

Consolidated Financial Statements of

ALTERNA SAVINGS

December 31, 2024



Independent auditor's report

To the Members of Alterna Savings and Credit Union Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Alterna Savings and Credit Union Limited and its subsidiaries (together, the Credit Union) as at December 31, 2024 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Credit Union's consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2024;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in members' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include material accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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.

In preparing the consolidated financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or



conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Credit Union as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 7, 2025

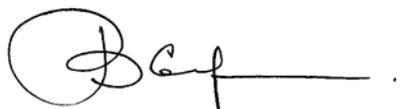
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ALTERNA SAVINGS
Consolidated Balance Sheets (in thousands of dollars)
December 31, 2024

As at	Note	31 December 2024	31 December 2023
ASSETS			
Cash and cash equivalents	26	\$ 336,799	\$ 329,846
Investments	5	502,974	542,495
Investment in associates	6	513	8,135
Loans and advances	3, 4	7,012,108	6,855,876
Property and equipment	7	50,978	54,066
Intangible assets	8	34,337	37,618
Goodwill	9	20,351	20,351
Derivative financial instruments	23	8,710	12,923
Income tax receivable		535	-
Other assets	10	109,458	114,806
		\$ 8,076,763	\$ 7,976,116
LIABILITIES AND MEMBERS' EQUITY			
Liabilities:			
Deposits	11	\$ 5,696,075	\$ 5,622,706
Borrowings	12	338,493	442,764
Mortgage securitization liabilities	13	1,476,453	1,361,370
Derivative financial instruments	23	13,986	11,116
Income tax payable		931	3,482
Deferred income tax liability	21	3,055	2,497
Other liabilities	14	116,524	111,983
Membership shares	16	2,357	2,503
		7,647,874	7,558,421
Members' equity:			
Special shares	16	162,667	172,773
Contributed surplus		59,203	59,203
Retained earnings		220,322	208,612
Accumulated other comprehensive loss		(13,303)	(22,893)
		428,889	417,695
		\$ 8,076,763	\$ 7,976,116

On behalf of the Board:



Bianca Garofalo
Director



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, 2024

For the years ended	Note	31 December 2024	31 December 2023
Interest income	17	\$ 309,243	\$ 273,348
Interest income from investments	18	14,774	14,906
		324,017	288,254
Interest expense	17	216,282	181,367
Net interest income		107,735	106,887
Loan costs (recoveries)		651	(1,811)
Net interest income after loan costs (recoveries)		107,084	108,698
Commissions		12,351	10,805
Service charges		11,090	9,275
Net gains on derivative financial instruments		3,277	4,088
Foreign exchange		2,214	1,419
Other		1,315	1,998
Securitization income	19	2,870	5,141
Gain on sale on real estate		310	(19)
Other income		33,427	32,707
Net interest and other income		140,511	141,405
Salaries and benefits		64,187	65,300
Administration		26,749	27,847
Data processing		22,332	22,708
Occupancy		12,881	12,873
Marketing and community relations		1,989	3,168
Operating expenses		128,138	131,896
Income before income on investment in associates and income taxes		12,373	9,509
Income on investment in associates	6	-	3,272
Income before income taxes		12,373	12,781
Provision for income taxes	21	2,344	2,781
Net income		\$ 10,029	\$ 10,000

(See accompanying notes to the consolidated financial statements)

ALTERNA SAVINGS

Consolidated Statements of Comprehensive Income (in thousands of dollars)

