Consolidated Financial Statements of

ALTERNA SAVINGS

December 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Members of
Alterna Savings and Credit Union Limited:

We have audited the accompanying consolidated financial statements of Alterna Savings and Credit Union Limited ("Alterna Savings"), which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in members' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alterna Savings as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Canada
March 14, 2015

ALTERNA SAVINGS
Consolidated Balance Sheet (in thousands of dollars)
December 31, 2014

As at,	Note	December 31, 2014		December 31, 2013	
ASSETS					
Cash and cash equivalents	28	**$**	**62,585**	$	52,206
Investments	3		**213,009**		240,469
Loans, net of allowance for impaired loans	5, 6		**2,397,870**		2,231,848
Property and equipment	7		**9,730**		11,051
Intangible assets	8		**9,299**		1,973
Derivative financial instruments	25		**9,550**		6,088
Deferred income tax asset	22		**1,290**		1,499
Other assets	9		**8,341**		8,311
		$	**2,711,674**	$	2,553,445
LIABILITIES AND MEMBERS' EQUITY					
Liabilities:					
Deposits	10	**$**	**2,313,745**	$	2,246,874
Borrowings	11		**55,000**		25,000
Mortgage securitization liabilities	12		**128,749**		77,623
Derivative financial instruments	25		**4,319**		2,392
Income tax payable			**1,062**		180
Other liabilities	13		**22,392**		28,122
Membership shares	15		**1,562**		1,656
		$	**2,526,829**	$	2,381,847
Members' equity:					
Special shares	15		**56,816**		56,726
Contributed surplus	16		**19,282**		19,282
Retained earnings			**107,523**		97,801
Accumulated other comprehensive income (loss)			**1,224**		(2,211)
			184,845		171,598
		$	**2,711,674**	$	2,553,445

On behalf of the Board:

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Duncan Munn
Director

Peter Ostapchuk
Director

(See accompanying notes to the consolidated financial statements)

ALTERNA SAVINGS
Consolidated Statement of Income (in thousands of dollars)
December 31, 2014

For the years ended,	Note	December 31, 2014	December 31, 2013
Interest income	17	$ **88,649**	$ 88,421
Investment income	18	**5,714**	4,741
		94,363	93,162
Interest expense	17	**32,319**	29,398
Net interest income		**62,044**	63,764
Loan costs		**(185)**	1,446
		62,229	62,318
Other income	19	**10,423**	10,494
		72,652	72,812
Operating expenses	20	**60,291**	64,147
Operating income		**12,361**	8,665
Unrealized gains on financial instruments		**1,629**	3,372
Income before income taxes		**13,990**	12,037
Provision for income taxes	22		
Current		**2,700**	1,829
Deferred		**(317)**	177
		2,383	2,006
Net income		$ **11,607**	$ 10,031

(See accompanying notes to the consolidated financial statements)

ALTERNA SAVINGS
Consolidated Statement of Comprehensive Income (in thousands of dollars)
December 31, 2014

For the years ended,	December 31, 2014	December 31, 2013
Net income	**$ 11,607**	$ 10,031
Other comprehensive income		
Other comprehensive income to be reclassified to income in subsequent periods:		
Available-for-sale securities:		
Net unrealized gains on available-for-sale securities (1)	**551**	128
Cash flow hedges:		
Changes arising during the year (2)	**237**	(363)
Less: Reclassification adjustments for gains included in the income statement (3)	**46**	148
Net gain/(loss) on cash flow hedges	**283**	(215)
Net other comprehensive income to be reclassified to income in subsequent periods	**834**	(87)
Other comprehensive income not to be reclassified to income in subsequent periods:		
Defined benefit plan - actuarial gains (losses) (4)	**2,601**	(665)
Net other comprehensive income not to be reclassified to income in subsequent periods	**2,601**	(665)
Other comprehensive income (loss)	**3,435**	(752)
Comprehensive income	**$ 15,042**	$ 9,279

(1) Net of income tax expense of $127 (2013 - expense of $40)
(2) Net of income tax expense of $59 (2013 - recovery of $58)
(3) Net of income tax expense of $11 (2013 - expense of $33)
(4) Net of income tax expense of $580 (2013 - recovery of $221)

(See accompanying notes to the consolidated financial statements)

ALTERNA SAVINGS

Consolidated Statement of Changes in Members' Equity (in thousands of dollars)

December 31, 2014

For the years ended,		**December 31, 2014**		December 31, 2013
Special shares:				
Balance, beginning of year	**$**	**56,726**	$	56,716
Net shares issued		**90**		10
Balance, end of year		**56,816**		56,726
Contributed surplus:				
Balance, beginning of year		**19,282**		19,282
Balance, end of year		**19,282**		19,282
Retained earnings:				
Balance, beginning of year		**97,801**		89,632
Net income		**11,607**		10,031
Dividend on special shares		**(1,884)**		(1,840)
Issuance costs		**(1)**		(22)
Balance, end of year		**107,523**		97,801
Accumulated other comprehensive income (loss), net of tax:				
Balance, beginning of year		**(2,211)**		(1,459)
Other comprehensive income (loss)		**3,435**		(752)
Balance, end of year		**1,224**		(2,211)
Members' equity	**$**	**184,845**	$	171,598

(See accompanying notes to the consolidated financial statements)

ALTERNA SAVINGS
Consolidated Statement of Cash Flows (in thousands of dollars)
December 31, 2014

For the years ended,	December 31, 2014	December 31, 2013
Operating activities:		
Net income	$ 11,607	$ 10,031
Add (deduct) non-cash items:		
Allowance for impaired loans	(639)	1,008
Depreciation and amortization of		
Property and equipment	2,607	2,508
Intangibles	660	681
Deferred charges	701	614
Loss (gain) on		
Disposal of property and equipment	161	77
Sale of investments	(571)	(127)
Decrease (increase) in assets		
Fair value of investments	2,845	3,106
Interest receivable	483	(132)
Deferred income taxes	(799)	237
Loans, net of allowance for impaired loans	(165,570)	(160,152)
Assets relating to derivative financial instruments	(3,109)	(2,445)
Increase (decrease) in liabilities		
Interest payable	998	(224)
Deposits	66,845	94,178
Liabilities relating to derivative financial instruments	1,927	722
Other items, net	(3,264)	(388)
Cash used in operating activities	$ (85,118)	$ (50,306)
Investing activities:		
Proceeds from maturity and sale of investments	87,635	113,372
Purchase of investments	(61,539)	(130,253)
Acquisition of property and equipment	(1,446)	(2,392)
Acquisition of intangible assets	(7,986)	60
Cash provided by (used in) investing activities	$ 16,664	$ (19,213)
Financing activities:		
Net increase (decrease) in		
Membership shares	(94)	143
Special shares	90	11
Share issue costs	(1)	(21)
Borrowings	30,000	10,000
Proceeds from the securitization of mortgages	42,529	68,380
Payment of mortgage securitization liabilities	8,597	(13,630)
Capital lease obligations	(404)	(532)
Dividend on special shares	(1,884)	(1,840)
Cash provided by financing activities	$ 78,833	$ 62,511
Increase (decrease) in cash and cash equivalents during the year	10,379	(7,008)
Cash and cash equivalents, beginning of year	52,206	59,214
Cash and cash equivalents, end of year	$ 62,585	$ 52,206
Supplemental information:		
Interest paid	$ 31,604	$ 29,622
Interest received	$ 88,166	$ 88,553
Dividend received	$ 386	$ 87
Property and equipment acquired through capital leases	$ 43	$ 160

(See accompanying notes to the consolidated financial statements)

1. CORPORATE INFORMATION

Alterna Savings is a credit union incorporated and domiciled in Ontario, Canada under *The Credit Unions and Caisses Populaires Act* (Ontario) (the “Act”) as Alterna Savings and Credit Union Limited and is a member of Central 1 Credit Union (“Central 1”). Qualifying member deposits are insured by the Deposit Insurance Corporation of Ontario (“DICO”). Alterna Savings is the ultimate parent.

The registered office address of Alterna Savings is 400 Albert Street, Ottawa, Ontario, K1R 5B2. The nature of Alterna Savings’ operations and principal activities are the provision of deposit taking facilities and loan facilities to the members of the credit union in Ontario and Quebec.

The consolidated financial statements for the year ended December 31, 2014 were authorized for issue in accordance with a resolution of the Board of Directors on March 14, 2015. The Board of Directors have the power to amend the consolidated financial statements after issuance only in the case of discovery of an error.

2. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The consolidated financial statements of Alterna Savings have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and adopted by the Accounting Standards Board (“AcSB”) of Canada.

Alterna Savings presents its consolidated balance sheet broadly in order of liquidity.

Financial assets and liabilities are offset, with the net amount reported in the consolidated balance sheet, only if there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis or to realize an asset and settle the liability simultaneously. In all other situations they are presented gross.

BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investments, derivative financial instruments and financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from management’s estimates. The significant accounting policies are as follows:

a) CHANGES IN ACCOUNTING POLICIES

The following accounting pronouncement which was relevant to Alterna Savings has been adopted during 2014 in the preparation of these consolidated financial statements.

Presentation and Disclosure – Offsetting Financial Assets and Financial Liabilities
The IASB issued an amendment to IAS 32, “Financial Instruments” clarifying the existing requirements related to the offsetting of financial assets and financial liabilities. The adoption of this amendment did not have an impact on the consolidated financial statements.

b) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate on a fully consolidated basis the financial statements of Alterna Savings (the parent entity) and its wholly-owned subsidiary CS Alterna Bank ("Alterna Bank"). The consolidated financial statements include the accounts and financial performance of Alterna Bank from the date on which Alterna Savings obtained control of Alterna Bank, which coincided with Alterna Bank's incorporation. The financial statements of Alterna Bank have been prepared for the same reporting year as Alterna Savings, using consistent accounting policies. All significant intercompany balances and transactions have been eliminated on consolidation.

c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash on deposit with other financial institutions, cheques and other items in transit, and marketable securities with original maturities at acquisition of 90 days or less. Interest income on deposits with other financial institutions as well as marketable securities is included in investment income.

d) DETERMINATION OF FAIR VALUE

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model using the best estimate of the most appropriate model assumptions.

e) FINANCIAL INSTRUMENTS

At initial recognition, all financial assets and liabilities are required to be classified based on management's intention as fair value through profit and loss ("FVTPL"), available-for-sale ("AFS"), held-to-maturity ("HTM"), loans and receivables or other financial liabilities. In addition, the standards require that all financial instruments, including all derivatives, be measured at fair value with the exception of loans and receivables, HTM assets and other financial liabilities as well as AFS equities and derivatives linked to equity instruments that do not have quoted market values in an active market and whose fair value cannot be reliably measured. The fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received.

Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are generally based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are estimated using valuation techniques and models.

Transaction costs related to financial instruments classified as FVTPL are expensed as incurred. Transaction costs related to AFS and HTM securities and fees and costs related to loans and receivables are capitalized and amortized over the expected life of the instrument using the effective interest rate method. Settlement date accounting is used for all financial instruments.

(i) Fair value through profit or loss (FVTPL)
Financial instruments designated as FVTPL are financial assets and liabilities held for trading activities and are measured at fair value at the balance sheet date. Gains and losses realized on disposition are reported in investment income while unrealized gains and losses from market fluctuations are recorded separately in the consolidated statements of income.

(ii) Available-for-sale (AFS)
AFS financial assets are those non-derivative financial assets that are designated as AFS, or that are not classified as loans and receivables, HTM or FVTPL. Financial assets classified as AFS are carried at fair value with the changes in fair value reported in accumulated other comprehensive income ("AOCI"), until sale or impairment occurs at which time the cumulative gain or loss is transferred to the consolidated statement of income. For financial assets classified as AFS, changes in carrying amounts relating to changes in foreign exchange rate are recognized in the consolidated statement of income and other changes in carrying amount are recognized in AOCI as indicated above.

Equities that do not have quoted market values in an active market and whose fair value cannot be reliably measured are carried at cost less impairment. Realized gains and losses on sale as well as interest and dividend income from these securities are included in investment income.

(iii) Held-to-maturity (HTM)
Financial assets classified as HTM are non-derivative financial assets with fixed or determinable payments and fixed maturities, other than loans or receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are accounted for at amortized cost. The amortization is included in investment income in the consolidated statement of income. The losses arising from impairment of such investments are recognized in the consolidated statement of income as impairment losses.

Alterna Savings has not designated any financial assets as HTM.

(iv) Loans and receivables
Financial assets classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market except those that are classified as AFS or designated as FVTPL. Loans and receivables are initially recognized at fair value plus directly related transaction costs. They are subsequently measured at amortized cost using the effective interest rate method less any impairment losses.

(v) Other financial liabilities
Financial liabilities, other than derivative financial instruments, are recorded at amortized cost using the effective interest rate method.

