may affect Servus. It consists of four Directors. The terms of reference, guidelines and requirements are outlined by the Board.

Every year the Board of Directors reviews the roles, responsibilities and membership of each Board committee.

The Board Chair serves as an ex-officio member on all Board committees.

In addition to the Board committees, the Board of Directors appoints qualified employees, as recommended by the President & CEO, to a Credit Committee. This committee authorizes loans within the limits established by the Board of Directors and provides a monthly written report to the Board.

Position Descriptions

Directors provide strategic advice and business oversight of the credit union's operations. Directors are required to act honestly and in good faith with a view to the best interests of Servus. They must exercise care, diligence and skill. The Board reviews the position descriptions for the Board Chair, Committee Chairs, Directors and the CEO annually.

Orientation and Education

New Directors complete an orientation session within two months of election and are encouraged to complete a policy governance course during their first year in office. As well, Directors are expected to complete the online training curriculum of the Credit Union Director Achievement program within one year of being elected.

All Board Directors are encouraged to participate in education and industry related conferences, meetings and seminars and to participate in Community Council meetings.

These opportunities for continuous learning enable Directors to develop their knowledge and skills and enhance their performance on the Board.

Ethical Conduct

The Board is committed to ethical, professional and lawful conduct. Directors work to ensure that Servus meets all public, regulatory and member expectations in compliance with existing laws.

Directors must represent loyalty without conflict to the interests of the members. This accountability comes before any personal interest. Directors are required to declare any conflicts or perceived conflicts of interest immediately upon becoming aware of them.

Nomination

Elections are held annually to fill vacancies on the Board. Directors are elected to a three-year term at the end of which they may run for re-election. Currently there are no term limits. The Governance and HR Committee plays an active role in identifying potential candidates. Individuals interested in serving on the Board must submit nomination papers that provide detailed information such as educational background, a self-assessment of skills, knowledge and experience, and previous board experience.

Candidate’s profiles are then provided to members in statement mailings, on the website and in the branches. Voting is held at every branch and on-line.

Director Remuneration

Members of the Board receive an honorarium for their activities during the course of their term. These activities include attending Board, committee and general meetings, branch openings, education and planning sessions, and credit union system conferences. In addition, Board members receive a meeting per diem and they are reimbursed for all travel expenses.

Honorarium

Directors	\$20,000 per annum
Vice Chair	\$25,000 per annum
Chair	\$30,000 per annum

A compensation survey is conducted either by an outside consultant or by Servus management to help determine the appropriate rate of remuneration for the Board. Servus also participates in bi-annual national credit union surveys that look at Board remuneration.

Performance Evaluation

The Board of Directors and the CEO are evaluated each year to assess their effectiveness and to identify opportunities to improve. Board performance evaluations include a self-assessment tool as well as a peer review. Additional feedback is gathered for the Board Chair and each Board Committee regarding their performance and areas for improvement.

The Board assesses the CEO’s performance each year by reviewing results against the Balanced Scorecard targets as well looking at overall performance.

Board and Committee Meetings

The Board of Directors had eight regular meetings during 2009 plus an all day planning session in May.

Each of the Board Committees (Audit and Finance, Enterprise Risk Management and Governance and HR) met 10 times during the year.

Directors participated in the Servus Annual General Meeting in March, the Credit Union Central of Alberta Conference and Annual General Meeting in April, the Annual Canadian Credit Union Conference in May, and the World Council of Credit Unions Conference in July.