December 31, 2024

For the years ended	31 December 2024	31 December 2023
Net income	\$ 10,029	\$ 10,000
Other comprehensive income		
Other comprehensive income to be reclassified to income in subsequent periods:		
<u>Investments in debt instruments measured at fair value through other comprehensive income:</u>		
Net unrealized gains on debt instruments measured at fair value through other comprehensive income ⁽¹⁾	10,915	12,096
<u>Cash flow hedges:</u>		
Changes arising during the year ⁽²⁾	236	(8,300)
Add: Reclassification adjustments for (losses) gains included in the income statement ⁽³⁾	(1,561)	719
Net loss cash flow hedges	(1,325)	(7,581)
Net other comprehensive income to be reclassified to income in subsequent periods	9,590	4,515
Other comprehensive income (loss) not to be reclassified to income in subsequent periods:		
Defined benefit plan - actuarial gains ⁽⁴⁾	7,461	(7)
Net other comprehensive income (loss) not to be reclassified to income in subsequent periods	7,461	(7)
Other comprehensive income	17,051	4,508
Comprehensive income	\$ 27,080	\$ 14,508

⁽¹⁾ Net of income tax expense of \$2,633 (2023 - expense of \$4,226).

⁽²⁾ Net of income tax expense of \$52 (2023 - recovery of \$1,846).

⁽³⁾ Net of income tax recovery of \$347 (2023 - expense of \$160).

⁽⁴⁾ Net of income tax expense of \$1,647 (2023 - recovery of \$Nil).

(See accompanying notes to the consolidated financial statements)

ALTERNA SAVINGS

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

December 31, 2024

For the years ended	31 December 2024	31 December 2023
Special shares:		
Balance, beginning of year	\$ 172,773	\$ 184,693
Net shares (redeemed) issued	(10,106)	(11,920)
Balance, end of year	162,667	172,773
Contributed surplus:		
Balance, beginning of year	59,203	59,203
Balance, end of year	59,203	59,203
Retained earnings:		
Balance, beginning of year	208,612	205,390
Net income	10,029	10,000
Dividend on special shares	(5,780)	(6,771)
Remeasurement gain (loss) on defined benefit plans ⁽¹⁾	7,461	(7)
Balance, end of year	220,322	208,612
Accumulated other comprehensive income, net of tax:		
Investments in debt instruments measured at fair value through other comprehensive income		
Balance, beginning of year	(15,306)	(27,402)
Other Comprehensive income (loss)	10,915	12,096
Balance, end of year	(4,391)	(15,306)
Cash Flow Hedges		
Balance, beginning of year	(7,587)	(6)
Other Comprehensive income (loss)	(1,325)	(7,581)
Balance, end of year	(8,912)	(7,587)
Total accumulated other comprehensive income (loss)	(13,303)	(22,893)
Members' equity	\$ 428,889	\$ 417,695

⁽¹⁾ Net of income tax expense of \$1,647 (2023 - recovery of \$Nil).

(See accompanying notes to the consolidated financial statements)

ALTERNA SAVINGS

Consolidated Statements of Cash Flows (in thousands of dollars)

December 31, 2024

For the years ended	31 December 2024	31 December 2023
Operating activities:		
Net income	\$ 10,029	\$ 10,000
Add (deduct) non-cash items:		
Provision for credit losses (recoveries)	152	(2,142)
Income from investment in associates	-	(3,272)
Depreciation and amortization of		
Property and equipment	6,343	6,892
Intangible assets	5,155	5,250
Deferred charges and premiums	6,323	5,741
Loss (gain) on		
Disposal of property and equipment	(310)	5
Gain on sale and securitization of loans	(970)	(2,129)
Adjustments for net changes in operating assets and liabilities		
Fair value of investments	3,854	2,937
Fair value of loans held for securitization	651	6,134
Interest receivable	(3,414)	(3,332)
Loans	(163,088)	(424,716)
Assets relating to derivative financial instruments	2,593	(227)
Goodwill	-	(1,651)
Mortgage securitization liabilities	115,083	644,419
Interest payable	12,228	25,811
Deposits	73,369	(101,587)
Liabilities relating to derivative financial instruments	2,870	9,623
Deferred income taxes	558	(1,655)
Other items, net	802	28,313
Cash used in operating activities	\$ 72,228	204,414
Investing activities:		
Proceeds from maturity and sale of investments	57,345	56,717
Purchase of Investments	(1,565)	(511)
Capital distribution (contribution) in investment in associates	7,622	4,854
Proceeds from sale of property and equipment	769	-
Acquisition of property and equipment	(3,781)	(3,454)
Acquisition of intangible assets	(1,874)	(1,040)
Cash provided by (used in) investing activities	58,516	56,566
Financing activities:		
Net (decrease) increase in		
Membership shares	(146)	(48)
Special shares	(10,106)	(11,920)
Borrowings	(104,271)	(185,378)
Dividend on special shares	(5,780)	(6,771)
Principal payments on lease liabilities	(3,488)	(3,522)
Cash provided by financing activities	(123,791)	(207,639)
Net decrease in cash and cash equivalents during the year	6,953	53,341
Cash and cash equivalents, beginning of year	329,846	276,505
Cash and cash equivalents, end of year	\$ 336,799	\$ 329,846
Supplemental information related to operating activities:		
Interest paid	\$ 204,054	\$ 155,556
Interest received	\$ 312,657	\$ 277,674
Dividend received	\$ 488	\$ 36
Income taxes paid	\$ 6,122	\$ (11,988)