(vi) Day 1 profit or loss
When the transaction price is different from the fair value from other observable current market transactions for the same instrument or based on a valuation technique whose variables include only data from observable markets, Alterna Savings immediately recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in investment income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable, or when the instrument is derecognized.

f) IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, Alterna Savings assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is:

- objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the balance sheet date ('a loss event');
- the loss event had an impact on the estimated future cash flows of the financial asset or group of financial assets; and
- a reliable estimate of the amount can be made.

A loss event may include indications that the borrower or a group of borrowers is experiencing significant difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Loans and loan impairment
Personal loans, residential mortgage loans and commercial loans are recorded at amortized costs less an allowance for impaired loans.

Alterna Savings establishes and maintains an allowance for impaired loans that is considered the best estimate of probable credit-related losses existing in its loan portfolio giving due regard to current conditions. The allowance includes both individual and collective provisions, reviewed on a regular basis by management. The allowance is increased by provisions for impaired loans which are charged to earnings and reduced by write-offs, net of recoveries.

Alterna Savings first assesses whether objective evidence of impairment exists individually for loans that are individually significant. It then assesses collectively for loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment under the individual assessment.

Individual allowance – To allow management to determine whether a loss event has occurred on an individual basis, all significant counterparty relationships are reviewed periodically. This evaluation considers current information and events related to the counterparty, such as the counterparty experiencing significant financial difficulty or a breach of contract, for example, default or delinquency in interest or principal payments. If there is evidence of impairment leading to an impairment loss for an individual counterparty relationship, then the amount of the loss is determined as the difference between the carrying amount of the loan, including accrued interest, and the present value of expected future cash flows discounted at the loan's original effective interest rate, including cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The carrying amount of the loan is reduced by the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income as a component of loan costs.

Collective allowance – The collective assessment of impairment is principally to establish an allowance amount relating to loans that are either individually significant but for which there is no objective evidence of impairment, or are not individually significant, but for which there is, on a portfolio basis, a loss amount that is probable of having occurred and is reasonably estimable. The loans are grouped according to similar credit risk characteristics and the allowance for each group is determined using statistical models based on historical experience.

Bad debt written off – When it is considered that there is no realistic prospect of recovery and all collateral has been realized or transferred to Alterna Savings, the loan and any associated allowance is written off. Subsequent recoveries, if any, are credited to the allowance and recorded in the consolidated statement of income as a component of loan costs.

Reversal of impairment losses – If in a subsequent period the amount of a previously recognized impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss is reversed by reducing the allowance account accordingly. Such reversal is recognized in the consolidated statement of income.

Loan interest on impaired loans – Once a loan is identified as impaired and the carrying amount is reduced by an impairment loss, interest income is recognized on the new carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Transaction costs – Transaction costs are revenues or expenses which are direct and incremental to the establishment of the loan. Transaction costs (e.g., commercial lending application fees, mortgage brokerage and incentive fees, legal fees, appraisal fees, etc.) are deferred and amortized to interest income over the term of the loan using the effective interest rate method. The net unamortized fees are included in the related loan balance.

Loan costs – Loan costs include the provision for loan losses, bad debt written off and collection costs.

(ii) Impairment of financial assets classified as available-for-sale
For financial assets classified as AFS, Alterna Savings assesses at each balance sheet date whether there is objective evidence that an asset or group of assets is impaired.

In the case of equity investments classified as AFS, objective evidence would include either a significant or a prolonged decline in the fair value of the investment below cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. In the case of debt securities classified as AFS, impairment is assessed based on the same criteria as for loans.

Where there is evidence of impairment, the cumulative unrealized loss previously recognized in other comprehensive income ("OCI") is removed from OCI and recognized in the consolidated statement of income for the period. This amount is determined as the difference between the acquisition cost (net of any principal repayments and amortization) and current fair value of the asset less any impairment loss on that investment previously recognized in the consolidated statement of income. Impairment losses on equity investments classified as AFS are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognized in OCI.

Reversals of impairment of debt securities are recognized in the consolidated statement of income if the recovery is objectively related to a specific event occurring after the impairment loss was recognized in the consolidated statement of income.

(iii) Financial guarantees
In the ordinary course of business, Alterna Savings issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are recognized initially in the consolidated financial statements at fair value on the date the guarantee is given. Subsequent to initial recognition, Alterna Savings' liability under such guarantees is measured at the higher of the amount initially recognized, less cumulative amortization, and the best estimate of the expenditure required to settle any financial obligation as of the balance sheet date.

Any increase in the liability relating to guarantees is recorded in the consolidated statement of income in administration costs under operating expenses.

g) DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- Alterna Savings has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
    - Alterna Savings has transferred substantially all the risks and rewards of the asset, or
    - Alterna Savings has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Alterna Savings has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of Alterna Savings' continuing involvement in the asset. In that case, Alterna Savings also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Alterna Savings has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Alterna Savings could be required to repay.

(ii) Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

(iii) Mortgage sales
Alterna Savings may from time to time sell a portion of its residential and commercial mortgage loan portfolio to diversify its funding sources and enhance its liquidity position. These transactions are accounted for in accordance with IAS 39, "Financial Instruments: Recognition and Measurement" and as such are derecognized from the consolidated balance sheet when the transaction meets the derecognition criteria. When this occurs, the related loans are derecognized. Gains or losses on these transactions are reported as other income on the consolidated statement of income. When this does not occur, they are recognized as a liability in the consolidated balance sheet.

h) DERIVATIVES AND HEDGING

All derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value as "Derivative financial instruments" on the consolidated balance sheet.

Gains and losses arising from changes in the fair value of a derivative are recognized as they arise in the consolidated statement of income unless the derivative is the hedging instrument in a qualifying hedge (see "Hedge Accounting" below).

(i) Embedded derivatives
Derivatives may be embedded in other financial instruments. Derivatives embedded in other financial instruments are valued as separate derivatives when their economic characteristics and risks are not considered to be closely related to the host contract. These embedded derivatives are classified as derivative financial instruments and measured at fair value with changes therein recognized in the consolidated statement of income. The only embedded derivatives are the options embedded in Alterna Savings' indexed term deposits offered to members (note 25b) which are carried at amortized cost.

(ii) Hedge accounting
Alterna Savings uses derivative financial instruments such as swaps in its management of interest rate exposure and foreign currency forward agreements to manage its foreign exchange risk. Derivative financial instruments are not used for trading or speculative purposes but rather as economic hedges, some of which qualify for hedge accounting. Alterna Savings applies hedge accounting for derivative financial instruments that meet the criteria specified in IAS 39, "Financial Instruments: Recognition and Measurement". When hedge accounting is not applied, the change in the fair value of the derivative financial instrument is recognized in income. This includes instruments used for economic hedging purposes that do not meet the requirements for hedge accounting.

Where hedge accounting can be applied, a hedge relationship is designated and formally documented at its inception, outlining the particular risk management objective and strategy, the specific asset, liability or cash flow being hedged, as well as how hedge effectiveness will be assessed. The assessment of the effectiveness of the derivatives that are used in hedging transactions in offsetting changes in cash flows of the hedged items both at the hedge inception and on an ongoing basis must be documented. Ineffectiveness results to the extent that the cumulative change in the fair value of the hedging derivative differs from the cumulative change in the fair value of expected future cash flows of the hedged item. Effectiveness requires a high correlation of changes in cash flows. The amount of ineffectiveness, provided that it is not to the extent to disqualify the entire hedge from hedge accounting, is recognized immediately in income.

(iii) Cash flow hedges
Alterna Savings designates cash flow hedges as part of risk management strategies that use derivatives to mitigate our exposure to the changes in cash flows of variable rate instruments. The effective portion of the change in fair value of the derivative instrument is offset through OCI as discussed below until the cash flows being hedged is recognized in earnings in future accounting periods, at which time the amount that was recognized in OCI is reclassified into income. The ineffective portion of the change in fair value of the hedging derivative is recognized separately in unrealized gains/(losses) on financial instruments immediately as it arises. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated and any remaining amount in OCI is recognized in income over the remaining term of the hedged item. In the event that the hedged transaction is no longer likely of occurring, the OCI balance is then recognized in the consolidated statement of income.

(iv) Fair value hedges

Alterna Savings designates fair value hedges as part of risk management strategies that use derivatives to mitigate our exposure to the changes in a fixed interest rate instrument's fair value caused by changes in interest rates.

In a fair value hedging relationship, the carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged risk and recognized in income. Changes in fair value of the hedged item, to the extent that the hedging relationship is effective, are offset by changes in the fair value of the hedging derivative, which are also recognized in income. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged items is recognized to income over the remaining term of the hedged item.

i) FOREIGN CURRENCY

The consolidated financial statements are presented in Canadian dollars, which is Alterna Savings' functional and reporting currency.

Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date; income and expenses are translated at the annual average rate. Foreign currency exchange gains and losses are recognized in other income during the year.

j) PROPERTY AND EQUIPMENT

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The land is not depreciated. Depreciation is generally recognized using the straight-line method over the estimated useful lives of the assets. The range of estimated useful lives of the assets is as follows:

Buildings	10 years
Furniture and equipment	5 to 10 years
Computer hardware	3 to 7 years
Leasehold improvements	Term of lease plus one option period

Depreciation of property and equipment is included in administration and occupancy costs. Maintenance and repairs are also charged to administration and occupancy costs.

Property and equipment are tested for impairment at least annually and an impairment charge is recorded to the extent the recoverable amount, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from the asset. After the recognition of impairment of an asset, the depreciation charge is adjusted in future periods to reflect the asset's revised carrying amount. If impairment is later reversed, the depreciation charge is adjusted prospectively.

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in other income in the consolidated statement of income in the year the asset is derecognized.

k) INTANGIBLE ASSETS

An intangible asset is recognized if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Intangible assets with an indefinite life are not amortized but are subjected to an impairment review at least annually, and, if impaired, are written down to recoverable amount. The impairment review is based on a comparison of the intangible asset's carrying value with its fair value.

Intangible assets with a definite life are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Computer software	3 to 10 years

Investment tax credits related to the acquisition of computer software are accounted for using the cost reduction approach and are deducted from the cost of the related asset. Investment tax credits are recorded when Alterna Savings has made the qualifying expenditures and there is reasonable assurance that the credits will be realized.

l) EMPLOYEE BENEFIT PLANS

Alterna Savings maintains three pension plans for current employees and retirees, and one post-retirement benefits program. The pension plans consist of a Defined Benefit Plan ("DB"), a Supplementary Retirement Income Plan ("SRIP"), and a Defined Contribution Plan ("DC").

Full actuarial valuations of Alterna Savings' DB, SRIP and post-retirement benefits program are carried out not less than every three years when circumstances permit. These valuations are updated at each reporting date of December 31 by qualified independent actuaries.

(i) Defined Benefit Pension Plan
For the DB pension plan, the SRIP and the post-retirement benefits program, plan assets are valued at fair values. Benefits costs and accrued benefits are determined based upon actuarial valuations using the projected benefit method prorated on service and management's best estimates. The expected return on plan assets is based on the fair value of plan assets.

The recognition of actuarial gains and losses is applied by using the immediate recognition in equity (i.e., OCI) approach under IAS 19, "Employee Benefits".

(ii) Defined Contribution Pension Plan
For the DC pension plan, annual pension expense is equal to Alterna Savings' contribution to the plan. The assets of Alterna Savings' defined contribution plan are held in independently-administered funds.

m) INCOME TAXES

(i) Current tax
Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted by the balance sheet date.

(ii) Deferred income tax

Deferred income tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Current tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

n) LEASING

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases which do not transfer to Alterna Savings substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight line basis over the lease term. Contingent rental payables are recognized as an expense in the period in which they are incurred.

Assets held under finance leases are initially recognized on the consolidated balance sheet at an amount equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Operating lease costs are recognized as an expense on a straight-line basis over the lease term, which commences when the lessee controls the physical use of the property.

o) RECOGNITION OF INCOME AND EXPENSES

Revenue is recognized when the amount of revenue and associated costs can be reliably measured and it is probable that economic benefits associated with the transaction will be realized. The following specific recognition criteria are used for recognition of income and expenses:

(i) Interest income and interest expense
Interest income and interest expense are recognized in the consolidated statement of income for all interest-bearing financial instruments, except for those designated as FVTPL, using the effective interest method. The effective interest rate is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period using the estimated future cash flows. The estimated future cash flows used in this calculation include those determined by the contractual terms of the asset or liability, all fees that are considered to be integral to the effective interest rate, direct and incremental transaction costs, and all other premiums or discounts.

When a loan is classified as impaired as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Other income
Service charges, ABM network fees, commissions and revenue from other sources are recognized as revenue when the related services are performed or are provided.

p) SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the process of applying accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the consolidated financial statements. The most significant uses of judgment and estimates are as follows:

(i) Going concern
Management has made an assessment of Alterna Savings' ability to continue as a going concern and is satisfied that Alterna Savings has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Alterna Savings' ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

(ii) Fair value of financial instruments

Alterna Savings measures financial instruments such as cash and cash equivalents, investments classified as AFS or designated as FVTPL and derivatives at fair value at each balance sheet date. Alterna Savings also discloses the fair value of financial instruments measured at amortized cost in note 23.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of the asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability and assuming they act in their economic best interest.

