Consolidated Financial Statements of

ALTERNA SAVINGS

December 31, 2016

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, 2016 and 2015, 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 audits 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 auditors consider 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 in our audits 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, 2016 and 2015, 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 24, 2017

ALTERNA SAVINGS
Consolidated Balance Sheets (in thousands of dollars)
December 31, 2016

As at	Note	December-31-16	December-31-15
ASSETS			
Cash and cash equivalents	28	**$ 191,830**	$ 123,523
Investments	3	**385,288**	302,377
Loans, net of allowance for impaired loans	5, 6	**3,161,032**	2,584,912
Property and equipment	7	**18,431**	15,214
Intangible assets	8	**13,843**	13,668
Derivative financial instruments	24	**10,618**	11,393
Assets held for sale	7	**174**	3,028
Income tax receivable		**358**	2,824
Deferred income tax asset	21	**837**	386
Other assets	9	**24,167**	13,682
		$ 3,806,578	$ 3,071,007
LIABILITIES AND MEMBERS' EQUITY			
Liabilities:			
Deposits	10	**$ 3,262,242**	$ 2,471,432
Borrowings	11	**-**	156,000
Mortgage securitization liabilities	12	**288,438**	218,423
Derivative financial instruments	24	**4,971**	4,059
Other liabilities	13	**35,933**	31,156
Membership shares	15	**1,781**	1,546
		$ 3,593,365	$ 2,882,616
Members' equity:			
Special shares	15	**58,899**	56,570
Contributed surplus		**30,297**	19,282
Retained earnings		**126,270**	111,599
Accumulated other comprehensive income (loss)		**(2,253)**	940
		213,213	188,391
		$ 3,806,578	$ 3,071,007

On behalf of the Board:

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Norman Ayoub
Director

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Richard J. Neville, FCPA, FCA
Director

(See accompanying notes to the consolidated financial statements)

ALTERNA SAVINGS
Consolidated Statements of Income (in thousands of dollars)
December 31, 2016

For the years ended	Note		**December-31-16**		**December-31-15**
Interest income	16	**$**	**100,125**	$	92,899
Investment income	17		**5,735**		5,308
			105,860		98,207
Interest expense	16		**39,901**		35,322
Net interest income			**65,959**		62,885
Loan costs			**1,073**		1,314
			64,886		61,571
Other income	18		**27,373**		12,469
			92,259		74,040
Operating expenses	19		**73,653**		66,795
Income before income taxes			**18,606**		7,245
Provision for income taxes	21		**2,282**		1,315
Net income		**$**	**16,324**	$	5,930

(See accompanying notes to the consolidated financial statements)

ALTERNA SAVINGS
Consolidated Statements of Comprehensive Income (in thousands of dollars)
December 31, 2016

For the years ended	December-31-16	December-31-15
Net income	**$ 16,324**	$ 5,930
Other comprehensive income (loss)		
Other comprehensive income (loss) to be reclassified to income in subsequent periods:		
Available-for-sale securities:		
Net unrealized (losses) gains on available-for-sale securities [1]	**(1,671)**	(1,707)
Cash flow hedges:		
Changes arising during the year [2]	**(76)**	1,246
Add: Reclassification adjustments for gains included in the income statement [3]	**(1,260)**	176
Net gain on cash flow hedges	**(1,336)**	1,422
Net other comprehensive income (loss) to be reclassified to income in subsequent periods	**(3,007)**	(285)
Other comprehensive income not to be reclassified to income in subsequent periods:		
Defined benefit plan - actuarial gains [4]	**5**	1
Net other comprehensive income not to be reclassified to income in subsequent periods	**5**	1
Other comprehensive income (loss)	**(3,002)**	(284)
Comprehensive income	**$ 13,322**	$ 5,646

[1] Net of income tax recovery of $384 (2015 - recovery of $399)

[2] Net of income tax recovery of $26 (2015 - expense of $302)

[3] Net of income tax recovery of $297 (2015 - expense of $42)

[4] Net of income tax expense of $nil (2015 - recovery of $1)

(See accompanying notes to the consolidated financial statements)

ALTERNA SAVINGS
Consolidated Statements of Changes in Members' Equity (in thousands of dollars)
December 31, 2016

For the years ended	December-31-16	December-31-15
Special shares:		
Balance, beginning of year	$ 56,570	$ 56,816
Net shares issued (redeemed)	2,329	(246)
Balance, end of year	58,899	56,570
Contributed surplus:		
Balance, beginning of year	19,282	19,282
Arising on business combination	11,015	-
Balance, end of year	30,297	19,282
Retained earnings:		
Balance, beginning of year	111,599	107,523
Net income	16,324	5,930
Transfer from accumulated other comprehensive income	191	-
Dividend on special shares	(1,844)	(1,854)
Balance, end of year	126,270	111,599
Accumulated other comprehensive income (loss), net of tax:		
Balance, beginning of year	940	1,224
Transfer to retained earnings	(191)	-
Other comprehensive income (loss)	(3,002)	(284)
Balance, end of year	(2,253)	940
Members' equity	$ 213,213	$ 188,391

(See accompanying notes to the consolidated financial statements)

ALTERNA SAVINGS
Consolidated Statements of Cash Flows (in thousands of dollars)
December 31, 2016

For the years ended		December-31-16		December-31-15
Operating activities:				
Net income	$	**16,324**	$	5,930
Add (deduct) non-cash items:				
Allowance for impaired loans		**586**		865
Depreciation and amortization of				
Property and equipment		**3,265**		2,688
Intangible assets		**1,538**		982
Deferred charges		**1,431**		1,044
Loss (gain) on				
Disposal of property and equipment		**(12,890)**		84
Sale of investments		**(769)**		(434)
Gain on sale and securitization of loans		**(1,759)**		(1,370)
Decrease (increase) in assets				
Fair value of investments		**261**		1,888
Interest receivable		**(542)**		230
Deferred income taxes		**262**		880
Loans		**(581,919)**		(188,384)
Assets relating to derivative financial instruments		**(884)**		(76)
Increase (decrease) in liabilities				
Interest payable		**2,436**		(1,604)
Deposits		**790,810**		157,687
Liabilities relating to derivative financial instruments		**911**		(260)
Other items, net		**6,753**		2,265
Cash provided by (used in) operating activities	$	**225,814**	$	(17,585)
Investing activities:				
Proceeds from maturity and sale of investments		**139,499**		49,078
Purchase of investments		**(223,957)**		(141,927)
Proceeds from sale of property and equipment		**16,000**		-
Acquisition of property and equipment		**(6,738)**		(11,285)
Acquisition of intangible assets		**(1,713)**		(5,351)
Net assets acquired through business combinations		**11,015**		-
Cash used in investing activities	$	**(65,894)**	$	(109,485)
Financing activities:				
Net increase (decrease) in				
Membership shares		**235**		(16)
Special shares		**2,329**		(246)
Borrowings		**(156,000)**		101,000
Proceeds from the securitization of mortgages		**110,692**		90,036
Payment of mortgage securitization liabilities		**(45,411)**		(361)
Capital lease obligations		**(1,614)**		(551)
Dividend on special shares		**(1,844)**		(1,854)
Cash provided by (used in) financing activities	$	**(91,613)**	$	188,008
Net increase in cash during the year		**68,307**		60,938
Cash and cash equivalents, beginning of year		**123,523**		62,585
Cash and cash equivalents, end of year	$	**191,830**	$	123,523
Supplemental information:				
Interest paid	$	**37,895**	$	37,628
Interest received	$	**100,292**	$	92,669
Dividend received	$	**405**	$	620
Income taxes paid	$	**1,430**	$	3,788
Property and equipment acquired through capital leases	$	**1,019**	$	1,019

(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 319 McRae Avenue, Ottawa, Ontario, K1Z 0B9. 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, 2016 were authorized for issue in accordance with a resolution of the Board of Directors on March 24, 2017. The Board of Directors has the power to amend the consolidated financial statements after issuance only in the case of a 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") as issued by the International Accounting Standards Board ("IASB").

