



Standing. For more.

| A REPORT ON THE WAY WE DO BUSINESS |

2009

 **First Calgary**
SAVINGS



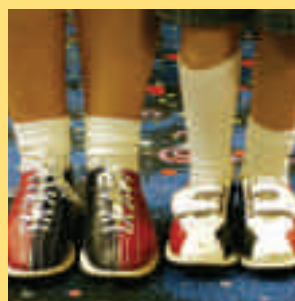
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There's no fancy footwork:
just solid, ethical
business practices.

OUR SUCCESS HINGES ON OUR ABILITY TO TAKE A STAND

AND DO WHAT'S RIGHT FOR OUR

MEMBER-OWNERS, OUR EMPLOYEES, OUR COMMUNITY AND OUR ENVIRONMENT.

STANDING FOR SUSTAINABLE LONG-TERM GROWTH

I am pleased to report on the board of directors' corporate governance activities during fiscal 2009.

The responsibility of the board is to ensure the credit union is managed in the best interests of all stakeholders, member-owners, employees and the communities where we operate. We do this by adhering to best practices in corporate governance that guide how the board functions, makes decisions and holds itself accountable.

Our goal is to maintain strong corporate governance principles that are essential to delivering value for our member-owners and maintaining confidence in First Calgary Savings. We have, as part of those efforts, adopted guidelines for transparent reporting recommended by the Global Reporting Index. We are just beginning down this path and look to employing that framework to its fullest extent in the future.

FINE-TUNING OUR GOVERNANCE FRAMEWORK

In fiscal 2009, the board continued to fine-tune and update the credit union's already sound governance practices. Our activities during the year included:

- Reviewing and approving significant credit union policies such as asset and liability management, capital plan, enterprise risk management, executive compensation, liquidity, investment and lending.
- Reviewing the effect of upcoming accounting rule changes arising from the implementation of International Financial Reporting Standards (IFRS), especially broader disclosure requirements to member-owners.
- Improving voting procedures for director elections.
- Shaping the future direction for the Pathways Project and our relationship with First West Credit Union.
- Overseeing the search for a new president and chief executive officer, which resulted in the promotion of Paul Kelly to that position in October 2009.
- Developing a matrix of director skills to help identify skill gaps on the board.
- Adding an individual director assessment component to the board's annual assessment process.
- Enhancing corporate governance and corporate social responsibility reporting for this and future annual reports.
- Representing our credit union on industry boards — Gary Cerantola, as a director of Alberta Central and Ron Ziegler on the System Future Task Force.



RON GIBSON
Board Chair

IMPROVING VOTING PROCEDURES FOR THE ELECTION OF DIRECTORS

The board is comprised of nine directors. As part of the process of maintaining a healthy and effective board, the board limits the number of consecutive terms a director may serve.

2009 BOARD MEETING ATTENDANCE AND COMMITTEE PARTICIPATION

Director	Committee Participation	Board Meeting Attendance	Compensation Paid in Fiscal 2009**
Ron Gibson <i>Chair</i>	Human Resources, Governance	100%	\$ 36,698
Bob Petryk <i>Vice Chair</i>	Human Resources, Governance (<i>Chair</i>), Nominations	100%	\$ 25,350
Jeannette Kirchner <i>Board Secretary</i>	Human Resources, Governance, Nominations	100%	\$ 25,125
Sarah Arthurs*	Audit, Investment and Credit Risk, Member Relations and Corporate Citizenship	100%	\$ 11,600
Ken Bolstad	Audit, Investment and Credit Risk (<i>Chair</i>), Member Relations and Corporate Citizenship	89%	\$ 18,225
Gary Cerantola	Audit, Investment and Credit Risk, Member Relations and Corporate Citizenship, Human Resources, Governance, Nominations (<i>Chair</i>)	100%	\$ 19,625
Hazel Corcoran	Audit, Investment and Credit Risk, Member Relations and Corporate Citizenship (<i>Chair</i>), Governance	100%	\$ 18,550
Judy Martin	Audit, Investment and Credit Risk, Human Resources (<i>Chair</i>)	100%	\$ 21,950
Ron Ziegler	Audit (<i>Chair</i>), Investment and Credit Risk, Member Relations and Corporate Citizenship	100%	\$ 22,025
TOTAL***			\$ 221,463

* Elected to the board in March 2009

** Includes honorarium, board, executive session, committee, planning and business meetings

*** Includes \$22,315 paid to Bruno Friesen, who retired from the board in March 2009

The board's Nominations Committee oversees the nomination and election of directors and announces election results at the Annual General Meeting. In 2009, First Calgary Savings switched to a mail-in ballot to better engage member-owners in the process of electing directors. Voting took place from February 4 to March 4, 2009 to fill three vacancies on the board. I am delighted to report the new voting format increased the number of votes cast to more than 5,000, which is a significant improvement over past years.

We intend in future to also use electronic voting for director elections. We believe this will further increase member-owner participation and reduce our environmental footprint.

ENSURING TRANSPARENCY AND EFFECTIVENESS

A large part of the board's work is done in committee. For example, the Audit Committee reviews and approves the financial statements, and the Member Relations and Corporate Citizenship Committee ensures that effective member-owner communication systems are in place.

The members of these committees are appointed at the board's annual reorganization meeting, which is held following the Annual General Meeting. The Chair is also elected during the reorganization meeting. Directors may also be appointed to special committees as the need arises.

We monitor and report attendance at committee meetings as part of our ongoing review of the board and individual director's performance.

We also conduct a comprehensive board assessment each year as part of our good governance practices. In 2009, we added an individual director assessment component to this process. The results of both assessments serve to identify strengths and weaknesses within the board, which provide valuable perspective on opportunities for improvement.

First Calgary Savings' Director Compensation Policy is reviewed annually by the board of directors against available market research to ensure that it is competitive and fair. Total compensation paid to directors in fiscal 2009 was \$221,463, which includes per diems and meeting attendance compensation.

My fellow directors and I are committed to developing ever-more robust corporate governance principles to ensure the sustainable long-term growth of First Calgary Savings.

I thank our member-owners and employees for your loyalty and trust.

On behalf of the board of directors,



RON GIBSON

Board Chair

STANDING UP TO EVERY CHALLENGE

Our performance in fiscal 2009 reflects perseverance and resilience. Faced with unprecedented economic challenges, from historically low interest rates and declining economic growth to volatile financial markets, our organization was tested financially and operationally.

I'm pleased to report that First Calgary Savings met every test and enjoyed a successful year. We helped our member-owners through difficult times and kept our employee family intact. We maintained a strong balance sheet and a full range of financial services at competitive prices. And we stood by our community partners so that, like us, they could stay true to their visions and values.

THANKING DAVE GREGORY

Credit for the leadership that led to our fiscal 2009 accomplishments belongs largely to my predecessor, Dave Gregory. Dave retired on October 15, 2009 after 18 years of service to First Calgary Savings, and I want to acknowledge his legacy.

I worked with and learned from Dave for 14 years. He was a dynamic leader who instilled confidence in our employees, established vision and created excitement. Because of Dave's leadership, First Calgary Savings today is a strong, vital organization with a unique business proposition and a bright future. Our community partners are also stronger for Dave's steadfast commitment to their causes.

HELPING PEOPLE HELP PEOPLE

Being a good corporate citizen isn't a secondary objective for First Calgary Savings. It's part of who we are and what we stand for — people helping people. We provide a broad range of community partners support in the form of monetary investments, employee time and in-kind contributions that help them make Calgary an even better place to live.

Our activities last year included the approval of an innovative \$5 million line of credit to the Calgary Homeless Foundation. Making the loan effectively interest free, is the true innovation. The funds will help the Foundation buy land and build affordable and specialized housing for the homeless in Calgary. We also helped launch Make it Good, an initiative with the Haskayne School of Business. Make it Good aims to support, inform and engage business leaders, entrepreneurs and members of the community to enhance the long-term sustainability of community, the environment and commerce.



PAUL KELLY
President and CEO

EARNING THE TRUST AND LOYALTY OF OUR EMPLOYEES

We faced the same cost pressures last year as did most businesses and financial services companies. The economic environment forced us to carefully monitor and control costs throughout our organization. Unlike some companies, however, we stood by our employees, offering them stable employment and new learning opportunities.