A fair value measurement of a non-financial asset (e.g. property and equipment) takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Alterna Savings uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, Alterna Savings determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, Alterna Savings, relies upon independent valuations provided by a third party (CUCO Co-op – note 4). The valuations use a discounted cash flow model that values the underlying assets based on asset spreads and expected timing of payments on the restructured notes. At the end of each reporting period, Alterna Savings reviews the assumptions and estimates used in the valuations for reasonability.

For the purposes of fair value disclosure, Alterna Savings has determined the classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(iii) Impairment losses on loans and advances
Alterna Savings reviews its individually significant loans and advances at each balance sheet date to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, Alterna Savings makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but of which effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, etc.), concentrations of risks and economic data (including levels of unemployment, real estate prices indices and the performance of different individual groups).

The impairment loss on loans and advances is disclosed in more detail in note 6.

(iv) Impairment of available-for-sale investments
Alterna Savings reviews its securities designated as AFS investments at each balance sheet date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

Alterna Savings also records impairment charges on AFS equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, Alterna Savings evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

(v) Deferred income tax assets
Deferred income tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED
A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these consolidated financial statements. Alterna Savings does not intend to adopt any of these standards early.

IFRS 9 "Financial Instruments" (replacement of IAS 39)
In July 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IFRS 39, "Financial Instruments – Recognition and Measurement" and all previous versions of IFRS 9. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets are measured as at FVTPL or fair value through other comprehensive income (FVTOCI) or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39.

IFRS 9 also introduces an expected loss impairment model for all financial assets not measured at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities.

The standard applies to annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. The impact of the revised standard on Alterna Savings' financial position and performance has not yet been assessed.

3. INVESTMENTS

(000s)	**31 Dec 2014**	31 Dec 2013
Designated as fair value through profit or loss:		
CUCO Co-op shares (note 4)	**$5,191**	$8,208
Designated as available-for-sale:		
Central 1 liquidity deposits	**120,154**	147,308
Central 1 shares	**18,253**	17,336
Money market instruments	**51,676**	66,744
National Housing Act mortgage-backed securities	**17,413**	554
Other	**322**	319
	$213,009	$240,469

As a condition of maintaining membership in Central 1 in good standing, Alterna Savings is required to maintain on deposit in Central 1's liquidity pool an amount equal to 6% (December 31, 2013 – 6%) of its total assets adjusted by the 20^{th} day of each month in accordance with the assets as at the previous month-end. The deposits bear interest at various rates.

Alterna Savings' investment in CUCO Co-op shares has been designated as FVTPL and has been measured and recorded at fair value. All remaining investments have been designated as AFS and have been measured and recorded at fair value except for Central 1 shares and other investments which are carried at cost as they are not actively traded and have no established market value and their fair values cannot be reliably measured. No impairment was recognized during 2014 or 2013.

Alterna Savings holds National Housing Act mortgage backed securities pledged in trust with Canada Housing Trust for Canada Mortgage Bond program ("CMB") reinvestment purposes. These securities mature more than 100 days from the date of acquisition. Under the terms of the CMB program agreement, Alterna Savings is not permitted to withdraw the principal held in trust for any purpose other than the contractual settlement of the mortgage securitization liabilities as disclosed in note 12.

US Dollar investments included in the amounts above are as follows:

(000s)	**31 Dec 2014**	31 Dec 2013
Included in money-market instruments		
Book value	**$-**	$-
Fair market value	**$-**	$-
Included in other instruments		
Book value	**$23**	$21
Fair market value	**$23**	$21

4. CUCO CO-OP SHARES

As a pre-condition of the sale of the assets of Credit Union Central of Ontario (CUCO) to Credit Union Central of British Columbia (CUCBC) in 2008, CUCO was required to divest itself of investments in certain third-party sponsored asset-backed commercial paper ("ABCP"). A resolution was approved to facilitate the sale, which created a limited partnership ("ABCP LP") to acquire these investments funded by member credit unions in proportion to their share investment in CUCO. This limited partnership is considered to be a special purpose entity. On July 1, 2008, immediately prior to the sale, the excluded ABCP with a total par value of $186,916,000 was acquired by the ABCP LP at its estimated fair value of $133,564,000 including accrued interest, net of expenses, and other assets. Alterna Savings was required to purchase 12,535,000 units in the ABCP LP. As there was no active market for these ABCP investments, the fair values used to determine the acquisition price were provided by a specialized asset management firm engaged by CUCO to provide an independent valuation of the underlying assets. As investments held by the ABCP LP matured and excess cash was held, the ABCP LP periodically distributed cash to the unit holders, repaying part of their initial investment.

During 2011, CUCO continued its operations under the Canada Cooperatives Act and was renamed CUCO Cooperative Association (CUCO Co-op). On August 31, 2011 the ABCP LP sold its assets to CUCO Cooperative Association (CUCO Co-op) in consideration for 3,273,803,000 Co-op Class B Investment shares and 15,470,000 Membership shares. On the date of transfer, the fair value of the CUCO Co-op Investment shares was equal to the fair value of the assets transferred by ABCP LP. Credit unions (including Alterna Savings) received their relative holdings of CUCO Co-op Membership shares and new Class B Investment shares in the same proportion of their holdings in ABCP LP. The distributions and dividends on the CUCO Co-op membership shares and investment shares are at the discretion of the CUCO Co-op board of directors (the "CUCO Co-op Board").

Alterna Savings' exposure to the performance of the underlying investments effectively remains unchanged as its relative interest in CUCO Co-op matches its former relative interest in the ABCP LP. Alterna Savings' relative interest in the assets and unused tax losses of the former CUCO entity also effectively remains unchanged.

The CUCO Co-op investment shares and membership shares are equity instruments as both classes of shares have a right to the residual assets of the entity. They have been designated as FVTPL.

Due to the lack of liquidity and the consequent lack of market prices of third-party sponsored ABCP, Alterna Savings has relied upon the independent valuations provided to CUCO Co-op. Alterna Savings agrees with the significant assumptions and estimates used in those valuations and the risk of default in the underlying assets. The valuations use a discounted cash flow model that values the underlying assets based on asset spreads and expected timing of payments on the restructured notes. Those valuations were based on assessments as at December 30, 2014 and 2013, using estimates and circumstances that may change in subsequent periods. Items that may have a material impact on the fair value include further changes in the value of the underlying assets, developments related to the liquidity of the third-party sponsored ABCP market and further changes in economic conditions, which could therefore affect the carrying value of the CUCO Co-op shares. The net increase in the fair market value of the investment of $427,000 (2013 - $1,340,000) is included under unrealized gains/(losses) on financial instruments on the consolidated statement of income. During the year, Alterna Savings received $3,445,000 (2013 - $3,791,000) in cash distributions from CUCO Co-op which have been recorded as a reduction in the carrying value of the investment.

5. LOANS

(000s)	31 Dec 2014	31 Dec 2013
Personal loans	**$237,143**	$233,596
Residential mortgage loans	**1,194,931**	1,103,520
Commercial loans	**967,280**	897,365
	$2,399,354	$2,234,481
Less allowance for impaired loans (note 6)	**(1,484)**	(2,633)
	$2,397,870	$2,231,848

6. ALLOWANCE FOR IMPAIRED LOANS AND IMPAIRED LOANS

a) ALLOWANCE FOR IMPAIRED LOANS

(000s)				31 Dec 2014
	Personal Loans	Residential Mortgage Loans	Commercial Loans	Total
Balance, beginning of year	**$1,265**	**$13**	**$1,355**	**$2,633**
Less: Loans written off	**(652)**	**(10)**	**(52)**	**(714)**
Add: Recoveries on loans previously written off	**204**	**-**	**-**	**204**
Add: Allowance (recovered from) charged to operations	**248**	**63**	**(950)**	**(639)**
Balance, end of year	**$1,065**	**$66**	**$353**	**$1,484**
Individual impairment				**$714**
Collective impairment				**770**
				1,484

(000s)				31 Dec 2013
	Personal Loans	Residential Mortgage Loans	Commercial Loans	Total
Balance, beginning of year	$1,522	$32	$349	$1,903
Less: Loans written off	(483)	(13)	(23)	(519)
Add: Recoveries on loans previously written off	241	-	-	241
Add: Allowance (recovered from) charged to operations	(15)	(6)	1,029	1,008
Balance, end of year	$1,265	$13	$1,355	$2,633
Individual impairment				$1,732
Collective impairment				901
				$2,633

b) IMPAIRED LOANS

The balance of loans identified as impaired, prior to any recovery from collateral on these loans, at the end of the year was as follows:

(000s)	**31 Dec 2014**	31 Dec 2013
Personal loans	**$503**	$453
Residential mortgage loans	**596**	-
Commercial loans	**167**	1,282
	$1,266	$1,735

c) LOANS PAST DUE BUT NOT IMPAIRED

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of the loans that are past due but not classified as impaired because they are either (i) less than 90 days past due, or (ii) less than 180 days past due and fully secured and collection efforts are reasonably expected to result in repayment.

(000s)				**31 Dec 2014**
	1-29 days	**30-89 days**	**90 days and greater**	**Total**
Personal loans	**$8,756**	**$2,382**	**$-**	**$11,138**
Residential mortgage loans	**22,276**	**5,545**	**1,073**	**28,895**
Commercial loans	**3,576**	**57**	**-**	**3,633**
	$34,608	**$7,984**	**$1,073**	**$43,666**

(000s)				31 Dec 2013
	1-29 days	30-89 days	90 days and greater	Total
Personal loans	$8,298	$2,157	$-	$10,455
Residential mortgage loans	23,284	3,535	254	27,073
Commercial loans	9,006	1,151	-	10,157
	$40,588	$6,843	$254	$47,685

d) COLLATERAL

The credit enhancements Alterna Savings holds as security for loans include i) residential lots and properties, ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, iii) recourse to the commercial real estate properties being financed, and iv) recourse to liquid assets, guarantees and securities.

	31 Dec 2014	31 Dec 2013
Loans neither past due nor impaired as a percentage of total loans	**98%**	98%
Collateral repossession: Carrying value at balance sheet date of collateral properties possessed during the period (000s)	**$944**	$-

7. PROPERTY AND EQUIPMENT

(000s)	Land	Buildings	Furniture and Equipment	Computer Hardware	Leasehold Improvements	Total
Cost:						
Balance as of January 1, 2014	**$3,317**	**$8,992**	**$10,273**	**$5,108**	**$9,637**	**$37,327**
Additions	**-**	**23**	**280**	**457**	**456**	**1,216**
Disposals	**-**	**(516)**	**(756)**	**(417)**	**(7)**	**(1,696)**
Balance as of	**3,317**	**8,499**	**9,797**	**5,148**	**10,086**	**36,847**
Depreciation and impairment:						
Balance as of January 1, 2014	**-**	**8,660**	**6,664**	**3,589**	**7,363**	**26,276**
Depreciation	**-**	**253**	**1,122**	**676**	**556**	**2,607**
Disposals	**-**	**(516)**	**(754)**	**(400)**	**(96)**	**(1,766)**
Balance as of	**-**	**8,397**	**7,032**	**3,865**	**7,823**	**27,117**
Net book value:						
Balance as of January 1, 2014	**3,317**	**332**	**3,609**	**1,519**	**2,274**	**11,051**
Balance as of December 31, 2014	**3,317**	**102**	**2,765**	**1,283**	**2,263**	**$9,730**

(000s)	Land	Buildings	Furniture and Equipment	Computer Hardware	Leasehold Improvements	Total
Cost:						
Balance as of January 1, 2013	$3,317	$8,977	$9,618	$5,242	$9,003	$36,157
Additions	-	17	1,118	280	830	2,245
Disposals	-	(2)	(463)	(414)	(196)	(1,075)
Balance as of	3,317	8,992	10,273	5,108	9,637	37,327
Depreciation and impairment:						
Balance as of January 1, 2013	-	8,435	5,791	3,264	7,421	24,911
Depreciation	-	227	1,043	739	499	2,508
Disposals	-	(2)	(170)	(414)	(557)	(1,143)
Balance as of	-	8,660	6,664	3,589	7,363	26,276
Net book value:						
Balance as of January 1, 2013	3,317	542	3,827	1,978	1,582	11,246
Balance as of December 31,	$3,317	$332	$3,609	$1,519	$2,274	$11,051

Alterna will be selling its head office at 400 Albert Street in Ottawa 30 days after commencing the lease for its new head office in Ottawa. It is anticipated that the new head office will be occupied on November 30th with the sale therefore occurring on December 30, 2015. Included in the sale is the $3,317,000 in land noted above and the building which has a net book value of $88,000 as of December 31, 2014.

Assets under finance leases totaling $3,838,000 (December 31, 2013 - $4,167,000) are included in both computer hardware and furniture and equipment. Depreciation expense and accumulated depreciation on finance leases were $460,000 (2013 - $560,000) and $2,661,000 (2013 - $2,565,000) respectively. Assets acquired by means of finance leases are non-cash transactions for purposes of the consolidated cash flow statement, and consequently have not been presented as either a financing or an investing activity.