(See accompanying notes to the consolidated financial statements)

ALTERNA SAVINGS

Notes to the Consolidated Financial Statements

December 31, 2024

1. CORPORATE INFORMATION

Alterna Savings is a credit union incorporated and domiciled in Ontario, Canada under *The Credit Unions and Caisses Populaires Act, 2020* (the “Act”) as Alterna Savings and Credit Union Limited and is a member of Central 1 Credit Union (“Central 1”). Alterna Savings is regulated by and its qualifying member deposits are insured by the Financial Services Regulatory Authority (“FSRA”).

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.

The consolidated financial statements incorporate on a fully consolidated basis the financial statements of Alterna Savings (the parent entity) and its wholly owned subsidiaries. CS Alterna Bank (“Alterna Bank”) is the only material subsidiary. The consolidated financial statements for the year ended December 31, 2024 were authorized for issue in accordance with a resolution of the Board of Directors on March 6th, 2025.

2. MATERIAL ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The consolidated financial statements of Alterna Savings have been prepared in accordance with IFRS Accounting Standards. These consolidated financial statements also comply with legislation for Ontario’s Credit Unions and Caisses Populaires. There were no modifications as required by FSRA regulations to the preparation of the consolidated financial statements.

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 an unconditional and 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 investments at fair value through other comprehensive income (“FVOCI”), derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss (“FVTPL”), and plan assets of defined benefit pension plans which have been measured at fair value.

The significant accounting policies are as follows:

a) CHANGES IN ACCOUNTING POLICIES

Alterna Savings has applied the following narrow scope amendments for the first time for its annual reporting period commencing January 1, 2024:

- *IAS 1* – Classification of Liabilities as Current or Non-current, and Non-current liabilities with covenants.

The amendments listed above did not have any impact on amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

b) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts and financial performance of Alterna Bank. All significant intercompany balances and transactions have been eliminated on consolidation.

ALTERNA SAVINGS
Notes to the Consolidated Financial Statements
December 31, 2024

c) BUSINESS COMBINATIONS AND GOODWILL

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. For every business combination, an acquirer is identified, which is the entity that obtains control of the acquired entity or assets. The effective acquisition date of the business combination is the date the acquirer gains control of the acquired entity or assets. The identifiable assets (including previously unrecognized intangible assets) and identifiable liabilities (including contingent liabilities but excluding future restructuring costs) assumed in the business combination are measured at fair value, with limited exceptions. The excess of the consideration transferred over the fair values of the identifiable net assets is recognized as goodwill; any shortfall is recognized as a bargain purchase option and recognized immediately in other income in the consolidated statements of income.

During the measurement period (which is within one year from the acquisition date), Alterna Savings may, on a retrospective basis, adjust the amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date. As such, the fair values of identifiable net assets acquired as part of business combination are recognized on the acquisition date.