Our employees rewarded us for our commitment with their loyalty and trust. First Calgary Savings was recognized for the third consecutive year as one of the Top 50 Employers in Alberta. This award recognizes employers who are industry leaders in attracting and retaining employees. We were also named one of Canada's 50 Best Managed Companies for the 10th year in row and retained our Platinum Club membership.

These special achievements are not taken for granted. Indeed, the rankings for fiscal 2009 are especially meaningful because of the extraordinary challenges that our employees and member-owners faced. So I thank all of our employees for their commitment to First Calgary Savings.

BUILDING OUR BUSINESS

Credit unions are best known for serving the needs of consumers. At First Calgary Savings, small and medium-sized businesses are also an important segment of our membership. Business owners appreciate the support and flexibility they receive from our Business Solutions Centre, which is staffed by a dedicated team with small business expertise and skills.

We purchased the book of business of South Calgary Credit Union at the request of its board of directors in December 2009. This local credit union was experiencing financial pressures and looking to offer their members a full-service credit union alternative. We are pleased to welcome over 1,500 new member-owners to the First Calgary Savings family.

Our Pathways Project, originated with Envision Financial of Langley, British Columbia, continues to evolve. By generating opportunities to increase revenue, lower costs and employ best practices at both organizations, the project promises to provide tangible benefits for our member-owners.

Envision Financial merged with Valley First Credit Union, of Penticton, British Columbia, on January 1, 2010, establishing First West Credit Union, the third-largest credit union in British Columbia. This merger marks another step toward establishing a financial services network that can serve credit union member-owners throughout Western Canada.

PROSPERING IN AN UNCERTAIN ENVIRONMENT

Our overall financial performance in fiscal 2009 was solid, as First Calgary Savings maintained profitability and balance sheet growth. This was achieved in an uncertain and difficult operating environment of historically low interest rates, rising unemployment and falling consumer spending.

We enjoyed strong growth in our loan portfolio, up 6.6 per cent, and in deposits, up 10 per cent. As a result, adjusted net earnings from operations before taxes were more than \$11 million. A well-received Investment Share issue further strengthened our balance sheet, leaving First Calgary Savings with equity well above the regulatory requirement.

THE WAY WE DO BUSINESS — STANDING FOR MORE

Our 2009 annual report includes our previously separate corporate citizenship report. By combining these reports, we move towards meeting the sustainability reporting guidelines of the Global Reporting Initiative. These widely used and progressive guidelines set out a framework for measuring and reporting economic, environmental and social performance. We believe that success in each of these three areas is critical to the overall success of First Calgary Savings. Our objective is to provide more transparent reporting and to help you better understand First Calgary Savings' role in society, the economy and the environment.

Entering 2010, First Calgary Savings is in an enviable financial position. We have a strong capital base and a highly liquid balance sheet that will allow us to meet growing demand from member-owners for business and retail loans. I expect an increase in profit and loan growth in 2010.

On behalf of the almost 500 First Calgary Savings employees that are proud to be leading, learning and living in the Calgary communities we serve, I thank you, our member-owners, for continuing to make us your trusted financial advisors.



PAUL KELLY

President and CEO

board of directors



RON GIBSON
Board Chair



BOB PETRYK
Vice Chair



JEANNETTE KIRCHNER
Board Secretary



SARAH ARTHURS



KEN BOLSTAD



GARY CERANTOLA



HAZEL CORCORAN



JUDY MARTIN



RON ZIEGLER

executive management team



PAUL KELLY
President and CEO



JACKIE BARBER
*Senior Vice President
Human Resources & Governance*



JOHN DUNDAS
*Senior Vice President
Strategy, Risk & Partnership Relations*



WARREN BOOK
Vice President Finance



HAROLD CHORNOBOY
Vice President Business Banking



DEBBIE PRATT
Vice President Sales & Service

A photograph of a person's feet standing on a large, smooth, grey stone in a rocky area. The stone is the central focus, with other smaller rocks visible in the background. The person's feet are positioned at the bottom of the frame, with the toes pointing towards the center. The overall scene is outdoors, likely on a beach or a rocky shore.

MAKING A DIFFERENCE

Committed to
investing in our community.

PARTNERING WITH COMMUNITY INITIATIVES.

LOOKING BACK — HIGHLIGHTS

Over the years, we've discovered our best corporate citizenship initiatives begin with a clear focus on what community issues we'd like to address, and then seeking community experts who have a similar vision.

This past year, we have seen a number of our community partnerships and initiatives flourish.

CORPORATE SOCIAL RESPONSIBILITY

First Calgary Savings is committed to understanding emerging practices in the field of Corporate Social Responsibility (CSR), to ensure our board and management are effectively governing First Calgary Savings from a social, environmental and economic perspective. First Calgary Savings focused 2009 on advancing its understanding of Corporate Social Responsibility at the board, executive and Corporate Citizenship department level. Working with the Canadian Business for Social Responsibility, we have completed our research phase around CSR, including an internal and external assessment, which has helped us better understand both internal and external expectations and corporate best practices related to this emerging business trend. In 2010, our focus will be to move toward creation and integration of CSR principles and new learnings through the development of a CSR framework.

CALGARY HOMELESS FOUNDATION — LINE OF CREDIT

In December 2009, First Calgary Savings announced an innovative contribution towards ending homelessness. We have created a provision to allow the Calgary Homeless Foundation (CHF) to borrow up to \$5 million from an Evergreen Line of Credit — interest free.

First Calgary Savings has been working with the Calgary Homeless Foundation (CHF) since 2007 to help find long-term, sustainable solutions to one of Calgary's most challenging social issues: homelessness. This dedication has resulted in the development of a unique Line of Credit for the CHF that will provide the Foundation capital to purchase land and buildings and turn them into affordable housing units.

Through this innovative financing arrangement, First Calgary Savings is proud to support the great work being done by the Calgary Homeless Foundation to increase affordable housing available in Calgary. Although homelessness and poverty are incredibly complex issues, we believe we can work together to create social change.

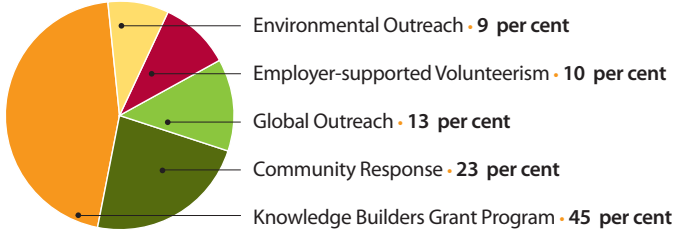
Interest payable on the Evergreen Line of Credit (LOC) will be offset by charitable donations from First Calgary Savings. The annual donation amount will represent the interest accrued each year to a maximum of \$250,000.



DONATIONS

First Calgary Savings is pleased to invest our profits in the form of charitable donations to a variety of worthwhile causes.

Charitable donations budget allocation in 2009:



KNOWLEDGE BUILDERS GRANT PROGRAM

This program provides funding to non-profit organizations requiring financial support to address organizational learning needs (i.e. strategic planning, board governance and team building). Organizations can apply for up to \$2,500 per year through this program. In 2009, 45 per cent of our charitable donations budget was directed to organizations that applied for funding through our Knowledge Builders Grant Program. This past year, this program allocated \$56,500 to 24 local non-profit organizations. Knowledge Builders has been in place for 10 years, in which time the program has distributed 190 grants, adding up to more than \$353,000 to charitable organizations in Calgary and area. One board member volunteers on the committee that reviews applications for funding through this program.



IMAGINE PROGRAM

First Calgary Savings continues to be a proud member of Imagine Canada's Caring Companies Program. Imagine Canada requires companies to invest a minimum of one per cent of pre-tax profits annually into the community, and to dedicate at least one page in the Annual Report to community involvement. In the 10 years First Calgary Savings has been a member of Imagine Canada, \$816,500 has been contributed to the Calgary community through the Caring Companies Program.



ALBERTA'S PROMISE

First Calgary Savings renewed its commitment as an "Alberta's Promise Builder," furthering its dedication to investing in youth and education in our province. Alberta's Promise January '09 electronic newsletter featured a profile of First Calgary Savings and our ongoing support of the Calgary Timeraiser.