Total depreciation charged to income in 2014, including the foregoing finance lease depreciation, was $2,607,000 (2013 - $2,508,000) and is included in administration and occupancy costs under operating expenses on the consolidated statement of income.

The gross carrying amount of fully depreciated property and equipment that are still in use is $18,060,000 as of December 31, 2014 (December 31, 2013 - $17,466,000).

8. INTANGIBLE ASSETS

(000s)			**31 Dec 2014**
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**
Computer software	**$25,744**	**$16,445**	**$9,299**

(000s)			31 Dec 2013
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Computer software	$17,833	$15,860	$1,973

The aggregate amount of intangible assets acquired during the year was $8,037,000 (2013 - $642,000). Total amortization charged to income in 2014 was $660,000 (2013 - $681,000) and is included in administration costs under operating expenses on the consolidated statement of income. All intangible assets have been acquired, not developed.

9. OTHER ASSETS

(000s)	**31 Dec 2014**	31 Dec 2013
Accrued interest receivable	**$5,317**	$5,799
Other	**3,024**	2,512
	$8,341	$8,311

10. DEPOSITS

(000s)	**31 Dec 2014**	31 Dec 2013
Demand deposits	**$899,004**	$925,101
Term deposits	**642,603**	579,811
Registered plans	**772,138**	741,932
	$2,313,745	$2,246,874

As at December 31, 2014, Alterna Savings held US dollar deposits from members of US $16,826,000 (December 31, 2013 – $21,152,000) with a carrying amount of $19,520,000 (December 31, 2013 - $22,880,000).

11. BORROWINGS

(000s)	31 Dec 2014	31 Dec 2013
Borrowings	**$55,000**	$25,000

Alterna Savings (the unconsolidated parent entity) has access to a $238,900,000 credit facility with Central 1 consisting of operating lines of credit of CDN $46,800,000 and US $500,000; term loans of CDN $68,500,000 and additional uncommitted term loan funds of CDN $120,000,000 plus CDN $600,000 for capital markets and CDN $2,500,000 for letters of credit.

The lines of credit are payable on demand within 30 days, bear interest at the Bank of Canada overnight rate plus 0.75% and are secured by a pledge of certain assets under a general security agreement. There was a $nil balance on these lines of credit at the end of the year (December 31, 2013 - $nil).

The operating term loans can be fixed until maturity or payable after 7 days, bear interest at Canadian Dealer Offer Rate (CDOR) for equivalent term plus a spread and are secured by a pledge of certain assets under a general security agreement. There was a $55,000,000 balance on the operating term loans at the end of the year (December 31, 2013 - $25,000,000). The borrowings against the additional committed term loan can be fixed until maturity or payable after 7 days, bear interest at CDOR for equivalent term plus a spread.

The carrying values of assets pledged under the general security agreement, excluding assets of Alterna Bank, are as follows:

(000s)	31 Dec 2014	31 Dec 2013
Loans, net of allowance for impaired loans	**$2,245,227**	$2,081,153
Property and equipment	**9,528**	10,816
Intangible assets	**9,299**	1,973
Other assets	**8,621**	8,880
	$2,272,675	$2,102,822

Alterna Savings did not have any defaults of principal, interest or other breaches with respect to borrowing facilities in 2014 and 2013**.**

12. MORTGAGE SECURITIZATION LIABILITIES

(000s)	31 Dec 2014	31 Dec 2013
Mortgage securitization liabilities	**$128,749**	$77,623

As part of its program of liquidity, capital and interest rate risk management, Alterna Savings secures funding for its growth by entering into mortgage securitization arrangements. These arrangements allow Alterna Savings to transfer fully insured residential mortgages to Multi-Seller Conduits which issue securities to investors.

These transactions are derecognized from the consolidated balance sheet when the transaction meets the derecognition criteria described in note 2 (g) (iii). In instances where Alterna Savings' mortgage securitizations do not result in a transfer of contractual cash flows of the mortgages or an assumption of an obligation to pay the cash flows of the mortgages to a transferee, Alterna Savings has not derecognized the transferred asset and has instead recorded a secured borrowing with respect to any consideration received.

Alterna Savings currently securitizes mortgages to access liquidity through two securitization vehicles:

Under the first securitization vehicle, which was last used in 2009, Alterna Savings sold residential insured mortgage loan receivables to Central 1 who in turn packaged these mortgages into National Housing Act mortgage backed securities (“MBS”). The MBS were then sold by Central 1 to a government-sponsored special purpose entity, the Canada Housing Trust (“CHT”), through the Canada Mortgage Bond (“CMB”) Program.

Under the second securitization vehicle, which was first used in 2013, Alterna Savings packages residential insured mortgage loan receivables into MBS and in turn sells the MBS to CHT directly through the CMB Program. CHT is financed through the issuance of CMBs, which are sold to third party investors. Proceeds of the issuances are used by CHT to purchase MBS from approved Issuers. Under the terms of the CMB Program, Central 1, on behalf of Alterna Savings, acts as counterparty to interest rate swap agreements under which Central 1 pays CHT the interest due to investors on the CMBs and receives the interest on the MBS sold to CHT. The terms of the interest rate swap agreements are mirrored back exactly between Central 1 and Alterna Savings, resulting in Alterna Savings ultimately paying CHT the interest due to investors on the CMBs and receiving the interest on the MBS sold to CHT. Accordingly, because they prevent derecognition of the securitized assets, these interest rate swap agreements are not recognized.

As all mortgages securitized by Alterna Savings are required to be fully insured prior to sale, they pose no credit risk to Alterna Savings immediately before or any time after the securitization transaction. Alterna Savings remains exposed to the interest rate and prepayment risks associated with the underlying mortgage loan receivable assets. The assets, liabilities, revenues and expenses have not been derecognized and the transactions are accounted for as secured financing transactions in Alterna Savings’ consolidated balance sheet and consolidated statement of comprehensive income.

In addition to securitizing mortgages for liquidity purposes as described above, Alterna Savings also packages residential insured mortgage loan receivables into MBS and in turn utilizes them to meet the reinvestment needs of the CMB Program. The principal received on mortgages sold securitized into the CMB Program through the second securitization vehicle under the swap arrangement is required to be reinvested in accordance with CMB guidelines. These MBS are transferred to CHT as required to meet these reinvestment requirements. These MBS are derecognized until they are transferred to CHT to meet reinvestment requirements.

(000s)	**31 Dec 2014**	31 Dec 2013
Residential mortgages securitized – sold or transferred into CMB program or held as replacement assets (included in loans)	**$154,630**	$89,628
Self-originated MBS held in trust per CMB reinvestment guidelines (included in investments)	**17,413**	554

13. OTHER LIABILITIES

(000s)	**31 Dec 2014**	31 Dec 2013
Accrued interest payable	**$11,655**	$10,656
Trade payables and accrued expenses	**3,724**	4,898
Salaries and benefits payable	**3,352**	3,906
Dividend payable	**1,884**	1,856
Finance lease obligations (note 14)	**1,112**	1,473
Certified cheques	**429**	1,350
Deferred revenue	**208**	399
Accrued benefit liability (note 21)	**28**	3,584
	$22,392	$28,122

14. LEASES

a) FINANCE LEASE OBLIGATIONS

The following table presents the net carrying value for each class of leasing assets held under finance leases.

(000s)	31 Dec 2014	31 Dec 2013
Computer hardware	**$1,112**	$1,473

The future minimum lease payments required under Alterna Savings' finance leases were as follows:

(000s)	31 Dec 2014	31 Dec 2013
Future minimum lease payments		
Within one year	**$424**	$457
From one to five years	**769**	1,137
Later than five years	**5**	29
Total future minimum lease payments	**1,198**	1,623
Less: Future interest charges	**(86)**	(150)
Present value of finance lease commitments	**$1,112**	$1,473

Finance lease obligations are repayable monthly and mature at various dates up to 2020 secured by the lessors' title to the leased property and equipment with implicit interest rates from 4.82% to 8.68% (see note 7).

b) OPERATING LEASE OBLIGATIONS

The future minimum lease payments required under Alterna Savings' operating leases were as follows:

(000s)	31 Dec 2014	31 Dec 2013
Future minimum lease payments		
Within one year	**$2,184**	$2,114
From one to five years	**10,445**	5,222
Later than five years	**19,318**	1,668
Total future minimum lease payments	**$31,947**	$9,004

During 2014, $4,549,000 was recognized as an expense, under occupancy costs in the consolidated statement of income in respect of operating leases (2013 - $4,391,000).

Finance and operating leases generally have options for renewal, at which time all terms are renegotiated.

15. MEMBERS' SHARE ACCOUNTS

a) AUTHORIZED

The authorized share capital of Alterna Savings consists of the following:

i. an unlimited number of Class A special shares, issuable in series
ii. an unlimited number of Class B special shares, issuable in series
iii. an unlimited number of Class C special shares, issuable in series
iv. an unlimited number of membership shares

The shares have no par value.

b) SHARE FEATURES

The rights, privileges, restrictions, terms and conditions attaching to the shares are as follows:

Voting
All Class A, Class B and Class C shares are non-voting.

Membership shares are voting with each member being entitled to one vote, regardless of the number of membership shares held by the member, provided that the member is at least eighteen years of age. Each member under the age of eighteen is required, as a condition of membership, to own one membership share with an issue price of $1. All other members are required, as a condition of membership, to own 15 membership shares with an issue price of $1 each.

Dividends
Holders of Class A, Class B, Class C and membership shares are entitled to non-cumulative dividends, when and if declared by the Board of Directors, in order of priority with Class A to receive dividends first, followed by in order Class B, Class C and membership shares. All Series holders will rank equally within their class in terms of priority in payment of dividends. The dividend rate for both Class A, Series 1, Class A, Series 2 and Class A, Series 3 was approved by the Board of Directors at 3.35%, 3.35%, and 4.50% for the period of September 1, 2013 to August 31, 2014, January 1, 2014 to December 31, 2014, and January 1, 2014 to December 31, 2014, respectively.

Transferability
No Class A, Class B, Class C or membership share is transferable to any person, other than a person who is a member of Alterna Savings, and then only on the approval of the Board of Directors.

Participation upon Liquidation, Dissolution or Winding-Up
Class A, Class B and Class C shareholders, in order of priority, are entitled to redeem their shares on liquidation, dissolution or wind-up. Holders of membership shares are entitled to the remaining property of Alterna Savings.

Redemption or Cancellation
Class A, Series 1 holders may request redemption of their shares within six months of the shares anniversary date of September 1st. All redemptions are subject to the discretion of the Board of Directors and are limited annually to a maximum of 10% of the Class A, Series 1 shares outstanding at the end of the immediately preceding fiscal year. The redemption price equals the shares' face value, plus all declared and unpaid dividends thereon. Alterna Savings also has the option to purchase for cancellation all or any part of the outstanding Class A, Series 1 shares at any time after the expiry of the five years from the issue date.

Class A, Series 2 holders may request redemption of their shares on June 30th or December 31st annually. The Board of Directors considers, approves, and if necessary prorates requests for redemption, with redemption requests of the estate of deceased members, expelled members, members who must withdraw a minimum annual amount from their shares held in a Registered Retirement Income Fund and members who must transfer their shares held in a Registered Retirement Savings Plan to a Registered Retirement Income Fund taking priority. All redemption requests are at the discretion of the Board. Redemptions are limited semi-annually to a maximum of 5% and annually to a maximum of 10% of the Class A, Series 2 shares outstanding at the end of the immediately preceding fiscal year. The redemption price equals the shares' face value, plus all declared and unpaid dividends thereon. Alterna Savings also has the option to purchase for cancellation all or any part of the outstanding Class A, Series 2 shares at any time.

Class A, Series 3 holders are not permitted to redeem their shares prior to the fifth anniversary of the first issuance or April 2017. The Board will approve redemption requests once annually, at its first Board meeting in each fiscal year once redemptions can legally occur. Redemptions at the shareholder's option in a particular fiscal year are also subject to a limit of 10% of the number of the Class A, Series 3 shares, issued and outstanding at the end of the prior fiscal year. Alterna Savings, at its option, may reacquire the Class A, Series 3 shares, for cancellation after a period of five years following the issuance of the shares.

Class B, Series 1 holders can request redemption of their shares. However, all redemptions are at the discretion of the Board of Directors and are limited annually to a maximum of 10% of the Class B, Series 1 shares outstanding at the end of the immediately preceding fiscal year. The redemption price equals the shares' face value, plus all declared and unpaid dividends thereon. Alterna Savings also has the option to purchase for cancellation all or any part of the outstanding Class B, Series 1 shares held by the estates of deceased members or expelled members at any time.

As no Class C shares have been issued, no redemption rights or restrictions are attached to the shares at this time.