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

Financial assets and liabilities are offset, with the net amount reported in the consolidated balance sheets, 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, which 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) 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.

b) BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method of accounting. For every business combination, an acquirer is identified, which is the entity that obtains control of the other entity. The effective date of the business combination is the date the acquirer gains control of the acquired entity. The identifiable assets (including previously unrecognized intangible assets) and identifiable liabilities (including contingent liabilities but excluding future restructuring costs) of the acquired entity are measured at fair value. The excess of the consideration transferred over the fair values of the identifiable net assets is recognized as goodwill.

Acquisition-related costs are expensed as incurred and are included in operating expenses.

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 consolidated balance sheet dates 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 or 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

Financial instruments designated as FVTPL are financial assets and liabilities held for trading activities and are measured at fair value at the consolidated balance sheet dates. 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 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 statements of income. For financial assets classified as AFS, changes in carrying amounts relating to changes in foreign exchange rate are recognized in the consolidated statements 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
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 statements of income. The losses arising from impairment of such investments are recognized in the consolidated statements 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 that is not observable, the difference between the transaction price and model value is only recognized in the consolidated statements of income when the inputs become observable, or when the instrument is derecognized.

f) IMPAIRMENT OF FINANCIAL ASSETS

At each consolidated 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 consolidated 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 cost 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 income 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 that 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 statements 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 statements 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 statements 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 that 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 consolidated 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 (loss) ("OCI") is removed from OCI and recognized in the consolidated statements 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 statements of income. Impairment losses on equity investments classified as AFS are not reversed through the consolidated statements of income; increases in their fair value after impairment are recognized in OCI.

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

Any increase in the liability relating to guarantees is recorded in the consolidated statements of income in administration expenses 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 a 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 statements 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* ("IAS 39") and as such are derecognized from the consolidated balance sheets when the transaction meets the derecognition criteria. When this occurs, the related loans are derecognized. Gains or losses on these transactions are reported as interest income on the consolidated statements of income. When this does not occur, they are recognized as a liability in the consolidated balance sheets.

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 sheets.

Gains and losses arising from changes in the fair value of a derivative are recognized as they arise in the consolidated statements 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 statements of income. The only embedded derivatives are the options embedded in Alterna Savings' indexed term deposits offered to members (note 24(b)) 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. 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 income 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 statements 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 and 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 consolidated balance sheet dates; 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 to 35 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 expenses. Maintenance and repairs are also charged to administration and occupancy expenses. Gains and losses on disposals are included in other income.

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 statements of income in the year the asset is derecognized.

k) INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with a finite life are amortized on a straight-line basis over the estimated useful lives of the assets. Alterna Savings' computer software has been identified as having a finite life and is amortized over 3 to 15 years.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Goodwill arising from business combinations has been identified as having an infinite life.

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 two post-retirement benefits programs. 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 the post-retirement benefits programs are carried out not less than every three years. 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 programs, plan assets are valued at fair values. Benefit 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' DC pension 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 consolidated balance sheet dates.

(ii) Deferred income tax

Deferred income tax is provided on temporary differences at the consolidated balance sheet dates 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 income; 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 consolidated 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 consolidated 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 consolidated balance sheet dates.

Current tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated statements 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 that 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 statements 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 sheets 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 sheets 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 statements of income for all interest-bearing financial instruments, except for those designated as FVTPL, using the effective interest rate method. The effective interest rate method calculates the amortized cost of a financial asset or liability by 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) 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 consolidated balance sheet date. Alterna Savings also discloses the fair value of financial instruments measured at amortized cost in note 22.

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.

(ii) Impairment losses on loans and advances
Alterna Savings reviews its individually significant loans and advances at each consolidated balance sheet date to assess whether an impairment loss should be recorded in the consolidated statements 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 a 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 utilization, 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.

(iii) Impairment of available-for-sale investments
Alterna Savings reviews its securities designated as AFS investments at each consolidated 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.

(iv) 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.

q) 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, 2016, 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* ("IFRS 9") (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 IAS 39 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 with certain exceptions. The impact of the revised standard on Alterna Savings' financial position and performance has not yet been assessed.

3. INVESTMENTS

(000s)	**31 Dec 2016**	31 Dec 2015
Designated as fair value through profit or loss:		
CUCO Co-op shares (note 4)	**$5,634**	$5,526
Designated as available-for-sale:		
Central 1 liquidity deposits	**209,895**	177,898
Central 1 shares	**22,623**	19,327
Money market instruments	**94,443**	64,123
National Housing Act mortgage-backed securities	**52,285**	35,178
Other	**408**	325
	$385,288	$302,377

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% (2015 – 6%) of its total assets adjusted by the 20th 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 2016 or 2015.

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 2016**	31 Dec 2015
Included in money market instruments		
Book value	**$-**	$-
Fair market value	**$-**	$-
Included in other instruments		
Book value	**$27**	$28
Fair market value	**$27**	$28

4. CUCO CO-OP SHARES

As a pre-condition of the merger of Credit Union Central of Ontario ("CUCO") and Credit Union Central of British Columbia in 2008 to form Central 1, 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. Alterna Savings was required to purchase 12,535,000 units in the ABCP LP.

In 2011, the ABCP LP sold its assets to CUCO Cooperative Association ("CUCO Co-op") in consideration for Co-op Class B Investment shares and 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").

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, 2016 and 2015, 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 $312,000 (2015 – $335,000) is included under net gains on derivative financial instruments in other income on the consolidated statements of income. In 2016, there was a cash distribution of $756,000 from CUCO Co-op (2015 - $nil)

5. LOANS

(000s)	**31 Dec 2016**	31 Dec 2015
Personal loans	**$265,163**	$236,150
Residential mortgage loans	**1,643,047**	1,296,481
Commercial loans	**1,257,090**	1,054,358
	$3,165,300	$2,586,989
Less: Allowance for impaired loans (note 6)	**(4,268)**	(2,077)
	$3,161,032	$2,584,912

6. ALLOWANCE FOR IMPAIRED LOANS AND IMPAIRED LOANS

a) ALLOWANCE FOR IMPAIRED LOANS

(000s)				**31 Dec 2016**
	Personal Loans	**Residential Mortgage Loans**	**Commercial Loans**	**Total**
Balance, beginning of year	**$1,487**	**$53**	**$537**	**$2,077**
Add: Transfer in on business combinations (note 26)	**432**	**-**	**1,887**	**2,319**
Less: Loans written off	**(810)**	**(83)**	**(13)**	**(906)**
Add: Recoveries on loans previously written off	**192**	**-**	**-**	**192**
Add: Allowance charged to (recovered from) operations	**441**	**157**	**(12)**	**586**
Balance, end of year	**$1,742**	**$127**	**$2,399**	**$4,268**
Individual impairment				**$2,578**
Collective impairment				**1,690**
				$4,268

(000s)				31 Dec 2015
	Personal Loans	Residential Mortgage Loans	Commercial Loans	Total
Balance, beginning of year	$1,065	$66	$353	$1,484
Less: Loans written off	(426)	-	(33)	(459)
Add: Recoveries on loans previously written off	187	-	-	187
Add: Allowance charged to (recovered from) operations	661	(13)	217	865
Balance, end of year	$1,487	$53	$537	$2,077
Individual impairment				$1,313
Collective impairment				764
				$2,077

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 2016	31 Dec 2015
Personal loans	**$1,659**	$1,295
Residential mortgage loans	**1,313**	823
Commercial loans	**4,749**	440
	$7,721	$2,558