First Calgary Savings is proud to be associated with the following groups and organizations that facilitate leadership and breakthrough thinking in Corporate Citizenship:

- Alberta's Promise
- Calgary's Economic Development Network
- Canadian Business for Social Responsibility
- CentrePoint
- LBG Canada
- Make it Good
- The Calgary Foundation
- Thrive
- United Way of Calgary and Area
- Volunteer Calgary





advancing learning in charitable organizations

Knowledge Builders

VOLUNTEER INVOLVEMENT PROGRAM

The Volunteer Involvement Program recognizes and supports employees who volunteer their time to charitable and non-profit organizations. Philanthropic commitments are celebrated by making a financial contribution up to a maximum of \$1,000 to the charitable organization of the recipient's choice. Full-time and part-time staff and immediate family members are eligible to participate in this program.

In 2009, \$14,000 was allocated to 16 organizations through the Volunteer Involvement Program. Since its inception in 2003, the Volunteer Involvement Program has contributed nearly \$62,900 to 84 charitable or non-profit organizations recognizing the important volunteer contributions of our staff and their immediate family members.

FIRST CALGARY SAVINGS' ANGUS AND MARY MCKINNON SCHOLARSHIP FUND

The Angus and Mary McKinnon Scholarship Fund is designed to reward students for leadership, not only in academic pursuits, but also in citizenship and volunteer activities. The program annually distributes five \$1,000 scholarships to post-secondary students studying in Alberta. The Scholarship Fund was started in 1997 as part of First Calgary Savings' 60th anniversary celebrations. Since its inception, 74 students have received scholarships and bursaries totalling \$63,000.

HABITAT FOR HUMANITY

April 7, 2009, marked a special day for 20 First Calgary Savings employees: it was the day they traded in their suits and high heels and strapped on hardhats and steel-toed boots to support Habitat for Humanity. At a site in northeast Calgary, employees jumped at the opportunity to install cabinets and drywall, paint everything from pantries to patio fences and yes, even lay sub-floor and prepare for plumbing.

Employee Viewpoint Survey — Community focus

95 per cent of employees responded **FAVOURABLY** to the statement *'I believe First Calgary Savings is a valuable and contributing member of our community'*

85 per cent of employees responded **FAVOURABLY** to the statement *'I value the opportunity to participate in workplace supported community activities/events'*

82 per cent of employees responded **FAVOURABLY** to the statement *'My immediate manager supports my involvement in volunteer activities in our community'*

A selection of Knowledge Builders Grant Program recipients:

- Agapé Hospice
- Alberta Sports and Recreation Association for the Blind
- Alzheimer Society Calgary
- Art à la carte
- Big Brothers and Big Sisters of Calgary and Area
- Breast Cancer Supportive Care Foundation
- Calgary Counselling Centre
- Calgary Seniors' Resource Society
- Cantos Music Foundation
- Children's Cottage Society
- Discovery House
- Green Calgary
- Hospice Calgary
- Linkages Society
- Making Changes Association
- N'Step
- Run Jump and Play
- Santa's Secret Service
- SunErgos A Company of Theatre and Dance
- The S.H.A.R.P. Foundation
- Vertigo Theatre Society
- Volunteer Calgary
- W.P. Puppet Theatre Society
- Youth Singers of Calgary





A selection of Community Response/Global and Environmental Outreach recipients:

- Calgary Drop-In Centre
- Calgary Homeless Foundation
- Calgary Zoo - *Cynthia Phillips Primary School*
- Friends of Fish Creek Provincial Park Society
- Green Calgary
- Lunchbox Theatre
- Room to Read Calgary Chapter
- Salvation Army - *Christmas Hope Campaign*
- United Way of Calgary and Area

EPCOR CENTRE FOR THE PERFORMING ARTS

First Calgary Savings is a proud supporter of the One Day Arts School at the EPCOR CENTRE for the Performing Arts. One Day Arts School programs give children and youth the opportunity to explore their immense creativity using themes learned in the classroom.

- In 2008/09, One Day Arts School (ODAS) experienced 35 per cent growth in the number of participants. This includes students from two of our partner schools: Mount View Elementary and Janet Johnstone Elementary
- This year, the EPCOR CENTRE served 2,864 students (goal: 2,200) from 36 schools (goal: 29)
- In 2008/09, the EPCOR CENTRE successfully partnered with ConocoPhillips Canada, to co-sponsor ODAS

BOOK RAPPORT EDUCATIONAL PROGRAMME OF WORDFEST

First Calgary Savings Book Rapport Educational Programme of WordFest brings together authors and students through interactive presentations and writing workshops. Book Rapport hosts more than 70 authors in over 65 events, workshops and readings for children, youth and adults and symbolizes First Calgary Savings' commitment to youth and education.

- In 2009, Book Rapport expanded into Okotoks
- 55 schools and 6,288 students attended 53 Book Rapport events, generating just over \$33,000 for WordFest





STEPPING STONES GRANT PROGRAM WITH THE CALGARY FOUNDATION

Stepping Stones is a unique and innovative partnership between The Calgary Foundation and First Calgary Savings, designed to encourage active citizenship by supporting Calgarians who want to explore ways to make their neighbourhoods stronger.

- The Stepping Stones grant program awarded 26 grants for a total of \$12,600 from November 1, 2008 - October 31, 2009



ROOM TO READ

In 2007, First Calgary Savings partnered with Room to Read to build three libraries in developing countries over three years. First Calgary Savings will contribute a total of \$45,000 to the project over the three year period.

- First Calgary Savings was the title sponsor of the Room to Read Girls Night Out — Bollywood Style held on October 2, 2009 which raised over \$45,000 for girls' scholarships in India
- First Calgary Savings built a library in Cambodia in 2008/09. Constructing a new library in Trabek, Cambodia provided students with greater opportunities to access books. A new library also promoted a more reading-friendly environment. It is our hope, the construction of this library will provide an incentive for parents to keep their children in school



WALK A MILE IN HER SHOES

On Monday, September 21, 2009, walking in high heels, four First Calgary Savings men strutted their stuff on Olympic Plaza, while undertaking personal challenges to raise money for the YWCA of Calgary. To kick-start the fundraising for this event, a corporate donation of \$2,500 was made to the YWCA of Calgary in support of our First Calgary Savings walkers.

- Paul Kelly, John Dundas, Terry Eisthen and Jason Wagner formed the First Calgary Savings team at the annual YWCA Walk a Mile in Her Shoes event
- Paul Kelly was the highest individual fundraiser for the second year, raising \$7,875



To connect with our Corporate Citizenship Team,
please call our Administration office at **403.230.2783**.





WE ARE FAMILY

Our employees are
the cornerstone of
First Calgary Savings.

WE COULDN'T DO BUSINESS WITHOUT THEM.

**SIMPLY DOING BUSINESS IS ONE THING.
DOING BUSINESS WITH PASSION AND COMMITMENT IS ANOTHER THING ENTIRELY.**

That's why many First Calgary Savings human resources activities focus on attracting, developing and retaining employees who are passionate about and committed to providing exceptional service to our member-owners.

ATTRACTING AND RETAINING HIGH PERFORMANCE EMPLOYEES

The economic slowdown during much of our fiscal year was challenging. But it was welcome in one respect; it helped to stabilize the employment market in Calgary, which reduced the staffing pressures caused by a booming Alberta economy in recent years. As a result, our employee turnover rate witnessed its first significant drop since 2001. The average number of employees who leave our organization each year declined 21 per cent in fiscal 2009 compared with the previous year.

We nevertheless continued our efforts to attract strong new employees to First Calgary Savings and to support their careers with us. Our goal is to provide a challenging, yet rewarding workplace where team and individual contributions are recognized and where each employee's journey to personal and professional excellence is fostered.

As part of these efforts, we revitalized our long-term service award program, incorporating employee suggestions to offer a broader range of rewards, and we implemented a survey of newly hired employees to evaluate our efforts in helping them smoothly transition to working at First Calgary Savings.

This year, we created the Human Resources Employee Advocacy Committee to solicit feedback and input from employees on HR communications and initiatives. The purpose of the Committee is to ensure communications between employees and HR remain transparent and clear and encourage employees to help us innovate in ways that make First Calgary Savings the best place they have ever worked. This committee is comprised of a diverse group of participants representing all of our corporate demographic groups.