Membership shares are redeemable at their issue price only when the member withdraws from membership in Alterna Savings. They are considered liabilities for accounting purposes because they are redeemable at the option of the holder.

c) ISSUED AND OUTSTANDING

The continuity of the members' share accounts presented as special shares in members' equity and as membership shares in liabilities for the year ended December 31, 2014 is as follows (in thousands):

	Class A Special Shares						Class B Special Shares		Membership Shares	
	Series 1		Series 2		Series 3		Series 1			
	Number of Shares	$	Number of Shares	$	Number of Shares	$	Number of Shares	$	Number of Shares	$
Issued and outstanding as at December 31, 2012	11,071	10,860	9,490	9,490	34,534	34,142	2,224	2,224	1,513	1,513
Net shares issued (redeemed)	(6)	14	92	92	-	-	(96)	(96)	143	143
Issued and outstanding as at December 31, 2013	11,065	10,874	9,582	9,582	34,534	34,142	2,128	2,128	1,656	1,656
Net shares issued (redeemed)	(93)	(91)	281	281	(10)	(10)	(90)	(90)	(94)	(94)
Issued and outstanding as at December 31, 2014	10,972	10,783	9,863	9,863	34,524	34,132	2,038	2,038	1,562	1,562

The costs associated with the issuance of the Class A Series 3 shares amounted to $392,000 while the costs associated with the issuance of the Class A Series 1 shares amounted to $213,000. There are no issued shares that have not been fully paid.

d) DIVIDENDS DECLARED

During 2014 the Board of Directors approved (i) a $366,000 dividend to holders of record of 11,065,000 Class A, Series 1 shares as of August 31, 2014 (2013 - $371,000) payable in cash; (ii) a $330,000 dividend to holders of record of 9,863,000 Class A, Series 2 shares as of December 31, 2014 payable in cash and/or additional Class A, Series 2 shares (2013 – $302,000) (iii) a $1,554,000 dividend to holders of record of 34,524,000 Class A, Series 3 shares as of December 31, 2014 payable in cash (2013 – $1,554,000); and (iv) a $21,000 dividend to holders of record of 2,128,000 Class B, Series 1 shares as of January 1, 2014 payable in additional Class B, Series 1 shares (2013 - $22,000). These dividends are presented in members' equity net of income taxes of $388,000 (2013 - $409,000) in the consolidated financial statements, for a balance of $1,883,000 (2013 - $1,840,000).

16. CONTRIBUTED SURPLUS

On April 1, 2005, the Civil Service Co-operative Credit Society Limited (CS Co-op) and Metro Credit Union Limited amalgamated, commencing operations as of that date as Alterna Savings. The amalgamation was effected by an exchange of shares and the fair value of Metro's net assets was used as the cost of purchase and fair value of exchange of such shares. The difference between the fair value of the net assets acquired and the exchange value of the shares issued was recorded as contributed surplus in the books of Alterna Savings.

17. INTEREST INCOME AND INTEREST EXPENSE

(000s)	**31 Dec 2014**	31 Dec 2013
Interest Income:		
Personal loans	**$10,419**	$10,204
Residential mortgage loans	**37,354**	36,801
Commercial loans	**40,466**	40,678
Swap agreements	**410**	738
	$88,649	$88,421
Interest Expense:		
Demand deposits	**$4,734**	$5,123
Term deposits	**11,136**	9,816
Registered plans	**13,630**	13,247
Interest on borrowings	**704**	618
Mortgage securitization cost of funds	**2,115**	594
	$32,319	$29,398

No interest income was recorded on impaired loans for the years ended December 31, 2014 and 2013 respectively, as they were 100 % provisioned.

18. INVESTMENT INCOME

(000s)	31 Dec 2014	31 Dec 2013
Net gains on financial assets fair valued through profit or loss	**$1,175**	$812
Net gains on financial assets available-for-sale	**4,539**	3,929
	$5,714	$4,741

In April 2013, Alterna sold shares in an investment and recognized a gain on sale of $382,000.

19. OTHER INCOME

(000s)	31 Dec 2014	31 Dec 2013
Commissions	**$4,598**	$4,064
Service charges	**4,501**	4,717
ABM network fees	**948**	1,033
Other	**376**	680
	$10,423	$10,494

20. OPERATING EXPENSES

(000s)	31 Dec 2014	31 Dec 2013
Salaries and benefits	**$30,143**	$34,387
Administration	**16,595**	16,212
Occupancy	**7,212**	6,811
Data processing	**4,046**	4,704
Marketing and community relations	**2,295**	2,033
	$60,291	$64,147

21. EMPLOYEE BENEFIT PLANS

Alterna Savings maintains three pension plans for current employees and retirees, and one post-retirement benefits program, which provides certain post-employment healthcare benefits. Until March 31, 2006, some employees were eligible to join in the Alterna Savings DB pension plan that provides for an early retirement incentive for eligible employees as noted below; and, the senior executives who participated in the DB plan were provided with a SRIP. Both plans provide for pensions based on length of service and career average earnings.

Most employees are eligible to participate in the DC plan which prescribes both employer and employee contributions. An early retirement incentive is also provided for eligible employees as noted below, as well as a post-retirement benefits program to certain eligible employees and retirees.

Effective January 1, 2008, pension benefits for employees participating in Alterna Savings' DB pension plan began to accrue under the DC plan and all benefits ceased to accrue under the existing DB pension plan and SRIP. Early retirement benefits have been removed for all employees who were not eligible for retirement prior to January 1, 2008. Post-retirement benefits ceased as of March 1, 2006 for employees retiring after February 28, 2006 and not eligible to retire at that date. Existing retirees will continue to receive benefits under the plans in which they had been enrolled.

The defined benefit plans are registered under the Income Tax Act (Canada) and the Pension Benefits Act, R.S.O. 1990 (Ontario) (the "PBA"). The Board of Directors of Alterna Savings, through various committees, is responsible for the oversight and supervision of the plans, Contributions are made to these separately administered plans.

Every three years, the Board of Directors reviews the level of funding as required by the PBA. This review consists of asset-liability matching strategy and investment risk management policy as well as minimum funding requirements. The PBA requires Alterna to clear any plan deficit based on the actuarial valuation for funding purposes over a period of five years, if any.

These defined benefit plans are exposed to Canada's inflation, interest rate risks and changes in the life expectancy for pensioners.

Defined Pension and Benefits Plans

All defined benefit plans are valued using the projected unit-credit method to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations which include assumptions about demographics, salary increases and interest and inflation rates.

The assets and accrued benefit obligation of the defined benefits pension plans (DB pension plan and SRIP) and the post-retirement benefits program were measured as at December 31, 2014, and are detailed as follows:

(000s)			**31 Dec 2014**	31 Dec 2013
	Pension	**Benefits**	**Total**	Total
Accrued benefit obligation:				
Balance, beginning of year	**$24,963**	**$33**	**$24,996**	$27,030
Interest cost	**1,156**	**1**	**1,157**	1,020
Re-measurement (gains)/losses				
- Actuarial gains and losses from experience adjustments	**(380)**	**-**	**(380)**	-
- Actuarial gains and losses from changes in financial assumptions	**2,985**	**-**	**2,985**	(2,951)
- Actuarial changes arising from changes in demographic assumptions	**(62)**	**-**	**(62)**	1,446
Benefits paid	**(1,559)**	**(7)**	**(1,566)**	(1,549)
Balance, end of year	**$27,103**	**$27**	**$27,130**	$24,996
Plans' assets:				
Fair value, beginning of year	**$28,824**	**$-**	**$28,824**	$26,945
Interest income	**1,352**	**-**	**1,352**	1,036
Re-measurement (gains)/losses				
- Return on plan assets (excluding amounts included in net interest expense)	**2,072**	**-**	**2,072**	1,348
Employer contributions	**518**	**7**	**525**	1,044
Benefits paid	**(1,559)**	**(7)**	**(1,566)**	(1,549)
Fair value, end of year	**$31,207**	**$-**	**$31,207**	$28,824
Over funded (under funded) status of plans	**$4,104**	**($27)**	**$4,077**	$3,828
Limit on amount recognized (min. funding obligation/unrecognized plan surplus)	**(4,104)**	**-**	**(4,104)**	(7,412)
Accrued benefit liability	**$-**	**($27)**	**($27)**	($3,584)

As at December 31, 2014, the over funded status of the DB pension plan was $3,541,000 (December 31, 2013 – $3,188,000 over funded) and the over funded status of the SRIP was $563,000 (December 31, 2013 - $673,000 over funded).

The following is a summary of the weighted average significant actuarial assumptions used in measuring the plans' accrued pension benefit obligation:

	31 Dec 2014		31 Dec 2013	
	Pension	**Benefits**	Pension	Benefits
Discount rate for accrued benefit obligation	**3.89%**	**2.70%**	4.78%	3.00%
Discount rate for pension expense	**4.78%**	**3.00%**	3.88%	2.70%

The health care cost trend rate is expected to be 6% in 2015 decreasing by 1% per year until the rate reaches 4% in 2017.

A 1% increase in the discount rate would decrease the accrued benefit obligation by $3,308,000 and a 1% decrease in the discount rate would increase the accrued benefit obligation by $4,128,000. Changes in health care rates would impact the accrued benefit obligation by a nominal amount. The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

As at December 31, 2014, the fair value of the pension plans' assets for each major asset class was as follows:

	31 Dec 2014	31 Dec 2013
Fixed Income Funds:		
Cash equivalents	**$1,341**	$1,964
Bonds	**16,535**	9,084
	17,876	11,048
Equity Funds:		
Canadian	**7,615**	10,411
United States	**1,470**	2,241
Other international	**1,663**	2,656
	10,748	15,308
Other Funds:		
Real Estate	**2,583**	2,468
	$31,207	$28,824

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:

(000s)	**31 Dec 2014**	31 Dec 2013
Net interest expense	**$159**	$121
Components of defined benefit costs recognized in the income statement	**$159**	$121

(000s)	**31 Dec 2014**	31 Dec 2013
Re-measurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**$2,072**	$1,348
Actuarial gains and losses from experience adjustments	**380**	-
Actuarial gains and losses from changes in financial assumptions	**(2,985)**	2,951
Actuarial changes arising from changes in demographic assumptions	**62**	(1,446)
Components of defined benefit cost recognised in other comprehensive income	**$471**	$2,853

The next actuarial valuation for funding purposes of the DB pension plan is to be performed as at December 31, 2016 (the most recent valuation was performed as at December 31, 2013). There are no required funding valuation dates for the SRIP or the post-retirement benefits program as they are not registered plans. The most recent valuation prepared for accounting purposes was December 31, 2013 for the DB pension plan, January 1, 2014 for the SRIP and December 31, 2010 for the post-retirement benefit program.

Alterna Savings expects to contribute approximately $8,000 to its defined benefits plan in 2015. The average duration of the defined benefit plan obligation at the end of the reporting period is 14.1 years for the DB pension plan, 10.5 years for the SRIP and 3.4 years for the post-retirement benefits program.

Defined Contribution Pension Plan
The pension expense for the DC pension plan for the year ended December 31, 2014 was $914,000 (2013 - $998,000).

Total Cash Payments
Total cash payments for employee benefit plans for 2014, consisting of cash contributed by Alterna Savings to its funded DB pension plans, cash payments directly to beneficiaries for its unfunded post-retirement benefits program and cash contributed to its DC pension plan was $1,439,000 (2013 - $2,042,000).

22. INCOME TAXES

The significant components of the deferred income tax asset (liability) of Alterna Savings are as follows:

	Consolidated balance sheet		**Consolidated statement of income**	
(000s)	**31 Dec 2014**	31 Dec 2013	**31 Dec 2014**	31 Dec 2013
Property and equipment	**$1,002**	$882	**(110)**	(120)
Allowance for impaired loans	**161**	205	**43**	9
Derivatives	**56**	(328)	**(367)**	11
Deferred revenue	**38**	73	**35**	24
Other	**28**		**-**	-
Deferred pension liability	**5**	655	**$70**	$144
Corporate minimum tax	**-**	12	**12**	109
Deferred income tax Expense/(Income)			**($317)**	$177
Net Deferred income tax Asset	**$1,290**	$1,499		
On Consolidated Balance Sheet:				
Deferred income tax Asset	**$2,380**	$2,429		
Deferred income tax Liability	**(1,090)**	(930)		
Net Deferred Income Tax	**$1,290**	$1,499		

The reconciliation of income tax computed at the statutory rates to income tax expense (recovery) is as follows:

(000s)	**31 Dec 2014**		31 Dec 2013	
	Amount	**Percent**	Amount	Percent
Expected tax provision at combined federal and provincial rates	**$3,707**	**27%**	$3,190	27%
Additional credit for Credit Unions	**(1,316)**	**(9%)**	(954)	(8%)
Prior years' adjustments	**(77)**	**(1%)**	(5)	0%
Deferred income tax rate differential	**60**	**0%**	(293)	(2%)
Permanent differences	**26**	**0%**	25	0%
Other – net	**(17)**	**0%**	43	0%
	$2,383	**17%**	$2,006	17%

The components of income tax expense for the years ended December 31, 2014 and 2013 are:

(000s)	**31 Dec 2014**	31 Dec 2013
Current tax		
Current income tax	**$2,755**	$1,828
Adjustment in respect of current income tax of prior years	**(55)**	1
Deferred income tax		
Relating to the origination and reversal of timing differences	**(317)**	177
Income tax expense reported in the income statement	**$2,383**	$2,006

On Consolidated Statement of Income:		
Current Income Tax	**$2,700**	$1,829
Deferred Income Tax	**(317)**	177
Provision for income taxes	**$2,383**	$2,006

The income tax related to items charged or credited to other comprehensive income during the year is as follows:

(000s)	**31 Dec 2014**	31 Dec 2013
Change in unrealized gains and losses on available-for-sale securities	**$127**	$40
Change in gains and losses on derivatives designated as cash flow hedges	**59**	(58)
Net losses on derivatives designated as cash flow hedges transferred to income	**11**	33
Defined benefit plan - actuarial losses	**580**	(221)
	$777	($206)

The current and deferred income tax charged or credited to other comprehensive income during the year is as follows:

(000s)	**31 Dec 2014**	31 Dec 2013
Current Income Tax	**$127**	$40
Deferred Income Tax	**650**	(246)
	$777	($206)

There are no tax related contingent liabilities and contingent assets as of December 31, 2014 in accordance with IAS 37, “Provisions, contingent liabilities and contingent assets”.