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 2016
	1-29 days	**30-89 days**	**90 days and greater**	**Total**
Personal loans	**$10,321**	**$2,605**	**$-**	**$12,926**
Residential mortgage loans	**21,918**	**3,651**	**956**	**26,525**
Commercial loans	**1,400**	**1,887**	**-**	**3,287**
	$33,639	**$8,143**	**$956**	**$42,738**

(000s)				31 Dec 2015
	1-29 days	30-89 days	90 days and greater	Total
Personal loans	$9,136	$3,407	$-	$12,543
Residential mortgage loans	19,160	7,732	1,004	27,896
Commercial loans	3,178	32	-	3,210
	$31,474	$11,171	$1,004	$43,649

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 2016	31 Dec 2015
Loans neither past due nor impaired as a percentage of total loans	**99%**	98%
Collateral repossession: Carrying value at balance sheet date of collateral properties possessed during the period (000s)	**$846**	$1,250

7. PROPERTY AND EQUIPMENT

(000s)	**Land**	**Buildings**	**Furniture and Equipment**	**Computer Hardware**	**Leasehold Improvements**	**Total**
Cost:						
Balance as at January 1, 2016	**$ 289**	**$ 181**	**$ 12,081**	**$ 5,614**	**$ 13,761**	**$ 31,926**
Additions	**-**	**-**	**78**	**327**	**438**	**843**
Additions from business combinations (note 26)	**2,322**	**3,083**	**755**	**149**	**-**	**6,309**
Disposals	**-**	**-**	**(1,685)**	**(8)**	**(1,700)**	**(3,393)**
Balance as at December 31, 2016	**2,611**	**3,264**	**11,229**	**6,082**	**12,499**	**35,685**
Depreciation and impairment:						
Balance as at January 1, 2016	**-**	**141**	**7,676**	**1,419**	**7,476**	**16,712**
Depreciation	**-**	**58**	**988**	**1,439**	**780**	**3,265**
Disposals	**-**	**-**	**(1,030)**	**(6)**	**(1,687)**	**(2,723)**
Balance as at December 31, 2016	**-**	**199**	**7,634**	**2,852**	**6,569**	**17,254**
Net book value:						
Balance as at January 1, 2016	**289**	**40**	**4,405**	**4,195**	**6,285**	**15,214**
Balance as at December 31, 2016	**$ 2,611**	**$ 3,065**	**$ 3,595**	**$ 3,230**	**$ 5,930**	**$ 18,431**

(000s)	Land	Buildings	Furniture and Equipment	Computer Hardware	Leasehold Improvements	Total
Cost:						
Balance as at January 1, 2015	$ 3,317	$ 8,499	$ 9,797	$ 5,148	$ 10,086	$ 36,847
Additions	-	10	2,697	4,078	4,538	11,323
Assets held for sale	(3,028)	(8,328)	-	-	-	(11,356)
Disposals	-	-	(413)	(3,612)	(863)	(4,888)
Balance as at December 31, 2015	289	181	12,081	5,614	13,761	31,926
Depreciation and impairment:						
Balance as at January 1, 2015	-	8,397	7,032	3,865	7,823	27,117
Depreciation	-	72	1,029	1,077	510	2,688
Assets held for sale	-	(8,328)	-	-	-	(8,328)
Disposals	-	-	(385)	(3,523)	(857)	(4,765)
Balance as at December 31, 2015	-	141	7,676	1,419	7,476	16,712
Net book value:						
Balance as at January 1, 2015	3,317	102	2,765	1,283	2,263	9,730
Balance as at December 31, 2015	$ 289	$ 40	$ 4,405	$ 4,195	$ 6,285	$ 15,214

Assets under finance leases totalling $4,203,000 (2015 – $3,768,000) are included in both computer hardware and furniture and equipment. Depreciation expense and accumulated depreciation on finance leases were $750,000 (2015 – $603,000) and $2,844,000 (2015 – $2,175,000), respectively. Assets acquired by means of finance leases are non-cash transactions for purposes of the consolidated statements of cash flows, and consequently have not been presented as either a financing or an investing activity.

Total depreciation charged to income in 2016, including the foregoing finance lease depreciation, was $3,265,000 (2015 – $2,688,000) and is included in administration and occupancy expenses under operating expenses on the consolidated statements of income.

The gross carrying amount of fully depreciated property and equipment that are still in use is $9,198,000 as at December 31, 2016 (2015 – $9,978,000).

Assets held for sale as of December 31, 2015 included the land and building of Alterna Savings' former head office at 400 Albert Street, Ottawa, Ontario, which was subsequently sold in 2016 for a gain of $12,890,000 which is included in other income (note 18).

8. INTANGIBLE ASSETS

(000s)			**31 Dec 2016**
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**
Computer software	**$17,169**	**$3,930**	**$13,239**
Goodwill (note 26)	**604**	**-**	**604**
	$17,773	**$3,930**	**$13,843**

(000s)			31 Dec 2015
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Computer software	$16,060	$2,392	$13,668

The aggregate amount of computer software assets acquired during the year was $1,713,000 (2015 – $5,365,000). Total amortization charged to income in 2016 was $1,538,000 (2015 – $982,000) and is included in administration expenses under operating expenses on the consolidated statements of income. All computer software assets have been acquired, not developed.

The gross carrying amount of fully amortized computer software assets that are still in use is $1,971,000 as at December 31, 2016 (2015 – $434,000).

9. OTHER ASSETS

(000s)	**31 Dec 2016**	31 Dec 2015
Accrued interest receivable	**$5,629**	$5,087
Prepaid expenses and deferred charges	**14,722**	5,067
Other	**3,816**	3,528
	$24,167	$13,682

10. DEPOSITS

(000s)	31 Dec 2016	31 Dec 2015
Demand deposits	**$1,401,662**	$978,507
Term deposits	**1,001,163**	694,899
Registered plans	**859,417**	798,026
	$3,262,242	$2,471,432

As at December 31, 2016, Alterna Savings held US dollar deposits from members of US$23,366,000 (2015 – $17,273,000) with a carrying amount of $31,374,000 (2015 – $23,906,000).

11. BORROWINGS

(000s)	31 Dec 2016	31 Dec 2015
Borrowings	**$-**	$156,000

Alterna Savings (the unconsolidated parent entity) has access to a $426,600,000 credit facility with Central 1 (2015 – $278,000,000) of which the balance outstanding was $nil as at December 31, 2016 (2015 – $156,000,000). The facilities are secured by a pledge of certain assets under a general security agreement.

Alterna Savings did not have any defaults of principal, interest or other breaches with respect to their borrowing facilities in 2016 and 2015.

12. MORTGAGE SECURITIZATION LIABILITIES

(000s)	31 Dec 2016	31 Dec 2015
Mortgage securitization liabilities	**$288,438**	$218,423

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 that issue securities to investors.

These transactions are derecognized from the consolidated balance sheet when the transaction meets the derecognition criteria described in note 2(f)(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 one securitization vehicle:

Under the securitization vehicle, which was first used in 2013, Alterna Savings packages residential insured mortgage loan receivables into Mortgage-Backed Securities ("MBS") and in turn sells the MBS to Canada Housing Trust ("CHT") directly through the Canada Mortgage Bond ("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 sheets and consolidated statements 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 not derecognized until they are transferred to CHT to meet reinvestment requirements.