TRAINING AND DEVELOPING OUR TEAM

We provided training and development opportunities that enable our employees to improve their skills and achieve their career goals. One such opportunity is our annual Career Development Review between each employee and his or her manager. The review helps to clarify an employee's career aspirations and establishes the means for achieving those aspirations through training, promotions or lateral career moves.





In 2009, we provided 36 per cent of our employees with lateral career moves to a different branch, a job to broaden their work experience or a position to help them better balance their work/family commitments. Additionally, we promoted 18 per cent of our employees during the fiscal year under review. We also offered our employees 907 hours of classroom instruction. This number of classroom hours represents a five per cent increase over the previous year and enabled 65 per cent of our total number of employees to receive training specific to their career objectives. We know that leadership style directly affects employee retention and financial performance, so we provide development programs aimed at improving the quality of leadership within First Calgary Savings. In fiscal 2010, we will use our leadership effectiveness and Career Development Reviews to continue growing our approach to cultivating the future leaders of our organization.

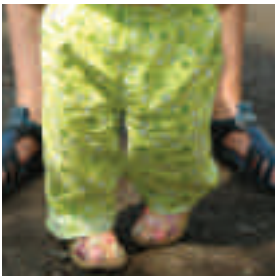


SEEKING FEEDBACK AND IMPROVEMENT

Engaged employees, who are fully involved in and enthusiastic about their work, are a competitive advantage. They care deeply about the future of the organization they work for and are willing to do more than expected to help it succeed.



At First Calgary Savings, we conduct an Employee Viewpoint Survey each year to gauge our success in fostering employee engagement. The survey measures progress in five areas: leading and living in our community, our workplace community, leadership practices, business practices and employment practices.



Our fiscal 2009 employee survey showed improvement in all categories. Its results include a six per cent increase in the number of employees agreeing with the statement “It would take a lot to get me to leave First Calgary Savings.” We have enjoyed an 18 per cent cumulative increase in this score since fiscal 2006.

The survey for fiscal 2009 identifies areas where we need to improve and every year we work with the branch and department teams to create plans to address these areas.

RECEIVING RECOGNITION FOR OUR EFFORTS

In addition to being recognized for the 10th year in a row as one of Canada’s 50 Best Managed Companies — a Platinum Club member, First Calgary Savings was recognized in 2009 as one of the Top 50 Employers in Alberta for the third consecutive year. This program recognizes employers that are industry leaders in attracting and retaining employees. First Calgary Savings was chiefly commended for:

- helping employees save for retirement with matching RSP contributions
- providing a variety of financial benefits for employees, including profit-sharing, referral bonuses and low-interest mortgage rates
- giving all new employees three weeks of paid vacation a year

First Calgary Savings is constantly striving to be the best place our employees have ever worked. In 2010, we will continue to focus on attracting, retaining and supporting the career development of our employees in order to grow strong skill sets we require moving forward.





THINKING AND BUILDING OUTSIDE THE BOX

“First Calgary Savings is unquestionably an important factor in our success.

THEY BELIEVE IN ME, AND I BELIEVE IN THEM.”

ROBERT SIPKA LEARNED HOW TO BUILD HOUSES UNDER THE WATCHFUL EYE OF HIS FATHER, A EUROPEAN CRAFTSMAN WHO TAUGHT HIM THE IMPORTANCE OF PAYING ATTENTION TO DETAILS, AND NURTURED THE FAMILY'S TRADITION OF BUILDING SOMETHING BETTER.

Robert eventually embarked on his own career as a builder and a developer. It wasn't long before he challenged conventional thinking by experimenting with innovative construction materials and methods to build better sustainable housing.

Today, Robert routinely uses insulated concrete forms and locally recycled steel joists, among other novel materials, to construct a solid outer shell that protects the indoor space. The building expertise he has developed results in housing that is healthy for its occupants and for the environment.

As Robert's expertise in green construction methods grew, so did the realization that he could use sustainable building methods for affordable low-cost housing. That recognition, however, also challenged conventional thinking.

"Unconventional building," says Robert, "always costs more. When you build energy-efficient housing, you need to look at operating costs over a five-year horizon."

Again, Robert took a different approach. He chose to be not just the builder and developer but also the landlord of multi-family buildings. Choosing to do so was one thing; moving forward, another.

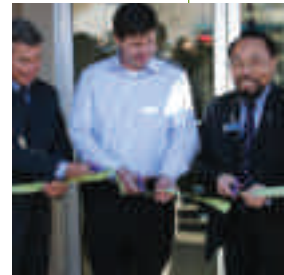
So Robert turned to his longstanding relationship with First Calgary Savings to make things happen. He has entrusted his finances to the credit union since graduating from the University of Calgary and starting his company in 1996.

"First Calgary Savings didn't confine my business or innovative approach to a box," he says of the credit union's support for his original approaches to construction and development. Instead, the credit union was willing to look at the big picture; and what a picture it turned out to be.

Robert's nine-unit Parkhill Manor project in Calgary received the highest EnerGuide rating of any multi-family building in Canada in 2008. It also earned Alberta's first EnerGuide rating for a multi-unit residential building.

Robert's business continues to grow. He has three projects on the drawing board or under construction with a total budget of \$89 million. These inner-city developments will add 391 units of affordable housing for sale or rent to the Calgary marketplace.

"First Calgary Savings," Robert states, "is unquestionably an important factor in our success. They believe in me, and I believe in them."



ROBERT SIPKA



ADVOCATING FOR OUR MEMBER-OWNERS

With nearly 90,000 member-owners, First Calgary Savings is Calgary's largest locally owned and operated credit union. We are the leading alternative to traditional banking services in the greater Calgary area.

Our mission is to help our member-owners realize their goals and dreams. For our member-owners, that means we must stay true to our credit union values; satisfy their changing needs; and exceed their expectations for excellence with innovative, value-added products and services provided by our caring, professional staff.

We consider membership in our credit union to be a distinctive feature and a competitive advantage. Member-owners benefit by having a say in their credit union, by being part of a community-oriented business and by sharing in our earnings. In 2009, our member-owners received \$5 million in patronage and dividend payouts.

We worked throughout 2009 to ensure we continued to provide exceptional value to our member-owners and to meet the standards of quality and reliability they expect.

MEASURING OUR PROGRESS

We measure our progress toward achieving our strategic goals and enhancing our member-owners' service experience by conducting an annual member-owner survey. In 2009, our Member Satisfaction Index scores averaged 80 per cent, positioning First Calgary Savings above the benchmark for all financial institutions in Alberta. The survey indicated strong member-owner loyalty in several areas, with a majority of member-owners indicating they will remain with First Calgary Savings, consider First Calgary Savings for other financial needs and recommend First Calgary Savings to others.

IMPROVING PRIVACY AND SECURITY

We improved our already extensive security measures in 2009 by launching a personal security portal on our Web site, 1stcalgary.com. The portal helps to educate our member-owners about typical scams and provides tips for protecting their personal identities.

In 2010, we will upgrade our MasterCard® credit cards with the latest fraud-fighting chip technology and update the look of our First Cheque Global Payment™ Cards. We also plan to improve the functionality of our automated teller machines (ATMs), enabling our member-owners to change their personal identification numbers at an ATM.

EXPANDING OUR BRANCH NETWORK

As part of our retail growth strategy, we will open our newest retail branch in March, 2010, in Okotoks, one of the fastest-growing communities in Canada. This full-service branch offers Okotoks and area residents our complete line of financial products and services in a convenient location.

We built the Okotoks Willow branch to achieve Leadership in Energy and Environmental Design (LEED) certification by using sustainable design elements and recycled and non-toxic materials. Achieving environmental sustainability is a requirement for all new First Calgary Savings locations. This includes our training and contact centres, which will also be LEED certified.



ANSWERING EVERY CALL QUICKLY

Our contact centre received more than 90,000 calls in 2009, keeping the centre's 18 full-time employees very busy. Contact centre employees answered each call within 23 seconds on average compared with 63 seconds in 2008.