No deferred income tax liability has been recorded for the temporary difference associated with the investment in subsidiary as it is probable that the temporary difference will not reverse in the foreseeable future.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts set out in the table below represent the estimated fair values of the financial instruments of Alterna Savings for each classification of financial instrument, including the fair values of loans calculated before allowance for impaired loans, using the valuation methods and assumptions described below.

(000s)		**31 Dec 2014**		31 Dec 2013
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets:				
Available-for-sale:				
Cash and cash equivalents	**$62,585**	**$62,585**	$52,206	$52,206
Investments [(1)]	**207,818**	**207,818**	232,261	232,261
Designated as FVTPL:				
Investments	**5,191**	**5,191**	8,208	8,208
Derivative financial instruments				
- interest rate swaps	**967**	**967**	719	719
- purchased options	**3,946**	**3,946**	1,932	1,932
- equity options	**4,637**	**4,637**	3,437	3,437
Loans and receivables:				
Loans				
- personal loans	**237,143**	**237,155**	233,596	233,613
- residential mortgage loans	**1,194,931**	**1,221,894**	1,103,520	1,128,309
- commercial loans	**967,280**	**1,003,365**	897,365	932,278
Total	**$2,684,498**	**$2,747,558**	$2,533,161	$2,592,963
Financial liabilities:				
Other liabilities:				
Deposits				
- demand deposits	**$899,004**	**$899,004**	$925,101	$925,101
- term deposits	**642,603**	**645,327**	579,811	581,670
- registered plans	**772,138**	**768,948**	741,932	744,107
Mortgage securitization liabilities	**128,749**	**131,755**	77,623	77,623
Borrowings	**55,000**	**55,000**	25,000	25,000
Designated as FVTPL:				
Derivative financial instruments				
- interest rate swaps	**386**	**386**	376	376
- foreign currency forward contracts	**4**	**4**	88	88
- embedded options	**3,929**	**3,929**	1928	1,928
Total	**$2,501,813**	**$2,504,353**	$2,351,859	$2,355,893

[(1)] As at December 31, 2014, certain available-for-sale securities having a carrying amount of $18,574,000 (2013 - $17,655,000) were recognized at cost since their fair value cannot be reliably measured.

Management has assessed that cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The following methods and assumptions were used to estimate the fair values:

Fair value of available-for-sale investments and those designated as FVTPL are derived from quoted market prices in active markets.

Alterna Savings enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps and foreign exchange forwards. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. As at December 31, 2014, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognized at fair value.

Purchased and embedded options are measured similarly to the interest rate swaps and foreign currency forward contracts. However, as these contracts are not collateralized, Alterna Savings also takes into account the counterparties' non-performance risks (for the purchased options) or its own non-performance risk (for the embedded derivative liabilities). As at December 31, 2014, Alterna Savings assessed these risks to be insignificant.

Personal loans, residential mortgage loans, commercial loans and deposits - at discounted cash flows using prevailing interest rates of instruments with similar remaining terms. The fair values of all types of loans are calculated before allowance for impaired loans.

Fair Value Hierarchy

The following tables show the hierarchical classification of financial assets and liabilities measured or disclosed at fair value as at December 31, 2014 and December 31, 2013:

December 31, 2014 (000s)	**Date of valuation**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:					
Financial investments FVTPL	**31 Dec 2014**	**$-**	**$-**	**$5,191**	**$5,191**
Financial investments AFS [(1)]	**31 Dec 2014**	**-**	**207,818**	**-**	**207,818**
Derivative financial instruments					
- interest rate swaps	**31 Dec 2014**	-	**967**	-	**967**
- purchased options	**31 Dec 2014**	-	**3,946**	-	**3,946**
- equity options	**31 Dec 2014**	**-**	**4,637**	**-**	**4,637**
Assets for which fair values are disclosed:					
Loans:					
- personal loans	**31 Dec 2014**	-	-	**237,155**	**237,155**
- residential mortgage loans	**31 Dec 2014**	-	-	**1,221,894**	**1,221,894**
- commercial loans	**31 Dec 2014**	-	-	**1,003,365**	**1,003,365**
Liabilities measured at fair value: :					
Derivative financial instruments					
- interest rate swaps	**31 Dec 2014**	**$-**	**$386**	$-	**$386**
- embedded options	**31 Dec 2014**	**-**	**4**	-	**4**
- foreign currency forward contracts	**31 Dec 2014**	**-**	**3,929**	-	**3,929**
Liabilities for which fair values are disclosed:					
Deposits					
- demand deposits	**31 Dec 2014**	-	**899,004**	-	**899,004**
- term deposits	**31 Dec 2014**	-	**645,327**	-	**645,327**
- registered plans	**31 Dec 2014**	-	**768,948**	-	**768,948**
Mortgage securitization liabilities	**31 Dec 2014**	-	**131,755**	**-**	**131,755**

December 31, 2013 (000s)	Date of valuation	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial investments FVTPL	31 Dec 2013	$-	$-	$8,208	$8,208
Financial investments AFS[(1)]	31 Dec 2013	-	232,261	-	232,261
Derivative financial instruments					
- interest rate swaps	31 Dec 2013	-	719	-	719
- purchased options	31 Dec 2013	-	1,932	-	1,932
- equity options	31 Dec 2013	-	3,437	-	3,437
Assets for which fair values are disclosed:					
Loans:					
- personal loans	31 Dec 2013	-	-	233,613	233,613
- residential mortgage loans	31 Dec 2013	-	-	1,128,309	1,128,309
- commercial loans	31 Dec 2013	-	-	932,278	932,278
Liabilities measured at fair value:					
Derivative financial instruments					
- interest rate swaps	31 Dec 2013	$-	$376	$-	$376
- embedded options	31 Dec 2013	-	1,928	-	1,928
- foreign currency forward contracts	31 Dec 2013	-	88	-	88
Liabilities for which fair values are disclosed:					
Deposits					
- demand deposits	31 Dec 2013	-	925,101	-	925,101
- term deposits	31 Dec 2013	-	581,670	-	581,670
- registered plans	31 Dec 2013	-	744,107	-	744,107
Mortgage securitization liabilities	31 Dec 2013	-	77,623	-	77,623

(1) As at December 31, 2014, certain available-for-sale securities having a carrying amount of $18,574,000 (2013 - $17,655,000) were recognized at cost since their fair value cannot be reliably measured.

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2014 and 2013.

The table below presents the changes in fair value of Level 3 financial assets and liabilities for the year ended December 31, 2014. These instruments are measured at fair value utilizing non-observable market inputs. The total net gains included in investment income in the consolidated statement of income, on financial instruments for which fair value was estimated using a valuation technique requiring non-observable market inputs was $427,000 (2013 – net gains of $1,257,000).

December 31, 2014		**Net realized/unrealized gains (losses) included in**					
(000s)	**Opening balance**	**Net income**	**OCI**	**Purchases**	**Settlements**	**Closing balance**	**Unrealized gains [(1)]**
Financial investments FVTPL	**$8,208**	**$427**	**$-**	**$-**	**($3,444)**	**$5,191**	**$427**
Financial investments AFS	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	$8,208	**$427**	**$-**	**$-**	**($3,444)**	**$5,191**	**$427**

December 31, 2013		Net realized/unrealized gains (losses) included in					
(000s)	Opening balance	Net income	OCI	Purchases	Settlements	Closing balance	Unrealized gains (1)
Financial investments FVTPL	$10,629	$1,340	$-	$-	($3,761)	$8,208	$1,257
Financial investments AFS	-	-	-	-	-	-	-
	$10,629	$1,340	$-	$-	($3,761)	$8,208	$1,257

(1) Changes in unrealized gains included in earnings for instruments held as at December 31, 2014 and 2013.

There were no transfers in or out of Level 3 during the years ended December 31, 2014 and 2013.

The table below sets out information about significant unobservable inputs used as at December 31, 2014 in measuring financial instruments categorized as Level 3 in the fair value hierarchy:

Description	**Fair value as at December 31, 2014**	**Valuation technique**	**Unobservable input**	**Range**
Private equity fund investment	$5,191	Net asset value (2)	n/a	n/a

(2) Alterna Savings has determined that the reported net asset value represents fair value at the end of the reporting period.

24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Alterna Savings is exposed to the following risks as a result of holding financial instruments: credit risk, market risk and liquidity risk. The following is a description of those risks and how Alterna Savings manages the exposure to them.

a) CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. For Alterna Savings, the three main asset classes exposed to credit risk are loans, investments and derivative financial instruments on the consolidated balance sheet.

Alterna Savings' credit risk objective is to minimize this financial loss. Credit risk is managed in accordance with the Credit Policy for loans and the Investment / Derivative Policy for investments and derivatives. These policies are reviewed and approved annually by the Board of Directors.

For loans, Alterna Savings mitigates its credit risk exposure by:

- defining its target market area;
- limiting the principal amount of credit to a borrower at any given time: $100,000 in unsecured personal loans per borrower, $2,500,000 in residential mortgage loans per borrower, $20,000,000 in commercial mortgage loans per borrower and $25,000,000 in aggregate loans per borrower and connected persons;
- performing a credit analysis prior to the approval of a loan;
- obtaining collateral when appropriate;
- employing risk based pricing; and
- limiting the concentration by industry and geographic location for commercial loans.

Loan exposures are managed and monitored through facility limits for individual borrowers and a credit review process. This review ensures that the borrower complies with internal policy and underwriting standards. Alterna Savings relies on collateral security typically in the form of a fixed and floating charge over the assets of its borrowers. Credit risk is also managed through regular analysis of the ability of members to meet interest and principal repayment obligations and by changing these lending limits where appropriate.

Alterna Savings holds collateral against loans and advances to members in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is either renewed or individually assessed as impaired.

Alterna Savings liquidates the collateral asset to recover all or part of the outstanding exposure in cases where the borrower is unable or unwilling to fulfill its primary obligations.

Credit risk is limited for residential mortgages as 55% (2013 – 45%) of the residential mortgages are insured to a maximum of 95% by mortgage insurance companies. Alterna Savings monitors the concentration risk from commercial loans by setting maximum exposure limits for total loan balances for each industry. The carrying amount of financial assets recorded in the consolidated financial statements excluding the amount of the insured mortgages, net of impairment losses, represents Alterna Savings' maximum exposure to credit risk without taking account of the value of any collateral obtained. The maximum exposure to credit risk at Alterna Savings was $1,739,000 at December 31, 2014 (2013 - $1,646,970,000).

Alterna Savings mitigates counterparty credit risk of investments and derivatives by aggregating counterparty exposure for each issuer and adhering to the quality guidelines as noted in its Investment/Derivative policy. Investments other than liquidity reserve investments and shares held as a condition of membership with Central 1 Credit Union are diversified by limiting investments in any one issuer to a maximum of 25% of the total portfolio or an authorized limit.

For investments and derivatives, risk is measured by reviewing exposure to individual counterparties to ensure total fair value of investments and derivatives are within the policy limit by issuer weightings and by dollar amount. This also mitigates concentration risk in the portfolio. The quality of the counterparties is assessed through two published credit rating agencies, DBRS and S&P, as indicated above.

Alterna Savings does not have any significant credit risk exposure to any single counterparty or any group of counterparties by establishing prudent limits

b) MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk.

(i) Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Alterna Savings' consolidated net income is exposed to interest rate risk because of the mismatches in maturities and interest rate types (fixed vs. variable) of its financial assets and financial liabilities.

Alterna Savings' interest rate risk objective is to maximize interest margin while complying with the approved interest rate risk policy limits. Alterna Savings uses derivatives such as interest rate swaps to manage interest rate risk.

Interest rate risk is managed in accordance with the Structural Risk Management Policy. This policy is reviewed and approved annually by the Board. Alterna Savings reports the interest rate risk against policy limits to the Asset Liability Committee ("ALCO") and the Board on a monthly basis.