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

After initial recognition of goodwill in a business combination, goodwill in aggregate is measured at cost less any accumulated impairment losses. Goodwill is not amortized but tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is the lowest level at which goodwill is monitored for internal management purposes. Impairment testing is performed at least annually and when an event or change in circumstances indicates that the carrying amount may be impaired. Goodwill is carried at cost less accumulated impairment losses, if any, and is included in on the Consolidated Balance Sheets.

d) 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 interest income from investment.

e) 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.

f) FINANCIAL INSTRUMENTS

i) Classification and Measurement

Financial assets

Alterna Savings classifies its financial assets in the following measurement categories:

- FVTPL;
- FVOCI; or
- Amortized cost

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Notes to the Consolidated Financial Statements

December 31, 2024

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amounts outstanding.

On initial recognition of an equity instrument that is not held for trading, Alterna Savings may irrevocably elect to present subsequent changes in FVOCI. This election is made on an investment-by-investment basis. When this election is used, fair value gains and losses are recognized in other comprehensive income (loss) (“OCI”) and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when Alterna Savings’ right to receive payments is established. See note 5 for details on which investments Alterna Savings has taken the election on.

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, Alterna Savings may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Alterna Savings has previously designated certain loans as FVTPL. See note 3.

The classification for debt and equity instruments is described below:

- **Business model assessment:** the business model assessment reflects how Alterna Savings manages the assets in order to generate cash flows. That is, whether the objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows from the sale of assets. If neither of these is applicable, then they are classified at FVTPL. Alterna Savings assesses the business model at a portfolio level and uses judgment which is supported by objective evidence including:
 - The frequency, timing, reason and volume of sales in prior periods and expectations about future sales activity
 - whether the assets are held for trading purposes or held as part of a portfolio that is managed together for short-term profits
 - how the asset’s performance is evaluated and reported to key management; and
 - how risks are assessed and managed.
- **SPPI:** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, Alterna Savings assesses whether the financial asset’s cash flows represent solely payment of principal and interest (the ‘SPPI’ test). In making this assessment, Alterna Savings considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Financial assets are not reclassified subsequent to their initial recognition, except in the reporting period after Alterna Savings changes its business model for managing financial assets. Such reclassifications are expected to be very rare and infrequent.

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Notes to the Consolidated Financial Statements

December 31, 2024

ii) Initial recognition and measurement

Financial instruments are recognized when Alterna Savings becomes party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on the date when Alterna Savings commits to purchase or sell the asset.

At initial recognition, financial instruments are measured at fair value plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial instrument, such as fees and commissions (for financial instruments not at FVTPL). For financial instruments carried at FVTPL, transaction costs are expensed in income.

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial instrument is measured at initial recognition minus principal repayment, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount (which is amortized cost before any loss allowance) of the financial asset or to the amortized cost of the financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate such as origination fees.

When Alterna Savings revises the estimates of future cash flows, the carrying amount of the financial instrument is adjusted to reflect the new estimate discounted using the original effective interest rate. Changes are recognized in income.

Trade date accounting is used for all financial instruments.

Forgivable Loans

Forgivable loans issued by Alterna Savings are initially recognized at fair value, which typically corresponds to the loan amount unless significant discounts or premiums are present. Subsequent to initial recognition, forgivable loans are measured at amortized cost using the effective interest rate method.

If the loan includes provisions for forgiveness, such as periodic forgiveness of a specified percentage upon meeting certain conditions, Alterna Savings evaluates the impact of these terms on the carrying amount of the loan. The expected forgiveness may be considered a modification of the loan terms and is treated as follows:

- **Conditional Forgiveness:** When forgiveness is contingent on the borrower meeting specific criteria, Alterna Savings incorporates the expected forgiveness in the carrying value of the loan only when it is reasonably certain that the conditions will be fulfilled.
- **Forgiveness Recognition:** Upon fulfillment of the forgiveness conditions, Alterna Savings derecognizes the forgiven portion of the loan from the loan's carrying amount on the consolidated balance sheet. The corresponding amount is recognized as interest expense in the consolidated statement of income.