(000s)	**31 Dec 2016**	31 Dec 2015
Residential mortgages securitized – sold or transferred into the CMB Program or held as replacement assets (included in loans)	**$512,901**	$206,675
Self-originated MBS held in trust per CMB reinvestment guidelines (included in investments)	**154,893**	35,178

13. OTHER LIABILITIES

(000s)	**31 Dec 2016**	31 Dec 2015
Trade payables and accrued expenses	**$14,141**	$11,729
Accrued interest payable	**12,487**	10,050
Salaries and benefits payable	**4,612**	4,046
Dividend payable	**1,880**	1,879
Certified cheques	**1,436**	1,850
Finance lease obligations (note 14)	**986**	1,580
Accrued benefit liability (note 20)	**391**	22
	$35,933	$31,156

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 2016**	31 Dec 2015
Computer hardware	**$986**	$1,580

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

(000s)	**31 Dec 2016**	31 Dec 2015
Future minimum lease payments		
Within one year	**$711**	$754
From one to five years	**310**	903
Later than five years	**-**	-
Total future minimum lease payments	**1,021**	1,657
Less: Future interest charges	**(35)**	(77)
Present value of finance lease commitments	**$986**	$1,580

Finance lease obligations are repayable monthly and mature at various dates up to 2021 secured by the lessors' title to the leased property and equipment with implicit interest rates from 4.82% to 8.68%.

b) OPERATING LEASE OBLIGATIONS

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

(000s)	**31 Dec 2016**	31 Dec 2015
Future minimum lease payments		
Within one year	**$3,466**	$3,503
From one to five years	**11,257**	11,204
Later than five years	**16,942**	18,985
Total future minimum lease payments	**$31,665**	$33,692

During 2016, $6,979,000 was recognized as an expense, under occupancy expenses in the consolidated statements of income in respect of operating leases (2015 – $4,719,000).

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 18 years of age. Each member under the age of 18 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 rates for Class A, Series 1, Class A, Series 2 and Class A, Series 3 were approved by the Board of Directors at 3.35%, 3.35%, and 4.50% for the period of September 1, 2015 to August 31, 2016, January 1, 2016 to December 31, 2016, and January 1, 2016 to December 31, 2016, 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 Wind-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 of Directors. 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 of Directors 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 A, Series 4 holders are not permitted to redeem their shares prior to the fifth anniversary of their issuance. 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 4 shares, issued and outstanding at the end of the prior fiscal year. Alterna Savings, at its option, may reacquire the Class A, Series 4 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.

Class B, Series 2 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 2 shares outstanding at the end of the immediately preceding fiscal year. Alterna Savings, at its option, may reacquire the Class B, Series 2 shares, for cancellation after a period of five years following the issuance of the shares.

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, 2016 is as follows (in thousands of dollars):

	Class A Special Shares							
	Series 1		Series 2		Series 3		Series 4	
	Number of Shares	$	Number of Shares	$	Number of Shares	$	Number of Shares	$
Issued and outstanding as at December 31, 2014	10,972	10,783	9,863	9,863	34,524	34,132	-	-
Net shares issued (redeemed)	(14)	(14)	(151)	(151)	(1)	-	-	-
Issued and outstanding as at December 31, 2015	10,958	10,769	9,712	9,712	34,523	34,132	-	-
Issued on business combinations (note 26)	-	-	-	-	-	-	1,750	1,750
Net shares issued (redeemed)	15	16	10	10	10	10	(153)	(153)
Issued and outstanding as at December 31, 2016	10,973	10,785	9,722	9,722	34,533	34,142	1,597	1,597

	Class B Special Shares				Membership Shares	
	Series 1		Series 2			
	Number of Shares	$	Number of Shares	$	Number of Shares	$
Issued and outstanding as at December 31, 2014	2,038	2,038	-	-	1,562	1,562
Net shares issued (redeemed)	(81)	(81)	-	-	(16)	(16)
Issued and outstanding as at December 31, 2015	1,957	1,957	-	-	1,546	1,546
Issued on business combinations (note 26)	476	476	293	293	273	273
Net shares issued (redeemed)	(73)	(73)	-	-	(38)	(38)
Issued and outstanding as at December 31, 2016	2,360	2,360	293	293	1,781	1,781

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 $189,000. There are no issued shares that have not been fully paid.

d) DIVIDENDS DECLARED

During 2016, the Board of Directors approved (i) a $367,000 dividend to holders of record of 10,970,000 Class A, Series 1 shares as at August 31, 2016 (2015 – $361,000) payable in cash; (ii) a $326,000 dividend to holders of record of 9,722,000 Class A, Series 2 shares as at December 31, 2016 payable in cash and/or additional Class A, Series 2 shares (2015 – $325,000); (iii) a $1,554,000 dividend to holders of record of 34,533,000 Class A, Series 3 shares as at December 31, 2016 payable in cash (2015 – $1,554,000); and (iv) a $16,000 dividend to holders of record of 1,957,000 Class B, Series 1 shares as at January 1, 2016 payable in additional Class B, Series 1 shares (2015 – $18,000). These dividends are presented in members' equity net of income taxes of $419,000 (2015 – $404,000) in the consolidated financial statements, for a balance of $1,844,000 (2015 – $1,854,000).

16. INTEREST INCOME AND INTEREST EXPENSE

(000s)	**31 Dec 2016**	31 Dec 2015
Interest income:		
Personal loans	**$9,684**	$9,995
Residential mortgage loans	**42,110**	39,385
Commercial loans	**47,689**	42,972
Swap agreements	**642**	547
	$100,125	$92,899
Interest expense:		
Demand deposits	**$4,267**	$3,924
Term deposits	**14,003**	12,068
Registered plans	**12,736**	13,890
Borrowings	**442**	1,714
Mortgage securitization cost of funds	**8,453**	3,726
	$39,901	$35,322

Included in net interest income is $1,759,000 in net securitization gains of which $5,673,000 is included in interest income (gross gains less associated fees) and $3,914,000 in interest expense (CMB-related costs).

17. INVESTMENT INCOME

(000s)	**31 Dec 2016**	31 Dec 2015
Net gains on financial assets fair valued through profit or loss	**$994**	$690
Net gains on financial assets available-for-sale	**4,741**	4,618
	$5,735	$5,308

18. OTHER INCOME

(000s)	**31 Dec 2016**	31 Dec 2015
Gain on sale of real estate (note 7)	**$12,890**	$-
Commissions	**4,796**	4,610
Service charges	**4,157**	4,050
Net gains on derivative financial instruments	**2,747**	1,097
Foreign exchange	**1,189**	412
ABM network fees	**678**	829
Other	**916**	1,471
	$27,373	$12,469

19. OPERATING EXPENSES

(000s)	31 Dec 2016	31 Dec 2015
Salaries and benefits	**$35,617**	$32,112
Administration	**18,144**	17,823
Occupancy	**9,462**	7,215
Data processing	**7,375**	6,488
Marketing and community relations	**3,055**	3,157
	$73,653	$66,795

20. EMPLOYEE BENEFIT PLANS

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

On January 1, 2008, pension benefits for employees participating in Alterna Savings' DB pension plan began to accrue under the DC pension plan and all benefits ceased to accrue under the existing DB pension plan and SRIP. One post-retirement program's benefits ceased as at March 1, 2006 for employees retiring after February 28, 2006 and not eligible to retire at that date. The second post-retirement's program was acquired on business combination and provides certain post-retirement benefits to a closed group of retirees. Existing retirees will continue to receive benefits under the plans in which they had been enrolled.

Most employees are eligible to participate in the DC pension plan which prescribes both employer and employee contributions.