Alterna Savings' maximum tolerance exposure to short-term interest rate risk over twelve months is restricted to 3% of average forecasted net interest income with a 95% confidence level. Its maximum tolerable exposure to interest rate risk on the entire consolidated balance sheet is restricted to 7% decline in the market value of equity as a limit to mitigate long-term interest rate risk. As of December 31, 2014, the results for these measures were 0.79% (2013 – 0.94%) and 2.26% % (2013 – 2.17%), respectively.

The following table details Alterna Savings' exposure to interest rate risk resulting from the mismatch, or gap, between financial assets and liabilities. The financial instruments have been reported on the earlier of their contractual repricing date or maturity date from the date of purchase. Certain contractual repricing dates have been adjusted according to management's estimates for prepayments and early redemptions. The weighted average interest rates shown represent historical rates for fixed-rate instruments carried at amortized cost and current market rates for variable-rate instruments or instruments carried at fair value. Derivatives are presented in the variable rate category.

(000s)							31 Dec 2014	31 Dec 2013
				Maturity				
	Non-interest rate sensitive	Variable rate demand	Under 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Total
Cash and cash equivalents	**$62,585**	**$-**	**$-**	**$-**	**$-**	**$-**	**$62,585**	$52,206
Interest Rates	**-%**	**-%**	**-%**	**-%**	**-%**	**-%**	**-%**	-%
Investments	**$41,179**	**$-**	**$-**	**$-**	**$171,830**	**$-**	**$213,009**	$240,469
Interest Rates	**-%**	**-%**	**-%**	**-%**	**2.40%**	**-%**	**1.94%**	2.36%
Personal loans	**$-**	**$223,663**	**$120**	**$3,710**	**$8,465**	**$120**	**$236,078**	$232,331
Interest Rates	**-%**	**4.26%**	**6.64%**	**6.64%**	**6.55%**	**3.89%**	**4.38%**	4.36%
Residential mortgage loans	**$-**	**$31,664**	**$53,447**	**$188,957**	**$918,953**	**$1,844**	**$1,194,865**	$1,103,507
Interest Rates	**-%**	**3.17%**	**3.37%**	**3.48%**	**3.19%**	**3.88%**	**3.25%**	3.43%
Commercial loans	**$-**	**$129,316**	**$47,120**	**$144,976**	**$615,613**	**$29,902**	**$966,927**	$896,010
Interest Rates	**-%**	**4.40%**	**4.62%**	**4.35%**	**4.10%**	**3.88%**	**4.20%**	4.47%
Other	**$28,660**	**$9,550**	**$-**	**$-**	**$-**	**$-**	**$38,210**	**$28,922**
TOTAL ASSETS	**$132,424**	**$394,193**	**$100,687**	**$337,643**	**$1,714,861**	**$31,866**	**$2,711,674**	$2,553,445
Deposits	**$-**	**$1,045,828**	**$236,281**	**$488,397**	**$543,239**	**$-**	**$2,313,745**	$2,246,874
Interest Rates	**-%**	**0.46%**	**1.74%**	**1.84%**	**2.07%**	**1.27%**	**1.27%**	1.22%
Mortgage securitization liabilities	**$-**	**$-**	**$-**	**$-**	**$125,667**	**$3,082**	**$128,749**	$77,623
Interest Rates	**-%**	**-%**	**-%**	**-%**	**2.18%**	**1.26%**	**2.16%**	2.52%
Borrowings	**$-**	**$-**	**$55,000**	**$-**	**$-**	**$-**	**$55,000**	$25,000
Interest Rates	**-%**	**-%**	**1.85%**	**-%**	**-%**	**-%**	**1.85%**	1.78%
Other	**$25,016**	**$4,319**	**$-**	**$-**	**$-**	**$-**	**$29,335**	$32,350
Members' equity	**$184,845**	**$-**	**$-**	**$-**	**$-**	**$-**	**$184,845**	$171,598
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$209,861**	**$1,050,147**	**$291,281**	**$488,397**	**$668,906**	**$3,082**	**$2,711,674**	$2,553,445
MATCHING GAP	**($77,437)**	**($655,954)**	**($190,594)**	**($150,754)**	**$1,045,955**	**$28,784**	**$-**	$-

Sensitivity Analysis
Based on Alterna Savings' interest rate positions as of December 31, 2014, an immediate and sustained 100 basis point increase in interest rates across all maturities would increase net interest income and decrease other comprehensive income by approximately $806,000 and $6,510,000 over the next 12 months, respectively. An immediate and sustained decrease in interest rates to a floor of zero would decrease net interest income and increase other comprehensive income by approximately $401,000 and $4,401,000, respectively.

(ii) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Alterna Savings' consolidated net income is exposed to currency risk because of US dollar member deposits.

Alterna Savings mitigates currency risk by holding cash in USD dollars, entering into USD-CAD FX swaps or investing in USD money market instruments. Currency risk is managed in accordance with the Structural Risk Management Policy. The policy is reviewed and approved annually by the Board.

Alterna Savings measures currency risk based on the percentage of foreign denominated financial assets against foreign denominated financial liabilities on a daily basis. As of December 31, 2014, the percentage of foreign denominated financial assets is within 90% - 110% of foreign denominated financial liabilities.

For a 1% instantaneous exchange rate increase (decrease), Alterna Savings' consolidated net income exposure is minimal.

c) LIQUIDITY RISK

Liquidity risk is the risk that Alterna Savings will encounter difficulty in meeting obligations associated with financial liabilities. Alterna Savings is exposed to liquidity risk due to the mismatch in financial asset and financial liability maturities and the uncertainty of daily cash inflows and outflows.

Liquidity risk is managed in accordance with the Liquidity Management and Funding Policy. The policy is reviewed and approved annually by the Board. Alterna Savings manages liquidity risk by monitoring cash flows and cash forecasts, maintaining a pool of high quality liquid financial assets, maintaining a stable base of core and term deposits, monitoring concentration limits on single sources of deposits, and diversifying funding sources. In addition, in the event of a liquidity crisis affecting Central 1, Alterna Savings' credit facilities with Central 1 are supported by Central 1's access to the Inter-Central Liquidity Agreement. Alterna Savings reports the liquidity risk against policy limits to ALCO and to the Board on a monthly basis.

Alterna Savings maintains a minimum of 9% (2013 – 9%) of the amount of deposits and borrowings in liquid assets such as cash, term deposits, banker's acceptances, bearer deposit notes and fixed rate deposit notes. As of December 31, 2014, the percentage of liquid assets to total deposits and borrowings was 11.27% (2013 – 11.92%). For the contractual maturities of assets and liabilities, please refer to the table under note 24b(i) Interest rate risk.

The following table provides the maturity profile of financial liabilities based on the contractual repayment obligations, and excludes contractual cash flows related to derivatives liabilities which are disclosed in note 25.

(000s)					**31 Dec 2014**	31 Dec 2013
	Less than 1 year	**1 to 5 years**	**Over 5 years**	**No specified maturity**	**Total**	Total
Deposits	**$724,678**	**$543,239**	**$-**	**$1,045,828**	**$2,313,745**	$2,246,874
Mortgage securitization liabilities	**-**	**125,667**	**3,082**	**-**	**128,749**	77,623
Borrowings	**55,000**	**-**	**-**	**-**	**55,000**	25,000
	$779,678	**$668,906**	**$3,082**	**$1,045,828**	**$2,497,494**	$2,349,497

25. DERIVATIVE FINANCIAL INSTRUMENTS

The tables below provide a summary of Alterna Savings' derivative portfolio, their notional values and fair values as of December 31, 2014 and 2013:

(000s)					**31 Dec 2014**
	Maturities of derivatives (Notional amounts)			Fair Value	
	Within 1 Year	1 to 5 Years	Total	Derivative Instrument assets	Derivative Instrument liabilities
Interest rate contracts					
Swaps	**$-**	**$119,303**	**$119,303**	**$967**	**$386**
Other derivatives					
Foreign currency forward contracts	**15,145**	**-**	**15,145**	**-**	**4**
Index-linked call options	**15,161**	**37,695**	**52,856**	**3,946**	**3,929**
Equity options	**-**	**-**	**-**	**4,637**	**-**
	30,306	**37,695**	**68,001**	**8,583**	**3,933**
	$30,306	**$156,998**	**$187,304**	**$9,550**	**$4,319**

(000s)					31 Dec 2013
	Maturities of derivatives (Notional amounts)			Fair Value	
	Within 1 Year	1 to 5 Years	Total	Derivative Instrument assets	Derivative Instrument liabilities
Interest rate contracts					
Swaps	$60,000	$59,988	$119,988	$719	$376
Other derivatives					
Foreign currency forward contracts	18,005	-	18,005	-	88
Index-linked call options	-	38,539	38,539	1,932	1,928
Equity options	-	-	-	3,437	-
	18,005	38,539	56,544	5,369	2,016
	$78,005	$98,527	$176,532	$6,088	$2,392

The notional amounts are used as the basis for determining payments under the contracts and are not actually exchanged between Alterna Savings and its counterparties. They do not represent credit or market risk exposure.

a) INTEREST RATE CONTRACTS

(i) Swaps

Alterna Savings uses interest rate swap agreements to mitigate risks associated with interest rate fluctuations and to control the matching of the cash flow maturities and interest adjustment dates of its assets and liabilities.

Designated cash flow hedges are interest rate swap agreements which qualify as hedging relationships for accounting purposes under IAS 39, "Financial Instruments: Recognition and Measurement". All other interest rate swaps agreements are classified as economic hedges. Alterna Savings has designated certain hedging relationships involving interest rate swaps that convert variable rate loans to fixed rate loans as cash flow hedges.

Interest rate swap agreements are valued by netting the discounted variable and fixed cash flows. Variable cash flows are calculated using implied interest rates as determined by current Canadian Dealer Offered Rate ("CDOR") and swap interest rates, and term relationships. Fixed cash flows are calculated based on the rates stated in the agreements. These notional cash flows are discounted using the relevant points on the zero interest curve plus a Credit Value Adjustment spread as derived from the month-end CDOR and swap rates.

(ii) Bond forwards
As part of its interest rate risk management process, Alterna Savings utilizes bond forwards to maintain its interest rate exposure on forecasted debt issuance associated with securitization activity. These hedging relationships are designated as cash flow hedges. Realized gains (losses) on these derivatives are deferred and amortized in accordance with the effective interest rate method along with the debt originated. Fair values of the bond forwards involved in these hedges that were unrealized at the end of the year was $41,000 (2013 - $nil). The amount of other comprehensive gain that is expect to be reclassified in profit or loss over the next 5 years is $41,000 (2013 - $nil).

b) OTHER DERIVATIVES

(i) Foreign currency forward contracts
As part of its program to manage foreign currency exposure, Alterna Savings enters into forward rate agreements to purchase US dollars. These agreements function as an economic hedge against Alterna Savings' net US dollar denominated member liabilities. Gains/losses on foreign exchange forward contracts is included in unrealized gains on financial instruments on the consolidated statement of income.

(ii) Index-linked call options
Alterna Savings has issued $52,856,000 of indexed term deposits to its members as of December 31, 2014 (December 31, 2013 - $38,539,000). These term deposits have maturities of 3 or 5 years at issuance and pay interest to the depositors, at the end of the term, based on the performance of the S&P/TSX60 Index. Alterna Savings uses purchased call options on the above indices with equivalent maturities to offset the exposure associated with these products. Alterna Savings pays a premium amount based on the notional amount at the inception of the equity index-linked option contract. At the end of the term, Alterna Savings receives from the counterparties payments equal to the amount that will be paid to the depositors based on the performance of the respective indices.

(iii) Equity options
The fair value of the options outstanding as of December 31, 2014 and 2013 is based on a valuation formula. During 2013, Alterna exercised its right to sell a portion of the options (note 18) based on a valuation formula which took into consideration valuation multiples for online brokerage and insurance as well as percentages of certain assets under management and recognized a gain on sale of $382,000.

c) DESIGNATED ACCOUNTING HEDGES

The following table discloses the impact of derivatives designated in hedge accounting relationships and the related hedged items, where appropriate, in the consolidated statement of income and in other comprehensive income for the years ended December 31, 2014 and 2013.

(000s)	**31 Dec 2014**			31 Dec 2013		
	Amounts recognized in OCI	Amounts reclassified from OCI into income	Hedge ineffectiveness recognized in other income	Amounts recognized in OCI	Amounts reclassified from OCI into income	Hedge ineffectiveness recognized in other income
Interest rate contracts						
Cash flow hedges	**$283**	**$46**	**($34)**	($215)	$148	($26)
Fair value hedges	**-**	**-**	**(22)**	-	-	(109)
	$283	**$46**	**($56)**	($215)	$148	($135)

26. CAPITAL MANAGEMENT

Alterna Savings' (unconsolidated) capital management objective is to ensure the long term viability of the company and the security of member deposits by holding a level of capital deemed sufficient to protect against unanticipated losses and to comply with the capital requirements set out in the Credit Unions and Caisses Populaires Act (Ontario) (the "Act"). Alterna Savings defines capital to include retained earnings, contributed surplus, general provisions, membership shares and special shares.