Financial Liabilities

Financial liabilities are classified at amortized cost or FVTPL. Alterna Savings has designated certain financial liabilities as FVTPL in the following circumstances:

- The liabilities form part of a group of assets and liabilities that is managed, evaluated and reported internally on a fair value basis; or
- The designation eliminates or significantly reduces an accounting mismatch that would arise otherwise.

Classification of all financial instruments is shown in Note 23.

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Notes to the Consolidated Financial Statements

December 31, 2024

g) IMPAIRMENT OF FINANCIAL ASSETS

Alterna Savings recognizes loss allowances for expected credit losses (“ECL”) on the following financial instruments that are not measured at FVTPL:

- Loans at amortized cost;
- Financial assets that are debt instruments classified at FVOCI; and
- Loan commitments and guarantees.

No loss allowance is recognized on equity instruments measured at FVOCI.

Alterna Savings measures loss allowances at an amount equal to the lifetime ECL except for the following, for which they are measured as 12-month ECL:

- Debt instruments that are determined to have low credit risk at the reporting date; or
- Financial assets at amortized cost and FVOCI on which credit risk has not increased significantly since their initial recognition.

All debt instruments at amortized cost were measured with 12-month ECL as they were determined to have a low credit risk as at the reporting date.

The credit risk on debt instruments at amortized cost are considered low if there is:

- A low risk of default;
- The borrower has a strong capacity to meet contractual cash flow obligations; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations.

Alterna Savings also considers financial assets and debt instruments to have a low credit risk when their creditworthiness is judged to be ‘investment grade’, which Alterna broadly defines as equivalent to a credit rating of Baa or higher.

i) Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls measured over either (i) the next 12 months or (ii) the remaining term (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Alterna Savings expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to Alterna Savings if the commitment is drawn down and the cash flows that Alterna Savings expects to receive.

See further discussion in note 4.

ii) Credit-impaired financial assets

At each reporting date, Alterna Savings assesses whether financial assets carried at amortized cost and debt instruments carried at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by Alterna Savings on terms that Alterna Savings would not consider otherwise; or

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- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

Bad debt written off - When it is considered that there is no realistic prospect of recovery, all efforts have ceased to collect amounts, 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 the loss allowance.

iii) Loans and loan impairment

Reversal of impairment losses – If in a subsequent period the amount of a previously recognized impairment loss decreases, 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 credit-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 on loans at amortized cost (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. Transaction costs on loans classified at FVTPL are recorded in the consolidated statements of income.

Loan costs – Loan costs include the loss allowance, bad debt written off and collection costs.

Restructured loans - If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized. The ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then a modification gain or loss will be measured as the difference between the previous gross carrying amount of the loan and the revised gross carrying amount of the loans, with the latter calculated as the present value of the new estimated cash flows discounted at the original effective interest rate. The financial asset continues to be subject to the same assessments for significant increase in credit risk related to initial recognition and credit-impairment; or
- If the expected restructuring will result in derecognition of the original asset, and recognition of the new financial asset, the new financial asset will generally be recorded as Stage 1, unless it is determined to be credit impaired at the time of renegotiation. For purposes of assessing for significant increases in credit risk, the date of initial recognition for the new financial asset is the date of the modification.

iv) Purchased loans

All purchased financial assets are initially measured at the transaction price on the date of acquisition. The fair value of loans purchased is determined by estimating the principal and interest cash flows expected to be collected and discounting those cash flows at a market rate of interest. The fair value adjustment set up for these loans on the date of acquisition is amortized over the life of these loans and included in Interest income in the Consolidated Statements of Income.

On the date of acquisition, purchased performing loans follow the same accounting treatment as originated performing loans, and are included in Stage 1. As a result, immediately after the date of acquisition, a 12-month allowance is recorded in provision for expected credit losses in the Consolidated Statements of Income. Subsequent to the acquisition date, ECL allowances are estimated in a manner consistent with the Alterna Savings' impairment policy that is applied to loans that are originated.