The DB pension 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 DB pension 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 DB pension plans and the post-retirement benefits program were measured as at December 31, 2016, and are detailed as follows:

(000s)			31 Dec 2016	31 Dec 2015
	Pension	**Benefits**	**Total**	Total
Accrued benefit obligation:				
Balance, beginning of year	**$26,500**	**$22**	**$26,522**	$27,130
Transfer in on business combination	**-**	**396**	**396**	-
Interest cost	**1,024**	**1**	**1,025**	1,029
Re-measurement (gains)/losses				
- Actuarial gains and losses from experience adjustments	**-**	**-**	**-**	-
- Actuarial gains and losses from changes in financial assumptions	**672**	**(5)**	**667**	(336)
- Actuarial changes arising from changes in demographic assumptions	**-**	**-**	**-**	-
Benefits paid	**(1,560)**	**(23)**	**(1,583)**	(1,301)
Balance, end of year	**$26,636**	**$391**	**$27,027**	$26,522
Plans' assets:				
Fair value, beginning of year	**$30,812**	**$-**	**$30,812**	$31,207
Interest income	**1,195**	**-**	**1,195**	1,187
Re-measurement (gains)/losses				
- Return on plan assets (excluding amounts included in net interest expense)	**37**	**-**	**37**	(287)
Employer contributions	**-**	**23**	**23**	6
Benefits paid	**(1,560)**	**(23)**	**(1,583)**	(1,301)
Fair value, end of year	**$30,484**	**$-**	**$30,484**	$30,812
Over funded (under funded) status of plans	**$3,848**	**($391)**	**$3,457**	$4,290
Limit on amount recognized (min. funding obligation/unrecognized plan surplus)	**(3,848)**	**-**	**(3,848)**	(4,312)
Accrued benefit liability	**$-**	**($391)**	**($391)**	($22)

As at December 31, 2016, the over funded status of the DB pension plan was $3,333,000 (2015 –$3,747,000 over funded) and the over funded status of the SRIP was $515,000 (2015 – $565,000 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 2016		31 Dec 2015	
	Pension	**Benefits**	Pension	Benefits
Discount rate for accrued benefit obligation	**3.79%**	**3.70%**	3.98%	1.30%
Discount rate for pension expense	**3.98%**	**3.60%**	3.89%	2.70%

The health care cost trend rate is expected to be 4% in 2017.

A 1% increase in the discount rate would decrease the accrued benefit obligation by $3,312,000 and a 1% decrease in the discount rate would increase the accrued benefit obligation by $3,973,000. 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, 2016, the fair value of the pension plans' assets for each major asset class was as follows:

(000s)	31 Dec 2016	31 Dec 2015
Fixed Income Funds		
Cash equivalents	**$1,156**	$1,167
Bonds	**17,315**	17,798
	18,471	18,965
Equity Funds:		
Canadian	**7,105**	6,016
United States	**1,298**	1,640
Other international	**1,342**	1,891
	9,745	9,547
Other Funds:		
Real Estate	**2,268**	2,300
	$30,484	$30,812

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 2016	31 Dec 2015
Net interest expense	**$1**	$1
Components of defined benefit costs recognized in the income statement	**$1**	$1

(000s)	31 Dec 2016	31 Dec 2015
Re-measurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**$37**	($287)
Actuarial gains and losses from experience adjustments	**-**	-
Actuarial gains and losses from changes in financial assumptions	**(667)**	336
Actuarial changes arising from changes in demographic assumptions	**-**	-
Components of defined benefit cost recognized in other comprehensive income (loss)	**($630)**	$49

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, December 31, 2015 for the one post-retirement benefit program and August 31, 2016 for the second post-retirement benefit program.

Alterna Savings expects to contribute approximately $18,000 to its defined benefits plan in 2017. The average duration of the defined benefit plan obligation at the end of the reporting period is 14.4 years for the DB pension plan, 10.1 years for the SRIP and 12.6 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, 2016 was $1,039,000 (2015 – $926,000).

Total Cash Payments

Total cash payments for employee benefit plans for 2016, 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 $1,062,000 (2015 – $932,000).

21. INCOME TAXES

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

	Consolidated balance sheets		Consolidated statements of income	
(000s)	**31 Dec 2016**	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Property and equipment	**$693**	$733	**$54**	$281
Allowance for impaired loans	**376**	179	**(198)**	(17)
Corporate minimum tax	**51**	93	**42**	(93)
Other	**-**	17	**(3)**	-
Deferred pension liability	**143**	4	**(70)**	2
Derivatives	**(426)**	(640)	**222**	397
Deferred revenue	**-**	-	**-**	39
Deferred income tax Expense/(Income)			**$47**	$609
Net deferred income tax asset	**$837**	$386		

<u>On consolidated balance sheets:</u>		
Deferred income tax asset	**$2,306**	$1,940
Deferred income tax liability	**(1,469)**	(1,554)
Net deferred income tax	**$837**	$386

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

(000s)	**31 Dec 2016**		31 Dec 2015	
	Amount	**Percent**	Amount	Percent
Expected tax provision at combined federal and provincial rates	**$5,060**	**27%**	$1,920	27%
Additional credit for Credit Unions	**(658)**	**(4%)**	(179)	(3%)
Prior years' adjustments	**(62)**	**-%**	(2)	-%
Deferred income tax rate differential	**(232)**	**(1%)**	(532)	(7%)
Permanent differences	**32**	**-%**	34	-%
Other – net	**(1,858)**	**(10%)**	74	1%
	$2,282	**12%**	$1,315	18%

The components of income tax expense for the years ended December 31, 2016 and 2015 are as follows:

(000s)	**31 Dec 2016**	31 Dec 2015
Current tax		
Current income tax	**$2,279**	$708
Adjustment in respect of current income tax of prior years	**(44)**	(2)
Deferred income tax		
Relating to the origination and reversal of timing differences	**47**	609
Income tax expense reported in the income statement	**$2,282**	$1,315

<u>On Consolidated Statements of income:</u>		
Current Income Tax	**$2,235**	$706
Deferred Income Tax	**47**	609
Provision for income taxes	**$2,282**	$1,315

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

(000s)	**31 Dec 2016**	31 Dec 2015
Change in unrealized gains and losses on available-for-sale securities	**($384)**	($399)
Change in gains and losses on derivatives designated as cash flow hedges	**(26)**	302
Net losses on derivatives designated as cash flow hedges transferred to income	**(297)**	42
Defined benefit plan - actuarial losses	**-**	(1)
	($707)	($56)

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

(000s)	**31 Dec 2016**	31 Dec 2015
Current Income Tax	**($384)**	($399)
Deferred Income Tax	**(323)**	343
	($707)	($56)

There are no tax related contingent liabilities and contingent assets as at December 31, 2016 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.

22. 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 2016**		31 Dec 2015
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets:				
Available-for-sale:				
Cash and cash equivalents	**$191,830**	**$191,830**	$123,523	$123,523
Investments [1]	**379,654**	**379,654**	296,851	296,851
Designated as FVTPL:				
Investments	**5,634**	**5,634**	5,526	5,526
Derivative financial instruments				
- interest rate swaps	**1,215**	**1,215**	3,113	3,113
- bond forwards	**132**	**132**	-	-
- foreign currency forward contracts	**527**	**527**	470	470
- purchased options	**3,966**	**3,966**	2,690	2,690
- equity options	**4,778**	**4,778**	5,120	5,120
Loans and receivables:				
Loans				
- personal loans	**265,163**	**265,306**	236,150	236,211
- residential mortgage loans	**1,643,047**	**1,647,860**	1,296,481	1,325,054
- commercial loans	**1,257,090**	**1,289,867**	1,054,358	1,093,473
Total	**$3,753,036**	**$3,790,769**	$3,024,282	$3,092,031
Financial liabilities:				
Other liabilities:				
Deposits				
- demand deposits	**$1,401,662**	**$1,412,032**	$978,507	$978,507
- term deposits	**1,001,163**	**998,417**	694,899	698,940
- registered plans	**859,417**	**860,645**	798,026	795,283
Mortgage securitization liabilities	**288,438**	**291,442**	218,423	222,898
Borrowings	**-**	**-**	156,000	156,019
Designated as FVTPL:				
Derivative financial instruments				
- interest rate swaps	**922**	**922**	1,378	1,378
- bond forwards	**42**	**42**	-	-
- foreign currency forward contracts	**52**	**52**	-	-
- embedded options	**3,955**	**3,955**	2,681	2,681
Total	**$3,555,651**	**$3,567,507**	$2,849,914	$2,855,706

[1] As at December 31, 2016, certain AFS securities having a carrying amount of $23,031,000 (2015 – $19,652,000) 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:

(i) Fair value of AFS investments and those designated as FVTPL are derived from quoted market prices in active markets.