Alterna Savings manages its capital in accordance with the Capital Management Policy, which is reviewed and approved annually by the Board.

Alterna Savings (unconsolidated parent entity) is required to hold capital equal to or exceeding the following limits:

	Regulatory Minimum
Capital to total assets	4%
Capital to risk weighted assets	8%

In addition, Alterna Savings established an Internal Capital Adequacy Assessment Process (ICAAP) and provided capital for major enterprise risks in addition to those required by the Act.

The processes for managing capital include setting policies for capital management, monitoring and reporting, setting policies for related areas such as asset liability management, reporting to the Board regarding financial results and capital adequacy, and setting budgets and reporting variances to those budgets.

Alterna Savings may not pay dividends on membership shares or special shares if there are reasonable grounds for believing that Alterna Savings is, or would by that payment become, insolvent, or that regulatory liquidity or capital levels would not be met after payment.

Capital Summary
As at December 31, 2014, Alterna Savings (unconsolidated parent entity) was in compliance with the Act and regulations with total capital as a percent of assets of 6.17% (2013 – 6.18%) and the total capital as a percent of risk weighted assets of 11.01% (2013 – 10.60%).

Elements of risk weighted capital as of December 31 are:

(000s)	**31 Dec 2014**	31 Dec 2013
Retained earnings	**$107,564**	$97,841
Special shares	**56,816**	56,726
Contributed surplus	**19,282**	19,282
Membership shares	**1,562**	1,656
General provisions	**736**	854
	$185,960	$176,359

27. COMMITMENTS AND CONTINGENCIES

a) CREDIT INSTRUMENTS

As at December 31, 2014, the credit instruments approved but not yet disbursed were as follows:

(000s)	Total	Average term	Average rate
Residential mortgage loans	$7,824	5 years	2.87%
Commercial demand loans	$20,138	-	Prevailing rates on date disbursed
Commercial mortgage loans	$6,802	5 years	Prevailing rates on date disbursed
Lines of credit unfunded	$523,172	-	Prevailing rates on date disbursed

b) CONTINGENCIES

In the normal course of operations, Alterna Savings becomes involved in various claims and legal proceedings. While the final outcome with respect of claims and legal proceedings pending at December 31, 2014 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on Alterna Savings' financial position or results of operations.

c) GUARANTEES

Letters of Credit
Arising through the normal course of business, Alterna Savings has guaranteed $2,839,000 representing the maximum potential amount of future payments it would be required to make under the guarantees, in support of commercial loans to members. Letters of credit are issued at the request of members in order to secure their payment or performance obligations to a third party. These guarantees represent an irrevocable obligation of Alterna Savings to pay the third party beneficiary upon presentation of the guarantee and satisfaction of the documentary requirements stipulated therein. In the event of a call on such commitments, Alterna Savings has recourse against the member. Generally the term of these guarantees do not exceed one year. The types and amount of collateral security held by Alterna Savings in support of guarantees and letters of credit is the same as is held for loans. As at December 31, 2014, no liability has been recorded on the consolidated balance sheet as no letters of credit have been called upon.

Credit Card Agreement
In accordance with a credit card service agreement entered into on May 1, 2005 and amended on June 1, 2011, Alterna Savings may from time to time, at its discretion, request to guarantee a credit card account that is declined by Alterna's credit card service provider. Under this guarantee, if a credit card account falls into arrears, the credit card service provider may request that Alterna Savings pay the amount due.

Alterna Savings has legal recourse against the credit card account holder if required to pay any amounts in arrears. All credit decisions with respect to guaranteed accounts are made by Alterna Savings. As of December 31, 2014, no credit card accounts have been submitted to Alterna Savings for reimbursement by the credit card service provider.

Other Indemnification Agreements
In the normal course of its operations, Alterna Savings provides indemnification agreements to counterparties in certain transactions such as purchase contracts, service agreements and sales of assets. These indemnification agreements require Alterna Savings to compensate the counterparties for costs incurred as a result of changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. Alterna Savings also indemnifies directors and officers, to the extent permitted by law, against certain claims that may be made against them as a result of their being, or having been, directors or officers. The terms of these indemnification agreements vary based on the contract. The nature of the indemnification agreements prevents Alterna Savings from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. Historically, Alterna Savings has not made any significant payments under such indemnification agreements. No amount has been accrued with respect to these indemnification agreements.

28. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

a) COMPONENTS OF CASH AND CASH EQUIVALENTS

(000s)	31 Dec 2014	31 Dec 2013
Cash on hand	**$14,599**	$9,790
Deposit with other financial institutions	**13,479**	42,416
Marketable securities (original maturities less than 90 days)	**34,507**	-
	$62,585	$52,206

b) CASH FLOWS PRESENTED ON A NET BASIS

Cash flows arising from loan advances and repayments, and from member deposits and withdrawals, have been presented on a net basis in the consolidated statement of cash flows.

29. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions. Alterna Savings' related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members; and
- its subsidiary, Alterna Bank.

Alterna Savings has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavourable features.

a) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the credit union, directly or indirectly, including any director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Alterna Savings considers the members of its Board of Directors and the members of executive management to constitute KMP for purposes of IAS 24, "Related party disclosures". Executive management includes the President & CEO as well as employees in positions titled Vice-President, Senior Vice-President, or Region Head.

(i) Key management personnel compensation
The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for was as follows:

(000s)	31 Dec 2014	31 Dec 2013
Short-term employee benefits	**$3,003**	$3,681
Post-employment benefits	**-**	-
Other long-term employee benefits	**-**	-
Termination benefits	**158**	812
Total KMP compensation	**$3,161**	$4,493

(ii) Loans to KMP

There are no loans which are impaired in relation to the loan balances with KMP. Loans to KMP consist mainly of residential mortgages as well as personal loans and personal lines of credit.

(000s)	31 Dec 2014	31 Dec 2013
(1) Aggregate value of loans outstanding as of balance sheet date	**$4,829**	$4,581
(2) Total value of personal lines of credit facilities as of balance sheet date	**2,301**	2,391
Less: amounts drawn down and included in loan values and included in (1)	**(822)**	(1,043)
Net balance available	**$6,308**	$5,929
Aggregate value of loans disbursed during the year:		
Residential mortgages	**$1,231**	$422
Personal loans	**126**	30
Total	**$1,357**	$452

(iii) Deposits from KMP

(000s)	31 Dec 2014	31 Dec 2013
Total value of demand, term and registered plans deposits from KMP	**$3,056**	$2,622
Total amount of interest paid on deposits to KMP	**31**	30

b) TRANSACTIONS WITH OTHER RELATED PARTIES:

Transactions between Alterna Savings and its subsidiary Alterna Bank meet the definition of related party transactions. As these transactions are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

c) INFORMATION ON SUBSIDIARY

Alterna Savings owns 100% of the equity and voting interests in Alterna Bank, which prepares financial statements as of December 31 that are included in the Alterna Savings' consolidated financial statements. Alterna Bank was incorporated in Ontario, Canada and operates primarily in Ontario and Quebec, Canada.

Restrictions on the potential distribution of cash dividends or loan repayments by Alterna Bank to Alterna Savings are determined by regulatory requirements. The potential maximum amount of dividend that can be distributed amounted to $11,744,000 and $10,536,000 at December 31, 2014 and 2013 respectively.

d) OTHER RESTRICTED PARTY DISCLOSURES

Alterna Savings also employs the definition of restricted party contained in section 75 of Regulation 237/09 to the Act. A restricted party includes a person who is, or has been within the preceding twelve months, a director, officer, or any corporation in which the person owns more than 10% of the voting shares, his or her spouse, their dependent relatives who live in the same household as the person, and any corporation controlled by such spouse or dependent relative.

(i) Loans

Loans to officers consist mainly of residential mortgages offered at preferred rates as well as personal loans and personal lines of credit at market rates less a discount based on the type and risk of the loan. Loans to other restricted parties are granted under market conditions for similar risks.

At the end of the year, the total amount of loans related to restricted parties, as defined, was approximately $4,829,000 (2013 - $3,951,000). There was approximately $122,000 (2013 - $117,000) in interest earned for the year which is recorded under interest income on the consolidated statement of income.

(ii) Expenses Relative to Board of Directors

The Directors of Alterna Savings and Alterna Bank are remunerated at rates to be fixed annually at the beginning of each year by their respective Boards, and are also entitled to be paid their travelling, director training and other expenses properly incurred by them in connection with the affairs of Alterna Savings and Alterna Bank.

During the year, remuneration paid to Directors of Alterna Savings and Alterna Bank amounted to $312,000 (2013 - $341,000) and other expenses incurred totalled $136,000 (2013 - $192,000). As at December 31, 2014, Alterna Savings' Board consisted of 12 Directors (2013 – 12 Directors) and Alterna Bank's Board consisted of 7 Directors (2013 – 7 Directors).

(iii) Executive Compensation

Alterna Savings manages executive compensation in accordance with policies which are reviewed and approved annually by the Board of Directors. In accordance with these policies, total cash compensation is targeted to be at the 50^{th} percentile of similar positions in credit unions and banks in geographical markets within which Alterna Savings operates.

In reviewing the executive compensation structure on an annual basis, the Board considers market expectations and projections of changes for comparable positions using, where available, independent, competent and relevant sources.

The Act requires disclosure of the remuneration paid to the five highest-paid officers and employees of the credit union where remuneration paid during the year exceeded $150,000. The individuals and their respective remuneration (salary, bonus, benefits) included Robert Paterson, President and Chief Executive Officer ($375,000, $375,000, $52,000), José Gallant, SVP and Chief Administrative Officer ($236,000, $124,000, $13,000) and Bill Boni, SVP and Chief Financial Officer ($225,000, $76,000, $13,000).

Former officers and employees are also covered by this disclosure requirement. Such individuals and their respective salary, bonus and benefits were John Lahey, former President and Chief Executive Officer ($309,000, $nil, $15,000) and Jeff Shinozaki, former SVP and Chief Member Officer ($238,000, $60,000, $10,000).

All decisions with respect to base pay, annual increases and short-term incentive award (bonus) payments for individuals reporting directly to the President & CEO are reviewed in advance by the Governance Committee of the Board. Further, all decisions with respect to base pay, annual increases and short term incentive award payments for the President & CEO must receive prior approval by the Board of Directors.

30. SELECTED DISCLOSURES

CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The following table presents an analysis of each asset and liability line item by amounts expected to be recovered or settled within one year or after one year as at December 31, 2014 and December 31, 2013.

(000s)	As at December 31, 2014			As at December 31, 2013		
	Within 1 Year	After 1 year	Total	Within 1 Year	After 1 year	Total
Assets						
Cash and cash equivalents	$ 62,585	$ -	$ 62,585	$ 52,206	$ -	$ 52,206
Investments-FVTPL	5,191	-	5,191	8,208	-	8,208
Investments-AFS	5,266	202,552	207,818	5,266	226,995	232,261
Personal loans	228,558	8,585	237,143	233,165	445	233,610
Residential mortgages loans	274,134	920,797	1,194,931	278,561	824,959	1,103,520
Commercial loans	321,765	645,515	967,280	307,115	590,236	897,351
Allowance for impaired loans	(1,484)		(1,484)	(2,633)		(2,633)
Property and equipment	-	9,730	9,730	-	11,051	11,051
Intangible assets	-	9,299	9,299	-	1,973	1,973
Derivative financial instruments	-	9,550	9,550	-	6,088	6,088
Income tax receivable	-	-	-	-	-	-
Deferred income tax asset	-	1,290	1,290	-	1,499	1,499
Other assets	8,341	-	8,341	8,311	-	8,311
Total assets	$ 904,356	$ 1,807,318	$ 2,711,674	$ 890,199	$ 1,663,246	$ 2,553,445
Liabilities						
Demand deposits	$ 899,004	$ -	$ 899,004	$ 925,101	$ -	925,101
Term deposits	421,055	221,548	642,603	380,589	199,222	579,811
Registered plans	450,448	321,690	772,138	392,587	349,375	741,962
Mortgage securitization liabilities	-	128,749	128,749	8,733	68,890	77,623
Borrowings	55,000	-	55,000	25,000	-	25,000
Derivative financial instruments	-	4,319	4,319	-	2,392	2,392
Income tax payable	1,062	-	1,062	180	-	180
Other liabilities	22,392	-	22,392	28,122	-	28,122
Membership shares	-	1,562	1,562	-	1,656	1,656
Total liabilities	$ 1,848,961	$ 677,868	$ 2,526,829	$ 1,760,312	$ 621,535	$ 2,381,847
Net	$ (944,605)	$ 1,129,450	$ 184,845	$ (870,113)	$ 1,041,711	$ 171,598

31. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events subsequent to balance sheet date which would have a material effect on the Alterna Savings consolidated financial statements as of December 31, 2014.

32. COMPARATIVE AMOUNTS

Certain 2013 comparative amounts have been reclassified to conform to the consolidated financial statement presentation adopted in 2014.