MANAGING MEMBER-OWNER WEALTH

We manage financial assets in excess of \$230 million for our member-owners. They, like other Canadians, experienced the uncertainty and pressures of an economic downturn and financial market turmoil in 2009. Our investment advisors at one 2 one Financial Consulting™ and at our branches helped member-owners weather the storm by providing financial planning, investment strategies, tax-optimization plans and personal insurance strategies. These financial services complement a comprehensive product line that includes stocks, bonds, mutual funds, segregated fund and other life insurance products.



We continued to broaden our investment product line in 2009, introducing tax-free savings accounts, Series E Investment Shares and the Enhanced Growth term deposit. In 2010, we will diversify the Enhanced Growth term deposit, adding consumer staples and health care investment options.



TAKING CARE OF BUSINESS

Small businesses represent one of the fastest growing segments of the Canadian economy. Yet, small-business owners still lack the sophisticated banking solutions and services they need to gain competitive advantage. Our Business Solutions Centre™ and commercial banking team meet their needs with commercial and specialized lending programs. By focusing on the unique requirements of our over 7,800 business member-owners, we increased our business lending including: loan, mortgage and line of credit portfolio to \$651 million in 2009.

LISTENING TO OUR MEMBER-OWNERS

We rely on feedback from our member-owners to identify opportunities for new services and areas of our business in need of improvement. Based on recent feedback, we will redesign our statements in 2010 to a more user-friendly format, including a larger font size. We will also launch environmentally friendly e-statements and introduce electronic money transfers for member-owners who bank online.

A person is sitting on a grassy field, playing an acoustic guitar. The person is wearing a blue t-shirt and dark pants. The guitar is a light-colored acoustic guitar. The background is a lush green field with trees in the distance. The overall scene is peaceful and natural.

ECO INITIATIVES PROGRAM

Minimizing our environmental
footprint while maximizing
our cultural impact.

FIRST CALGARY SAVINGS IS WORKING TO MINIMIZE THE IMPACT OF OPERATIONS,

PRODUCTS AND SERVICES ON THE ENVIRONMENT.

AT FIRST CALGARY SAVINGS, WE BELIEVE IN DOING OUR PART TO ENSURE OUR COMMUNITIES REMAIN HEALTHY AND SAFE. IT'S THAT SIMPLE. AS WE LOOK BACK OVER OUR ACCOMPLISHMENTS IN 2009, THE IDEA OF PROTECTING OUR PLANET TOOK GREATER HOLD THAN EVER BEFORE.

We've always said our greatest resource as a credit union is our people — and it is these employees who are helping to make a difference in our desire to be more eco-conscious in our daily business decisions.

In 2009, First Calgary Savings continued to witness incredible leadership from the internal Environmental Advocacy Team, which formed in 2008. This group is made up of employees from across the entire company, each of whom has an array of environmental interests. From energy and waste reduction to carbon emission research and member-owner advocacy, this group brings ideas to life and proves that when it comes to protecting our planet, we are all in this together.

The past year saw many environmental successes realized, not the least of which included First Calgary Savings' title sponsorship of the Eco Initiatives Program with the Calgary Folk Music Festival (CFMF). This partnership was an important milestone as the Festival looked to grow awareness surrounding environmental issues as well as grow the amount of recyclable and compostable materials being diverted from the landfill. Over the four-day festival, First Calgary Savings employees volunteered nearly 100 hours to help the Eco Initiatives Program run smoothly. We are proud of the results this program garnered in 2009 and think you will agree.



Photo by Doug Callow*

MATERIALS COLLECTED	WEIGHT		2009 ECOLOGICAL BENEFIT
	2008	2009	
Organic Waste	2,190	4,200	One car off the road
Beverage Containers	1,400	914	N/A
Cardboard	1,670	3,850	90 trees saved
Mixed Paper	410	220	
Plastic	425	300	4.4 barrels of oil
Glass	20	10	
Metal	150	350	18.6 computers run for an entire year
Wood	1,010	—	N/A
Oil	—	49	N/A
TOTAL	7,275	9,893	Nine garbage trucks kept from the landfill

Chart reproduced from the 2009 Calgary Folk Music Festival Recycling Breakdown and Review, as per Green Calgary.

* All photos taken at the Calgary Folk Music Festival.



did you know...

All First Calgary Savings corporate air travel is being offset to help address green house gas emissions?



Photo by Melanie Boisvert*



Photo by Doug Callow*

Each of these numbers tells a story of true partnership: Beverage container recycling went down in 2009 because the Calgary Folk Music Festival (CFMF) stopped selling bottled water, instead encouraging patrons to bring reusable containers and using water refill stations. This year also marked the first of its kind when it came to the collection of oil from food vendors. All used oil was taken to SAIT to be turned into biofuel. The CFMF was able to leverage the financial and voluntary resources of First Calgary Savings to work with Green Calgary, food vendors and event patrons to make the 2009 Eco Initiatives Program an incredible success.

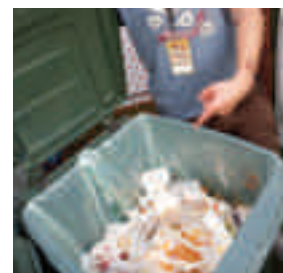


Photo by Dave Kenney*

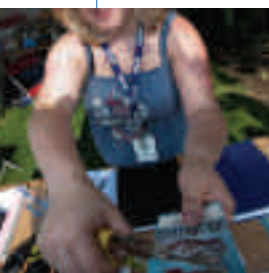


Photo by Dave Kenney*



Photo by Dave Kenney*



did you know...

First Calgary Savings employees participated in the Calgary Commuter Challenge, Ride Your Bike to Work Day and the Annual Fish Creek Park Clean-up?



did you know...

First Calgary Savings has moved to printing *The Advisor* and direct mail on 100 per cent post-consumer recycled paper?



As we look forward to 2010, a number of Environmental Advocacy initiatives are already underway. Some of these include:

- First Calgary Savings' sponsorship of the Annual Fish Creek Park Clean-up (for the second year, employees and their families will be invited to participate in this event)
- Six volunteer spots have been reserved for the Eco Initiatives Program of the Calgary Folk Music Festival; First Calgary Savings' title sponsorship of this program will continue
- Waste-Free Lunch Week: April 26 - 30
- Electronic statements to be offered to member-owners
- No-idling zones (currently piloted at our Head Office and TransCanada branch since summer 2009) to expand to other locations in our branch network



At First Calgary Savings, we understand the importance of reducing our environmental footprint. While we are not able to tackle all environmental issues at once, we are doing our best to make sustainable choices for the future. We look forward to sharing our journey with you along the way.

did you know...

Our Head Office and TransCanada branch are now idle-free zones? Stay tuned in 2010 as we roll this initiative out to more of our locations.



OVERVIEW

An introduction to our organization

Management's Discussion and Analysis (MD&A) provides additional commentary and information on the results of operations and financial condition of First Calgary Savings & Credit Union Ltd. for the fiscal years ending October 31, 2009 and 2008. The MD&A is an integral part of the annual report and should be read in conjunction with the consolidated financial statements.

Like the financial statements, the MD&A gives First Calgary Savings the opportunity to demonstrate its accountability to member-owners for effective stewardship of resources and for meeting strategic objectives. The financial statements reflect what happened, while the MD&A explains why these changes occurred. By providing a balanced discussion of results of operations, financial condition and future prospects, the MD&A lets member-owners look at First Calgary Savings through the eyes of management.

The following discussion and analysis is the responsibility of management and is as of December 21, 2009.

2009 FINANCIAL PERFORMANCE REVIEW

Balance sheet

Total assets at year-end increased \$207 million, or 9.86 per cent, over the previous year.

Total net loans to member-owners at year-end increased \$115 million, or 6.57 per cent, from a year ago.

Residential mortgages surpassed \$1 billion during 2009 and comprised 56 per cent of our loan portfolio at year-end. At the end of 2008, residential mortgages represented \$986.6 million or 56 per cent of our loan portfolio. Our commercial loan portfolio grew six per cent in 2009 and comprised 34 per cent of total loans at year-end.

Member-owner deposits at year-end rose \$193 million, or 10 per cent, from a year ago. The increase was due primarily to growth in term deposits of \$138 million, a 12 per cent increase over 2008.

Member-owners' equity increased \$26.5 million, or 22 per cent, in 2009. By increasing member-owners' equity through profits, we can provide capital for growth and pay patronage and dividends to member-owners. Over the past decade, member-owners have received more than \$45 million in patronage and dividends. In 2009, these payments were \$5 million or 46 per cent of adjusted net earnings from operations before tax.