(ii) 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 currency 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, 2016, 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.

(iii) 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, 2016, Alterna Savings assessed these risks to be insignificant.

(iv) 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, 2016 and 2015:

December 31, 2016 (000s)	Date of valuation	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial investments FVTPL	**31 Dec 2016**	**$-**	**$-**	**$5,634**	**$5,634**
Financial investments AFS [1]	**31 Dec 2016**	**55,437**	**324,217**	**-**	**379,654**
Derivative financial instruments					
- interest rate swaps	**31 Dec 2016**	**-**	**1,215**	**-**	**1,215**
- bond forwards	**31 Dec 2016**	**-**	**132**	**-**	**132**
- foreign currency forward contract	**31 Dec 2016**	**-**	**527**	**-**	**527**
- purchased options	**31 Dec 2016**	**-**	**3,966**	**-**	**3,966**
- equity options	**31 Dec 2016**	**-**	**4,778**	**-**	**4,778**
Assets for which fair values are disclosed:					
Loans:					
- personal loans	**31 Dec 2016**	**-**	**-**	**265,306**	**265,306**
- residential mortgage loans	**31 Dec 2016**	**-**	**-**	**1,647,860**	**1,647,860**
- commercial loans	**31 Dec 2016**	**-**	**-**	**1,289,867**	**1,289,867**
Liabilities measured at fair value: :					
Derivative financial instruments					
- interest rate swaps	**31 Dec 2016**	**$-**	**$922**	**$-**	**$922**
- bond forwards	**31 Dec 2016**	**-**	**42**	**-**	**42**
- embedded options	**31 Dec 2016**	**-**	**3,955**	**-**	**3,955**
- foreign currency forward contracts	**31 Dec 2016**	**-**	**52**	**-**	**52**
Liabilities for which fair values are disclosed:					
Deposits					
- demand deposits	**31 Dec 2016**	**-**	**1,412,032**	**-**	**1,412,032**
- term deposits	**31 Dec 2016**	**-**	**998,417**	**-**	**998,417**
- registered plans	**31 Dec 2016**	**-**	**860,645**	**-**	**860,645**
Mortgage securitization liabilities	**31 Dec 2016**	**-**	**-**	**291,442**	**291,442**

December 31, 2015 (000s)	Date of valuation	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial investments FVTPL	31 Dec 2015	$-	$-	$5,526	$5,526
Financial investments AFS [1]	31 Dec 2015	48,739	248,112	-	296,851
Derivative financial instruments					
- interest rate swaps	31 Dec 2015	-	3,113	-	3,113
- foreign currency forward contract	31 Dec 2015	-	470	-	470
- purchased options	31 Dec 2015	-	2,690	-	2,690
- equity options	31 Dec 2015	-	5,120	-	5,120
Assets for which fair values are disclosed:					
Loans:					
- personal loans	31 Dec 2015	-	-	236,211	236,211
- residential mortgage loans	31 Dec 2015	-	-	1,325,054	1,325,054
- commercial loans	31 Dec 2015	-	-	1,093,473	1,093,473
Liabilities measured at fair value: :					
Derivative financial instruments					
- interest rate swaps	31 Dec 2015	$-	$1,378	$-	$1,378
- embedded options	31 Dec 2015	-	2,681	-	2,681
Liabilities for which fair values are disclosed:					
Deposits					
- demand deposits	31 Dec 2015	-	978,507	-	978,507
- term deposits	31 Dec 2015	-	698,940	-	698,940
- registered plans	31 Dec 2015	-	795,283	-	795,283
Mortgage securitization liabilities	31 Dec 2015	-	222,898	-	222,898

[1] As at December 31, 2016, certain AFS securities having a carrying amount of $23,031,000 (2015 – $19,652,000) 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, 2016 and 2015.

The table below presents the changes in fair value of Level 3 financial assets and liabilities for the year ended December 31, 2016. These instruments are measured at fair value utilizing non-observable market inputs. The total net gains included in investment income in the consolidated statements of income, on financial instruments for which fair value was estimated using a valuation technique requiring non-observable market inputs was $664,000 (2015 – net gains of $335,000).

December 31, 2016		**Net realized/unrealized gains included in**					
(000s)	**Opening balance**	**Net income**	**OCI**	**Purchases**	**Settlements**	**Closing balance**	**Unrealized gains [1]**
Financial investments FVTPL	**$5,526**	**$312**	**$-**	**$552**	**($756)**	**$5,634**	**$664**
	$5,526	**$312**	**$-**	**$552**	**($756)**	**$5,634**	**$664**

December 31, 2015		Net realized/unrealized gains included in					
(000s)	Opening balance	Net income	OCI	Purchases	Settlements	Closing balance	Unrealized gains [1]
Financial investments FVTPL	$5,191	$335	$-	$-	$-	$5,526	$335
	$5,191	$335	$-	$-	$-	$5,526	$335

[1] Changes in unrealized gains included in earnings for instruments held as at December 31, 2016 and 2015.

There were no transfers in or out of Level 3 during the years ended December 31, 2016 and 2015.

The table below sets out information about significant unobservable inputs used as at December 31, 2016 in measuring financial instruments categorized as Level 3 in the fair value hierarchy:

Description	**Fair value as at December 31, 2016**	**Valuation technique**	**Unobservable input**	**Range**
Private equity fund investment	**$5,634**	Net asset value [2]	-	-

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

23. 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 sheets.

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 (the "Board").

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 53% (2015 – 61%) 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 $2,276,015,000 as at December 31, 2016 (2015 – $1,792,000,000).

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 those issued by the Government of Canada and its Crown Corporations as well as liquidity reserve investments and shares held as a condition of membership with Central 1 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. 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 or 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 or 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") on a monthly basis and the Board on a minimum quarterly basis.

Alterna Savings' maximum tolerance exposure to short-term interest rate risk over 12 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 at December 31, 2016, the results for these measures were 0.75% (2015 – 0.36%) and 3.23% (2015 – 3.09%), 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-16**	31-Dec-15
				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	**$ 73,641**	**$ 118,189**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 191,830**	$123,523
Interest Rates	**0.00%**	**0.82%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.50%**	0.00%
Investments	**$ 76,204**	**$ -**	**$ 52,553**	**$ 31,582**	**$ 224,949**	**$ -**	**$ 385,288**	$302,377
Interest Rates	**0.00%**	**0.00%**	**1.21%**	**1.81%**	**2.43%**	**0.00%**	**2.38%**	1.45%
Personal loans	**$ -**	**$ 241,872**	**$ 5,800**	**$ 1,908**	**$ 13,799**	**$ 42**	**$ 263,421**	$234,663
Interest Rates	**0.00%**	**3.83%**	**2.32%**	**4.90%**	**1.90%**	**0.00%**	**3.70%**	4.03%
Residential mortgage loans	**$ 543**	**$ 65,036**	**$ 125,378**	**$ 270,623**	**$ 1,176,765**	**$ 4,575**	**$ 1,642,920**	$1,296,428
Interest Rates	**0.00%**	**2.42%**	**2.55%**	**2.97%**	**2.59%**	**3.17%**	**2.65%**	2.98%
Commercial loans	**$ -**	**$ 140,898**	**$ 138,072**	**$ 199,817**	**$ 738,496**	**$ 37,408**	**$ 1,254,691**	$1,053,821
Interest Rates	**0.00%**	**4.38%**	**3.59%**	**3.88%**	**3.54%**	**3.13%**	**3.68%**	3.99%
Other	**$ 57,810**	**$ 10,618**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 68,428**	$60,195
TOTAL ASSETS	**$ 208,198**	**$ 576,613**	**$ 321,803**	**$ 503,930**	**$ 2,154,009**	**$ 42,025**	**$ 3,806,578**	$3,071,007
Deposits	**$ 174**	**$ 1,547,120**	**$ 459,771**	**$ 644,511**	**$ 610,666**	**$ -**	**$ 3,262,242**	$2,471,432
Interest Rates	**0.00%**	**1.56%**	**1.54%**	**1.71%**	**1.82%**	**0.00%**	**1.63%**	1.31%
Mortgage securitization liabilities	**$ -**	**$ -**	**$ 250**	**$ -**	**$ 288,188**	**$ -**	**$ 288,438**	$218,423
Interest Rates	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**1.47%**	**0.00%**	**1.47%**	1.54%
Borrowings	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	$156,000
Interest Rates	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	1.30%
Other	**$ 37,714**	**$ 4,971**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 42,685**	$36,761
Members' equity	**$ 213,213**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 213,213**	$188,391
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$ 251,101**	**$ 1,552,091**	**$ 460,021**	**$ 644,511**	**$ 898,854**	**$ -**	**$ 3,806,578**	$3,071,007
MATCHING GAP	**($ 42,903)**	**($ 975,478)**	**($ 138,218)**	**($ 140,581)**	**$ 1,255,155**	**$ 42,025**	**$ -**	**$ -**