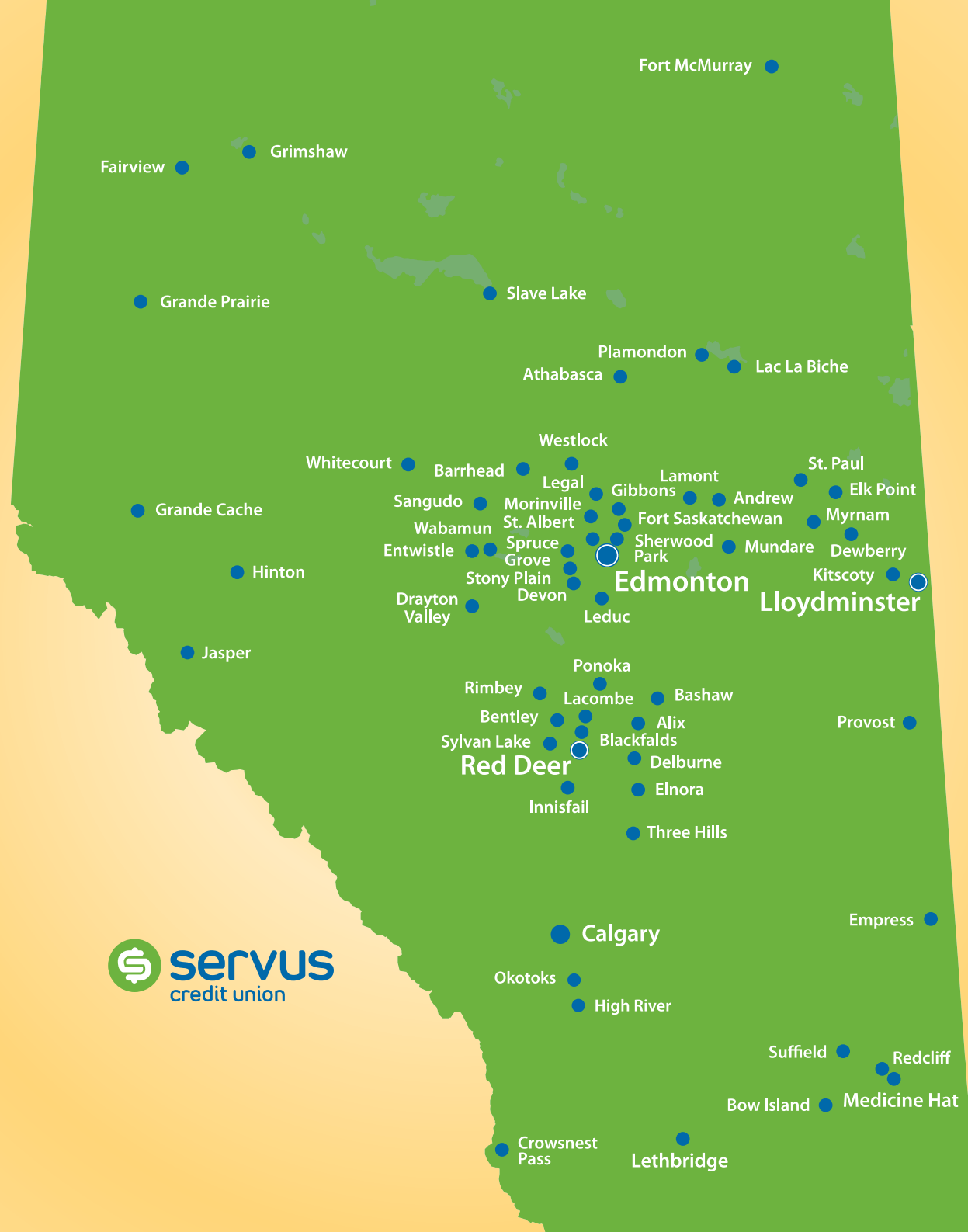
Executive Leadership Team left to right: Ian Glassford, Darcy Peelar, Taras Nohas, Garth Warner, Dan Bruinooge, Eric Dillon, Yves Auger, Gail Stepanik-Keber

Your Board of Directors

- William J. (Bill) Anhorn, *Chair*
- Terry Cooper
- Rene Dumas
- Peter Elzinga, *Chair Governance & HR*
- Peter Galloway, *Chair Audit & Finance*
- Randy Harper, *Chair Enterprise Risk Management*
- Doug Hastings, *Vice Chair*
- Merv Loewen
- Bob Porozni
- Penny Reeves
- Lloyd Robinson
- Alison Starke

Your Executive Leadership Team

- Garth Warner,
President & Chief Executive Officer
- Yves Auger,
Chief Information Officer
- Dan Bruinooge,
Chief People Officer
- Eric Dillon,
Chief Operating Officer
- Ian Glassford,
Chief Financial Officer
- Taras Nohas,
Vice President Strategy & Governance
- Darcy Peelar,
Chief Risk Officer
- Gail Stepanik-Keber,
Chief Marketing Officer



feel good about your money.

Servus Locations

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