Income statement

For much of 2009, there was little difference between short-term and long-term interest rates, which challenged us to achieve adequate financial margin. We managed our margin in 2009 by maintaining an interest-rate hedging program and by active portfolio management. These strategies, together with loan and deposit growth, increased financial margin \$1.8 million (three per cent) to \$58.9 million prior to unrealized hedge gains and losses. Importantly, this is the 12th consecutive year financial margin has improved.

Non-interest revenue, which includes banking fees, mutual-fund sales fees, foreign-exchange services and insurance-related services, was \$14.6 million in 2009, and is unchanged from last year.

Operating expenses in 2009 increased \$2.8 million, or five per cent, to \$61.1 million. The largest increase was to personnel expenses, which rose \$2.1 million or eight per cent, as we added staff to meet growing member-owner demand for financial products and services and increased wages to maintain our competitiveness.

At year-end, 1.28 per cent of loans were in arrears compared with 0.21 per cent the previous year. This increase was particularly evident in the residential mortgage and commercial loan portfolios, as the worldwide economic slowdown affected the Calgary market, increasing unemployment and bankruptcy rates. Management regularly reviews



economic conditions in conjunction with the performance of First Calgary Savings' loan portfolio to identify indications of impairment. Management believes the increase in loans in arrears is temporary, with security levels being adequate to prevent significant losses and that adequate provision has been made for future loan losses.

Adjusted net earnings from operations before income taxes was \$11.0 million in 2009. This is a decrease from the 2008 level of \$13.2 million, or 16 per cent. This decrease was primarily the result of unfavourable economic conditions early in the year and historically low interest rates throughout the year. Initiatives to manage the effects of this environment were successful, generating progressively higher quarterly earnings. By the fourth quarter, quarterly earnings were above both historical and budget levels.

Net income after patronage allocation and income taxes in 2009 was \$6.6 million.

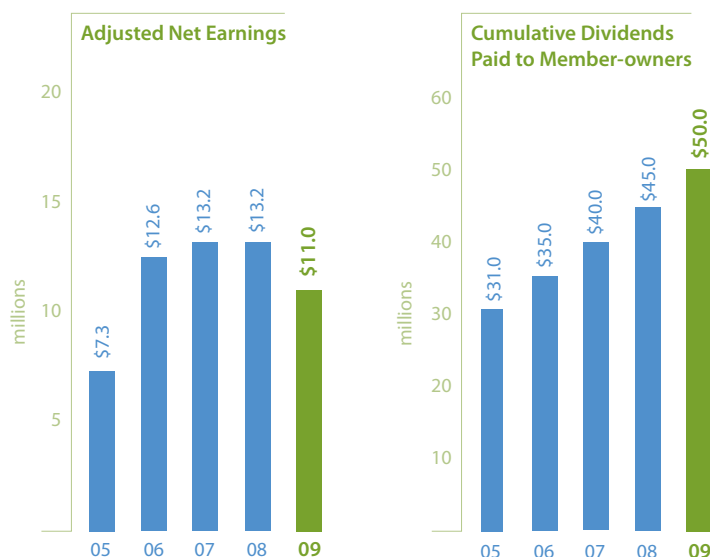
ADJUSTED NET EARNINGS FROM OPERATIONS

(\$ thousands)

	2009	2008	2007	2006	2005
Net earnings as reported	\$ 6,579	\$ 20,872	\$ 6,597	\$ 8,367	\$ 4,016
Patronage allocation	2,000	2,600	2,600	1,737	1,814
Unrealized loss/(gain) on cash flow hedges*	724	(15,961)	2,118	—	—
Adjusted net earnings from operations**	9,303	7,511	11,315	10,104	5,830
Income tax provisions	1,718	5,663	1,909	2,460	1,425
Adjusted net earnings from operations before tax	\$ 11,021	\$ 13,174	\$ 13,224	\$ 12,564	\$ 7,255

* Derivative financial instruments are recorded at fair value on the balance sheet, with changes in the fair value of non-designated hedges flowing through earnings. The amounts ultimately realized may be materially different than reflected in the financial statements because of changes in prices of the underlying items hedged.

** The credit union evaluates its performance based on adjusted net earnings from operations, a non-GAAP (Generally Accepted Accounting Principles) measure that represents earnings adjusted for certain items of a non-operational nature. Adjusted net earnings from operations may not be comparable to similar measures presented by other organizations.



FINANCIAL DATA - FIVE YEAR HISTORY

Balance sheet

(\$ thousands)

	2009	2008	2007	2006	2005
ASSETS					
Cash	\$ 25,220	\$ 101,718	\$ 4,332	\$ 19,479	\$ 24,559
Investments	363,968	196,555	223,141	196,600	200,459
Loans to member-owners	1,871,041	1,755,743	1,602,008	1,514,170	1,279,600
Interest receivable	7,920	7,175	6,926	6,047	5,914
Other assets	18,048	18,368	3,186	1,675	1,989
Foreclosed property	1,636	438	—	—	408
Capital assets	22,209	22,778	23,032	22,803	18,376
	\$ 2,310,042	\$ 2,102,775	\$ 1,862,625	\$ 1,760,774	\$ 1,531,305
LIABILITIES					
Member-owners' deposit accounts	\$ 2,119,499	\$ 1,926,326	\$ 1,711,127	\$ 1,619,557	\$ 1,426,399
Accounts payable and accrued liabilities	9,770	10,724	10,254	7,525	4,122
Interest payable	16,778	15,031	13,656	12,776	12,292
Loans payable	12,500	25,000	25,000	25,000	—
Future income tax liability	4,243	4,954	1,148	1,246	567
	\$ 2,162,790	\$ 1,982,035	\$ 1,761,185	\$ 1,666,104	\$ 1,443,380
MEMBER-OWNERS' EQUITY					
Patronage allocation	\$ 2,000	\$ 2,600	\$ 2,600	\$ 1,737	\$ 1,814
Common shares	21,434	19,646	17,944	17,079	16,204
Investment shares	65,459	44,996	46,378	46,193	47,302
Investment share dividends declared	3,015	2,362	2,435	2,302	1,858
Retained earnings	55,344	51,136	32,083	27,359	20,747
	147,252	120,740	101,440	94,670	87,925
	\$ 2,310,042	\$ 2,102,775	\$ 1,862,625	\$ 1,760,774	\$ 1,531,305

Statement of operations

(\$ thousands)	2009	2008	2007	2006	2005
FINANCIAL INCOME					
Interest on loans to member-owners	\$ 102,745	\$ 100,345	\$ 92,264	\$ 79,332	\$ 65,738
Interest on investments	3,065	8,200	10,695	7,545	7,231
	105,810	108,545	102,959	86,877	72,969
Unrealized gain/(loss) on interest rate swaps	(724)	15,961	(2,118)	—	—
	\$ 105,086	\$ 124,506	\$ 100,841	\$ 86,877	\$ 72,969
FINANCIAL EXPENSE					
Interest on member-owners' deposit accounts	46,283	50,147	46,531	38,353	32,738
Interest on loans payable	628	1,272	943	95	52
	\$ 46,911	\$ 51,419	\$ 47,474	\$ 38,448	\$ 32,790
Financial margin	58,175	73,087	53,367	48,429	40,179
Other income	14,608	14,607	13,661	12,955	12,338
Gross margin	72,783	87,694	67,028	61,384	52,517
Charge for loan impairment	1,369	250	552	699	1,164
Income before operating expenses	71,414	87,444	66,476	60,685	51,353
Operating expenses					
Personnel	28,379	26,287	25,086	22,769	20,487
Occupancy	5,914	5,321	4,738	4,401	4,325
Member-owner security	3,843	3,523	3,136	2,824	2,504
General	21,493	22,108	21,509	17,324	16,030
Organization	1,488	1,070	901	803	752
	\$ 61,117	\$ 58,309	\$ 55,370	\$ 48,121	\$ 44,098
Income before patronage and income taxes	10,297	29,135	11,106	12,564	7,255
Patronage	2,000	2,600	2,600	1,737	1,814
Income taxes					
Current	2,429	1,857	2,007	1,781	1,119
Future	(711)	3,806	(98)	679	306
	\$ 1,718	\$ 5,663	\$ 1,909	\$ 2,460	\$ 1,425
Net income	\$ 6,579	\$ 20,872	\$ 6,597	\$ 8,367	\$ 4,016
Adjusted net earnings from operations before tax	\$ 11,021	\$ 13,174	\$ 13,224	\$ 12,564	\$ 7,255
Return on assets	0.50%	0.66%	0.73%	0.76%	0.50%
Return on equity	8.22%	11.86%	13.49%	13.76%	8.80%
Operating efficiency	83.00%	81.29%	80.08%	78.39%	83.97%