Sensitivity Analysis

Based on Alterna Savings' interest rate positions as at December 31, 2016, an immediate and sustained 100 basis point increase in interest rates across all maturities would decrease net interest income and decrease OCI by approximately $1,376,000 and $10,544,000 over the next 12 months, respectively. An immediate and sustained decrease in interest rates to a floor of zero would increase net interest income and increase OCI by approximately $1,036,000 and $11,314,000, respectively.

(ii) Currency risk

Currency risk is the risk that the fair value or 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 US 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 currency denominated financial liabilities on a daily basis. As at December 31, 2016, the percentage of foreign currency denominated financial assets is within 90%–110% of foreign currency 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 on a monthly basis and to the Board on a minimum quarterly basis.

Alterna Savings maintains a minimum of 9% (2015 – 9%) of the amount of deposits and borrowings in liquid assets. As at December 31, 2016, the percentage of liquid assets to total deposits and borrowings was 20.29% (2015 – 15.46%). For the contractual maturities of assets and liabilities, please refer to the table under note 23b(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 24.

(000s)					**31 Dec 2016**	31 Dec 2015
	Less than 1 year	**1 to 5 years**	**Over 5 years**	**No specified maturity**	**Total**	Total
Deposits	**$1,104,282**	**$610,666**	**$-**	**$1,547,294**	**$3,262,242**	$2,471,432
Mortgage securitization liabilities	**250**	**288,188**	**-**	**-**	**288,438**	218,423
Borrowings	**-**	**-**	**-**	**-**	**-**	156,000
	$1,104,532	**$898,854**	**$-**	**$1,547,294**	**$3,550,680**	$2,845,855

24. DERIVATIVE FINANCIAL INSTRUMENTS

The tables below provide a summary of Alterna Savings' derivative portfolio, their notional values and fair values as at December 31, 2016 and 2015:

(000s)					**31 Dec 2016**
	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	**$36,250**	**$140,248**	**$176,498**	**$1,215**	**$922**
Bond forwards	**40,800**	**-**	**40,800**	**132**	**42**
	77,050	**140,248**	**217,298**	**1,347**	**964**
Other derivatives					
Foreign currency forward contracts	**18,500**	**-**	**18,500**	**527**	**52**
Index-linked call options	**12,714**	**32,078**	**44,792**	**3,966**	**3,955**
Equity options	**-**	**-**	**-**	**4,778**	**-**
	31,214	**32,078**	**63,292**	**9,271**	**4,007**
	$108,264	**$172,326**	**$280,590**	**$10,618**	**$4,971**

(000s)					31 Dec 2015
	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	$49,778	$250,309	$300,087	$3,113	$1,378
Other derivatives					
Foreign currency forward contracts	14,002	-	14,002	470	-
Index-linked call options	10,654	37,798	48,452	2,690	2,681
Equity options	-	-	-	5,120	-
	24,656	37,798	62,454	8,280	2,681
	$74,434	$288,107	$362,541	$11,393	$4,059

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. 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 have not been designated as cash flow hedges.

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 currency forward contracts is included in unrealized gains on financial instruments on the consolidated statements of income.

(ii) Index-linked call options
Alterna Savings has issued $44,792,000 of indexed term deposits to its members as at December 31, 2016 (2015 – $48,452,000). These term deposits have maturities of three or five 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 at December 31, 2016 and 2015 is based on a valuation formula.

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 statements of income and in OCI for the years ended December 31, 2016 and 2015.

(000s)	**31 Dec 2016**			31 Dec 2015		
	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	**($1,366)**	**($1,260)**	**$-**	$1,422	$176	$-
Fair value hedges	**-**	**-**	**240**	-	-	(212)
	($1,366)	**($1,260)**	**$240**	$1,422	$176	($212)

25. 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, 2016, Alterna Savings (unconsolidated parent entity) was in compliance with the Act and regulations with total capital as a percent of assets of 5.35% (2015 – 5.54%) and the total capital as a percent of risk-weighted assets of 10.73% (2015 – 10.63%).

Elements of risk-weighted capital as at December 31 are:

(000s)	**31 Dec 2016**	31 Dec 2015
Retained earnings	**\$126,902**	\$111,641
Special shares	**58,899**	56,570
Contributed surplus	**30,297**	19,282
Membership shares	**1,781**	1,546
General provisions	**(1,608)**	(702)
	\$216,271	\$188,337

26. BUSINESS COMBINATIONS

Alterna Savings entered into two business combinations in 2016:

a) PETERBOROUGH COMMUNITY CREDIT UNION

On March 1, 2016, Alterna Savings amalgamated with Peterborough Community Credit Union ("PCCU") and the results of its operations have been included in the consolidated financial statements since that date. Post-amalgamation, PCCU's name was changed to Peterborough Community Savings ("PCS"), a division of Alterna Savings. They are the first to join Alterna under the federated operating model which permits the credit union to continue to operate under its own brand.

b) NEXUS COMMUNITY CREDIT UNION

On December 1, 2016, Alterna Savings amalgamated with Nexus Community Credit Union and the results of its operations have been included in the consolidated financial statements since that date. Post-amalgamation, Nexus' name was changed to Nexus Community Savings ("Nexus"), a division of Alterna Savings. They are the second to join Alterna under the federated operating model which permits the credit union to continue to operate under its own brand.

Alterna Savings acquired 100% of the net assets of PCCU and Nexus in a share for share exchange. Alterna issued membership shares to former PCCU members. Alterna issued Class A, Series 4 shares to Nexus' former preferred shareholders, Class B, Series 2 to Nexus' former patronage shareholders and membership shares to former Nexus members up to the $15 per share par value with any excess issued to Class B, Series 1 shares. No cash or contingent consideration was provided. The consideration transferred to acquire the net assets of PCCU and Nexus was determined by valuing the business acquired using the net asset value approach. Under this approach, the net present value of the business is calculated with the resulting fair value allocated to the net assets acquired less shares issued with any remaining fair value allocated to contributed surplus.