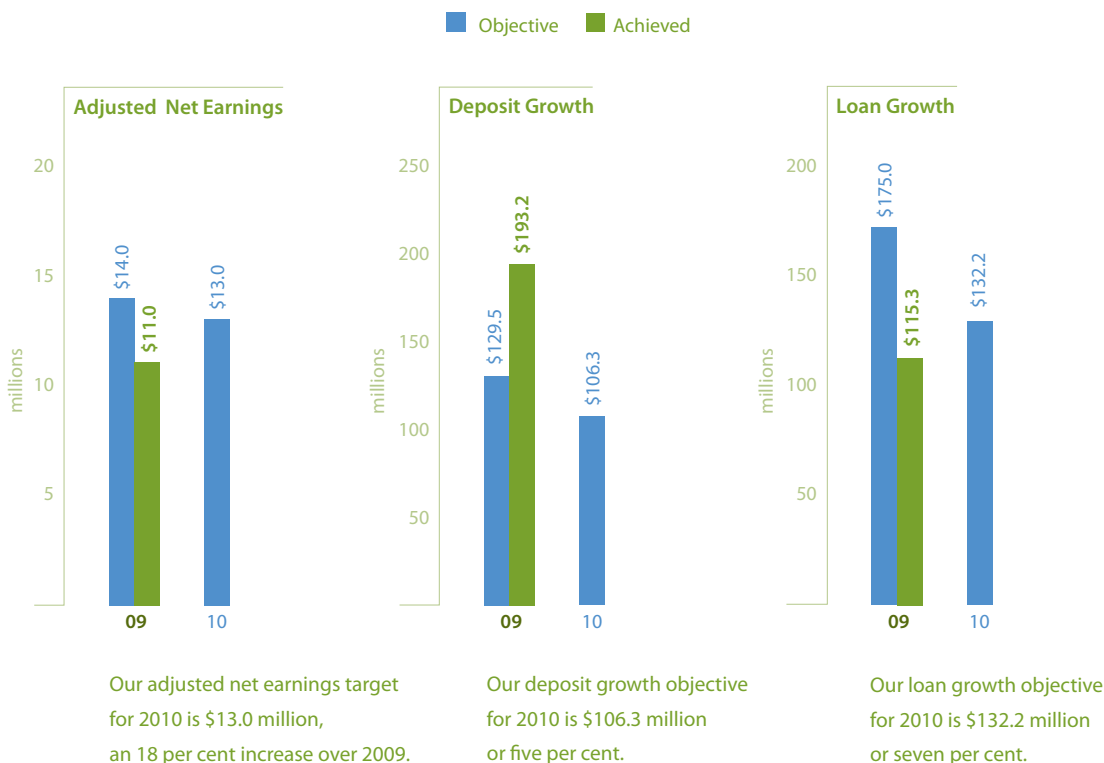
Returns on assets, equity and operating efficiency were calculated based on adjusted net earnings from operations before tax.

Caution regarding forward-looking information

This annual report contains forward-looking financial information including corporate objectives. Management is required to make various assumptions and projections when generating forward-looking information. Various risks and uncertainties exist or may materialize during the year that could cause actual future results, conditions, actions or events to differ materially from the targets, projections, expectations, assumptions or estimates contained in the forward-looking information. This forward-looking information is contingent on certain risks and external factors discussed below in First Calgary Savings' Outlook and Strategy for 2010. The risks discussed in that section are not exhaustive.

Objectives for 2010

Each year, the board of directors approves financial targets for the next fiscal year. The following table compares our targets for 2010 with results and targets from 2009.



Alberta economic forecast

The worst of the global economic recession appears to have passed, with the majority of the world's larger economies either exiting recession or starting to grow again. The coordinated efforts of central banks and governments to stimulate growth have been a significant factor in this turnaround. However, fears remain about the effects of removing stimulative measures before consumer and business demand takes over from government-sponsored projects. Fragile economies could be headed towards a "double-dip" or "W-shaped" recession and recovery, as opposed to the normal "V-shape."

Asia is likely to emerge as the world's principal recovery engine in 2010 and 2011, with China poised to lead the way. The Chinese government implemented the world's biggest stimulus package, so it is not surprising that its economy has seen the swiftest turnaround. Emerging Asian countries, which are dominated by China and India, are expected to grow 4.7 per cent in 2010. Industrialized countries, meanwhile, are expected to post relatively meagre 1.3 per cent growth in GDP in 2010.

The U.S. was initially expected to spearhead the global recovery. However, high unemployment and a wealth-constrained consumer have dimmed that country's recovery prospects, leading forecasters to hypothesize about a jobless recovery scenario. The U.S. labour market has taken longer to recover after each of the past few recessions. The current recession is not expected to change this trend. Even with half of the USD\$787 billion stimulus package still to be spent and a commitment by the U.S. Federal Reserve to keep rates low, a robust start to a recovery is not guaranteed. Consequently, U.S. economic growth is expected to increase 2.2 per cent in 2010 and 3.3 per cent in 2011.

Canada should recover from the recession faster than its peers largely because the financial shock to Canadian household, government and banking sectors was less severe than in the U.S. and most parts of Europe. The resiliency of the household sector in particular has made Canadian monetary policy more effective in stimulating both housing demand and consumption. Canada's GDP is projected to grow 2.7 per cent in 2010. That rate is half a percentage point higher than the projected U.S. growth rate and more than double that of most European economies. The Bank of Canada has pledged to stand firm on rates until at least the end of the second quarter of 2010. However, recent statements by the bank suggest that rates could be increased shortly thereafter.

The global economic woes that plunged Alberta's economy into recession in 2009 seem to be easing, with commodity prices recovering amid growing global demand, especially from China. Oil prices have bounced from lows near USD\$30 a barrel to over USD\$80 a barrel. This increase, combined with a significant recovery in natural gas prices from harsher-than-expected winter weather in North America, should help to kick-start some oilsands mega projects and to reinvigorate natural gas drilling activity in the spring. Projected increases in both capital spending and employment in Alberta should support a turnaround in the economy, which is expected to grow 3.3 per cent in 2010.

First Calgary Savings' outlook and strategy for 2010

We will continue our long-term strategy of focusing on loan and deposit growth to ensure adequate liquidity levels. We expect adjusted net earnings to grow marginally, as lower interest rates partially offset the benefits of balance sheet growth. Expense management continues to be a priority to ensure we minimize longer-term economic and competitive pressures.

Initiatives are in place to manage through this next year, and with our strategic planning process, we will be prepared for these uncertain times.

Enterprise risk management

Risk is defined as the likelihood of an event occurring that impedes the achievement of an organization's objectives. The consequences of risk include financial loss, damage to reputation and missed business opportunities.

The goal of First Calgary Savings is to implement effective risk management practices at all levels of the organization through its Enterprise Risk Management (ERM) program. The purpose of the program is to mitigate risk, not eliminate it. ERM is also meant to add value and preserve the sound business and financial operations of the credit union. Accountability for the program is a fundamental responsibility of the board of directors and management.

ERM is a process for proactively identifying, measuring, managing, controlling and reporting on all significant risks inherent in the business strategy and operations of the credit union. The core risk categories affecting the credit union are operational, credit, market, liquidity, regulatory and strategic. These risks are highlighted in the sections below.

Operational risk management

Operational risk can arise during the performance of business functions or processes. Exposure to this risk can result from deficiencies or breakdowns in internal controls and processes, technology failures, human error, dishonesty and natural disasters.

We manage operational risk through education and communication, policies and procedures, regular risk assessments and risk-based audits that measure actual performance relative to policies and ERM standards. By following these practices, we either avoid, accept, transfer or mitigate operational risk.

The key components of our operational risk management are a well-trained staff and effective communication of risk issues. Because of the wide and pervasive nature of operational risk, we believe the best way to manage this risk is through regular meetings, information sharing and the resolution of identified risks.

Management reports to the board's Audit Committee in detail on these matters and to the board on a quarterly basis. Internal audit staff attends all Audit Committee meetings to report their activities and findings on operational risk and management's representations regarding the ERM program and overall control environment.

Credit risk management

We face credit risk from borrowers who default on loans that are insufficiently covered by the value of security held against the loan. This risk is confined primarily to our lending portfolios, but it is also present in other transactions, including derivatives. We establish acceptable levels of credit risk by way of board policies and monitor this risk through the board's Investment and Credit Risk Committee. We manage credit risk by examining loan performance relative to our credit policies.

We produce loan performance reports on a monthly basis. We also conduct regular reviews of the effectiveness of our credit risk policies and the quality of our credit portfolio. We report the findings of these reviews to management's Credit Committee, which meets at least quarterly. The committee comprises First Calgary Savings' President and CEO; Vice President, Finance; Vice President, Business Banking; Vice President, Sales and Services; and staff members from credit, risk management and retail and commercial business lines.

In addition, internal auditors regularly review compliance with our credit risk policies. They also test for loan quality, loan documentation and credit reporting. Internal audit staff attends the board's Audit Committee meetings to report their activities and findings.

The board's Investment and Credit Risk Committee reviews the lending policies of First Calgary Savings at least annually. At least quarterly, the committee reviews reports on issues required by policy or those identified by management or internal audit staff members.

Market risk management

Market risk arises from changes in interest or foreign-exchange rates that affect our net interest income. Exposure to this risk is what allows the credit union to make money on its loan and deposit portfolios. Our objective is to earn an acceptable return on these portfolios, without taking unreasonable risk, while meeting member-owner needs. Policies approved by the board and monitored by the Investment and Credit Risk Committee determine acceptable levels of risk.

We manage market risk by developing and implementing asset and liability management policies. Our goal is to achieve satisfactory and consistent profits, liquidity and safety. These policies define acceptable market risk limits caused by changes in the volume, mix, maturity and quality as well as interest and exchange rate sensitivity of assets and liabilities. Safety and soundness issues are an important part of this definition.

We recognize the need for consistent profits balanced with appropriate market risk management and measured against capital. Our treasury department manages day-to-day market risk within approved policies and reports monthly to management's Asset and Liability Committee to ensure policy compliance. Management provides quarterly reports on these matters to the board's Investment and Credit Risk Committee.

At least annually, the board's Investment and Credit Risk Committee reviews First Calgary Savings' investment policies. Reports required by policy or identified by management, treasury or internal audit staff are submitted to the committee at least quarterly.

Liquidity risk management

Liquidity risk is the risk of having insufficient liquid financial resources to meet either the credit union's cash and funding requirements or statutory liquidity requirements, or both. The acceptable amount of risk is defined by policies approved by the board and monitored by its Investment and Credit Risk Committee.

We manage liquidity by monitoring and managing cash flows and the concentration of assets and liabilities according to approved policies. Our treasury department manages day-to-day liquidity within these policies and reports monthly to management's Asset and Liability Committee to ensure policy compliance. Management provides quarterly reports on these matters to the board's Investment and Credit Risk Committee.

Despite liquidity shortages experienced in the financial markets over the past two years, First Calgary Savings has maintained liquidity levels well above regulatory minimum. This has allowed First Calgary Savings to continue growing its balance sheet by funding loans and making investments.

Regulatory risk management

Regulatory risk arises from non-compliance with applicable laws, rules and regulations, prescribed practices, and ethical standards. Failure to manage this risk can lead to financial and reputation loss.

We manage compliance risk by identifying the federal, provincial, and municipal legislation and code by which the credit union is governed. Management continually monitors and identifies relevant regulatory requirements and then develops appropriate policies to ensure compliance. Management provides regular reports on these matters to the Board.

Strategic risk management

Organizations create value for stakeholders by understanding, quantifying and managing strategic risk. First Calgary Savings' approach to strategic risk management enables it to navigate difficult economic times, protect the interests of member-owners and provide for a successful and sustainable future.

Our approach includes a strategic plan that is developed and approved by the board and by management. Using this plan, management creates business plans that support strategy and drive achievement of annual goals, which are also approved by the board.

The board and management regularly evaluate First Calgary Savings' performance against these plans, using reports that compare actual financial and operating results with benchmarks and budgets.

The most recent strategic plan was developed in 2006 together with Envision Financial as part of the Pathways Project. In 2007, management developed its three-year corporate plan, which outlined initiatives in support of our strategic objectives, including annual business plans and budgets. First Calgary Savings starts a new strategic planning cycle in 2010 that will result in a new plan to guide us for 2011 and beyond.

International Financial Reporting Standards (IFRS)

In 2011, the accounting framework under which financial statements in Canada are prepared for all publicly accountable enterprises, including First Calgary Savings, is scheduled to change to International Financial Reporting Standards (IFRS). Generally Accepted Accounting Principles (GAAP) in Canada will cease to apply and be replaced with IFRS.

First Calgary Savings is required to convert to IFRS and report under the new rules starting with fiscal 2012. Converting to IFRS requires fundamental and broad changes to our financial reporting, including our financial statements. This may lead to substantial changes in what and how items are reported and to increased volatility in results. Our disclosure will, therefore, increase in both volume and complexity to help explain the differences between the old and new reporting.

First Calgary Savings is a working partner in the National IFRS Task Force for Credit Unions. We are working with this group, our external auditors and our internal steering committee to ensure a successful conversion to IFRS.

It's not true. Time doesn't fly when you're having fun, it travels at the speed of light. Looking back over the last 18 years, First Calgary Savings has grown and evolved in many ways. One aspect has remained constant — the caring and proud people of our credit union. I consider it a privilege to have worked with you. You taught me so much. Thank you for your candour and for challenging the management team to be innovative and to not be content with simply being a "good" organization.

You pushed us to work harder to make First Calgary Savings the exceptional company that it is today. Imagine, we're one of Canada's 50 Best Managed Companies and one of Alberta's Top 50 Employers. I can't tell you how proud that makes me feel.

I am also proud to have served our nearly 90,000 member-owners. Thank you for entrusting us with your financial assets in return for our commitment to be your financial advocate and to help you achieve your goals and dreams.

To the directors who served on our Board over the years... thank you for keeping us grounded in our credit union values, focused on what was best for our member-owners and committed to aligning business strategy and execution.

The many community partnerships that First Calgary Savings has developed have had a profound effect on me. I have gained a better understanding of the need for social agencies, not only within our community, but also beyond its boundaries. Thanks to your vision and grassroots ideas, First Calgary Savings is involved in truly great work, as are our employees, who show that amazing results are possible when passionate people head into the community and put their hands and hearts into volunteer work.

These are exciting times for credit unions across Canada. I believe that Canadians are more aware than ever of the "credit union difference" and the credit union movement in Canada is unstoppable. The same goes for First Calgary Savings. It's well positioned to thrive under the leadership of Paul Kelly with such a great team of people.

I've had the time of my life, but there is a season for everything and everyone. New personal and professional adventures are beckoning. I'm looking forward to having fun with these and to spending more time with my wonderful wife, Gail, my three children and four grandchildren who have loved me and supported me throughout my career with First Calgary Savings.

THANK YOU ALL!



DAVE GREGORY
A proud member-owner



FIRST CALGARY SAVINGS BRANCH LOCATIONS

NORTHWEST BRANCHES

BRENTWOOD
3750 Brentwood Rd NW
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403.547.6000

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735, 5005 Dalhousie Dr NW
403.286.3630

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70, 2580 Southland Dr SW
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5735 Signal Hill Centre SW
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116, 317 - 7 Ave SW
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500, 130 Country Village Rd NE
403.503.8088

NORTHGATE VILLAGE
455 - 36 St NE
403.272.8821

TRANSCANADA

510 - 16 Ave NE
403.230.1451

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403.503.8028

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116, 2640 - 52 St NE
403.285.0700

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110, 70 Shawville Blvd SE
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