	PCS - March 1, 2016			Nexus - December 1, 2016		
(000s)	**Book Value**	**Adjustment**	**Fair Value**	**Book Value**	**Adjustment**	**Fair Value**
Cash and cash equivalents	$ 4,362	$ -	$ 4,362	$ 10,902	$ -	$ 10,902
Investments	7,694	-	7,694	24,337	-	24,337
Loans, net of allowance for impaired loans	26,347	265	26,612	180,831	247	181,078
Property and equipment	320	629	949	3,977	1,383	5,360
Assets held for sale	-	-	-	148	26	174
Computer software	-	-	-	99	-	99
Goodwill	-	94	94	-	510	510
Other assets	193	-	193	1,653	-	1,653
Deposits	(36,410)	(286)	(36,696)	(209,990)	(260)	(210,250)
Other liabilities	(62)	-	(62)	(3,202)	-	(3,202)
Membership shares	(57)	-	(57)	(216)	-	(216)
Preferred shares	-	-	-	(2,519)	-	(2,519)
Net assets	$ 2,387	$ 702	$ 3,089	$ 6,020	$ 1,906	$ 7,926
Contributed surplus			$ 3,089			$ 7,926

The carrying values of cash and cash equivalents and other assets and liabilities approximate their fair value due to their short term nature.

For variable rate interest loans and deposits that re-price frequently, carrying value are assumed to approximate fair values.

Fair value of other loans and deposits are estimated using discounted cash flow techniques based on the contractual repayment of the products. In addition, the fair value of loans is net of both an individual provision for impairment and collective allowance of $2,319,000.

The fair value of property and equipment has been assessed using a combination of acquisition date net book value, considered in certain instances to approximate fair value, and an appraisal based on market information.

Income and expenses derived from the acquisition of PCS and Nexus have been included in the consolidated statements of income from March 1, 2016 and December 1, 2016, respectively, onward. It is not practical to disclose the amount of profit or loss attributable to the legacy credit unions since this is not identifiable on Alterna Savings' accounts and would be immaterial in amount.

27. COMMITMENTS AND CONTINGENCIES

a) CREDIT INSTRUMENTS

As at December 31, 2016, the credit instruments approved but not yet disbursed were as follows:

(000s)	Total	Average term	Average rate
Residential mortgage loans	$9,454	5 years	2.42%
Commercial demand loans	$10,647	-	Prevailing rates on date disbursed
Commercial lines of credit	1,181		Prevailing rates on date disbursed
Commercial mortgage loans	$50,823	5 years	Prevailing rates on date disbursed
Lines of credit unfunded	$604,110	-	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 to claims and legal proceedings pending as at December 31, 2016 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 $3,256,000 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 terms 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, 2016, no liability has been recorded on the consolidated balance sheet as no letters of credit have been called upon.

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 THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a) COMPONENTS OF CASH AND CASH EQUIVALENTS

(000s)	**31 Dec 2016**	31 Dec 2015
Cash on hand	**$13,875**	$10,306
Deposit with other financial institutions	**162,956**	88,218
Marketable securities (original maturities less than 90 days)	**14,999**	24,999
	$191,830	$123,523

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 statements 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.

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 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 2016**	31 Dec 2015
Short-term employee benefits	**$3,753**	$3,018
Post-employment benefits	**5**	-
Other long-term employee benefits	**-**	-
Termination benefits	**53**	-
Total KMP compensation	**$3,811**	$3,018

(ii) Loans to KMP
There are no loans that 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 2016	31 Dec 2015
(1) Aggregate value of loans outstanding as at balance sheet dates	**$8,725**	$3,985
(2) Total value of personal lines of credit facilities as at balance sheet dates	**3,350**	2,261
Less: Amounts drawn down and included in loan values and included in (1)	**(1,615)**	(1,121)
Net balance available	**$10,460**	$5,125
Aggregate value of loans disbursed during the year:		
Residential mortgages	**$1,895**	$-
Personal loans	**322**	-
Total	**$2,217**	$-

(iii) Deposits from KMP

(000s)	31 Dec 2016	31 Dec 2015
Total value of demand, term and registered plans deposits from KMP	**$5,086**	$2,854
Total amount of interest paid on deposits to KMP	**$18**	$36

b) 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 12 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 $8,725,000 (2015 – $3,985,000). There was approximately $18,000 (2015 – $90,000) in interest earned for the year which is recorded under interest income on the consolidated statements of income.

(ii) Expenses Relative to the 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 $239,000 (2015 – $250,000) and other expenses incurred totalled $234,000 (2015 – $419,000). As at December 31, 2016, Alterna Savings' Board consisted of 10 Directors (2015 – 7 Directors) and Alterna Bank's Board consisted of 7 Directors (2015 – 7 Directors).

(iii) Executive Compensation
Alterna Savings manages executive compensation in accordance with policies which are reviewed and approved annually by the Board. In accordance with these policies, total cash compensation is targeted to be at the 50th 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 ($400,000, $420,000, $165,000), Mark Cauchi, SVP and Chief Information Officer ($250,000, $150,000, $26,000), Bill Boni, SVP and Chief Financial Officer ($275,000, $110,000, $27,000), José Gallant, SVP and Chief Administrative Officer ($236,000, $71,000, $25,000) and Abdollah Dehnashi, Head of Information Technology and Security (former) ($159,000, $22,000, $101,000).

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.

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, 2016 and 2015.

(000s)	**As at December 31, 2016**			As at December 31, 2015		
	Within 1 Year	**After 1 year**	**Total**	Within 1 Year	After 1 year	Total
Assets						
Cash and cash equivalents	**$ 191,830**	**$ -**	**$ 191,830**	$ 123,523	**$** -	$ 123,523
Investments-FVTPL	**5,634**	**-**	**5,634**	5,526	-	5,526
Investments-AFS	**-**	**379,654**	**379,654**	-	296,851	296,851
Personal loans	**251,322**	**13,841**	**265,163**	235,644	506	236,150
Residential mortgage loans	**461,707**	**1,181,340**	**1,643,047**	403,426	893,055	1,296,481
Commercial loans	**481,186**	**775,904**	**1,257,090**	393,285	661,073	1,054,358
Allowance for impaired loans	**(4,268)**	**-**	**(4,268)**	(2,077)	-	(2,077)
Property and equipment	**-**	**18,431**	**18,431**	-	15,214	15,214
Intangible assets	**-**	**13,843**	**13,843**	-	13,668	13,668
Derivative financial instruments	**-**	**10,618**	**10,618**	-	11,393	11,393
Assets held for sale	**-**	**174**	**174**	-	3,028	3,028
Income tax receivable	**358**	**-**	**358**	2,824	-	2,824
Deferred income tax asset	**-**	**837**	**837**	-	386	386
Other assets	**24,167**	**-**	**24,167**	13,682	-	13,682
Total assets	**$ 1,411,936**	**$ 2,394,642**	**$ 3,806,578**	$ 1,175,833	$ 1,895,174	$ 3,071,007
Liabilities						
Demand deposits	**$ 1,401,662**	**$ -**	**$ 1,401,662**	$ 978,507	**$** -	$ 978,507
Term deposits	**691,652**	**309,511**	**1,001,163**	447,992	246,907	694,899
Registered plans	**528,987**	**330,430**	**859,417**	477,162	320,864	798,026
Mortgage securitization liabilities	**-**	**288,438**	**288,438**	-	218,423	218,423
Borrowings	**-**	**-**	**-**	156,000	-	156,000
Derivative financial instruments	**-**	**4,971**	**4,971**	-	4,059	4,059
Other liabilities	**35,933**	**-**	**35,933**	31,156	-	31,156
Membership shares	**-**	**1,781**	**1,781**	-	1,546	1,546
Total liabilities	**$ 2,658,234**	**$ 935,131**	**$ 3,593,365**	$ 2,090,817	$ 791,799	$ 2,882,616
Net	**($1,246,298)**	**$ 1,459,511**	**$ 213,213**	**($914,984)**	$ 1,103,375	$ 188,391

31. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE

There have been no events subsequent to the consolidated balance sheet date that would have a material effect on the Alterna Savings consolidated financial statements as at December 31, 2016.

32. COMPARATIVE AMOUNTS

Certain 2015 comparative amounts have been reclassified to conform to the consolidated financial statement presentation adopted in 2016.