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Purchased credit impaired loans are presented separately and are subject to lifetime allowance for credit losses. Any changes in expected cash flows since the date of acquisition are recorded as a charge/recovery in the loss (recovery) cost in the Consolidated Statements of Income.

h) MODIFICATIONS

i) Financial assets

If the terms of a financial asset are modified, Alterna Savings evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, Alterna Savings recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in income.

ii) Financial liabilities

Alterna Savings derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in income.

Obligations related to securities sold under repurchase agreements - Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated balance sheet. The cash received from the security is recognized in the consolidated balance sheet with a corresponding obligation to return it, including accrued interest. This is recognized as a liability within obligations related to securities sold under repurchase agreements, reflecting the transaction's economic substance as a loan to Alterna Savings. The difference between the sale and repurchase price is treated as interest and recognized over the life of the agreement using the effective interest method. These agreements are classified as financial liabilities at amortized cost.

i) 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.

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 securitization

Alterna Savings securitizes insured residential and commercial mortgage loans through the creation of mortgage-backed securities ("MBS") under the National Housing Act ("NHA") MBS program. Alterna Savings may from time to time sell a portion of its securitized residential and commercial mortgage loan portfolio to diversify its funding sources and enhance

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its liquidity position. All securitization sale transactions are reviewed and assessed based on the above noted derecognition criteria. The related loans are derecognized from the consolidated balance sheets if the transaction meets the derecognition criteria through the transfer of certain risk and rewards to external parties. For these transactions, the present value of the future residual cash flows is recorded on the consolidated balance sheets under other assets. Gains or losses are reported in other income on the consolidated statements of income. On certain transactions Alterna Savings retains substantially all the risks and rewards of the transferred loans. As a result, these loans remain on the consolidated balance sheets and the proceeds received are recognized as a mortgage securitization liability in the consolidated balance sheets.

j) DERIVATIVES AND HEDGING

Alterna Savings has elected to continue to apply the hedge accounting requirements of International Accounting Standards 39, *Financial Instruments: Recognition and Measurement* as permitted by IFRS 9.

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

Embedded derivatives are not separated from financial assets. Derivatives embedded in other financial instruments and executory contracts 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 23(b)) with respect to which the host deposits 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 its 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 are 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

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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 its 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 are recognized to income over the remaining term of the hedged item.

k) 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 rate of exchange in effect at the date of the transaction. Foreign currency exchange gains and losses are recognized in other income during the year.

l) 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 the lease

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 in the consolidated statements of income. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 are 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.

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m) INTANGIBLE ASSETS

Intangible assets represent identifiable non-monetary assets and are acquired either separately or through a business combination or generated internally. Alterna Savings' intangible assets are comprised of computer software and core deposit intangibles.

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. Initial measurement of internally generated intangible assets includes all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any, in the Consolidated Balance Sheets.

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

Intangible assets that have finite useful lives are initially measured at cost and are amortized on a straight-line basis over their useful lives as follows: computer software – 2 to 15 years; and core deposit intangibles – 8 years. Amortization expense is included in the Consolidated Statements of Income under operating expenses – Administration. As intangible assets are non-financial assets, the impairment model for non-financial assets is applied. Intangible assets with finite useful lives are assessed for indicators of impairment at each reporting period. If there's an indication that impairment exists, Alterna Savings performs an impairment test by comparing the carrying amount of the intangible asset to its recoverable amount. If the recoverable amount is less than its carrying amount, the carrying amount is written down to its recoverable amount and an impairment loss is recognized in the Consolidated Statements of Income.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. Indefinite life intangible assets are comprised of goodwill. Refer to the accounting policy in note 2 (c).

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.

n) INVESTMENTS IN ASSOCIATES

An associate is an entity over which Alterna Savings has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include Alterna Savings' share of the net income and equity movements of the joint venture or associate after adjustment to align the accounting policies with those of Alterna Savings from the date that significant influence commences until the date that significant influence ceases. When Alterna Savings' share of losses exceeds its interest in a joint venture or an associate, the carrying amount of that interest, including any long-term investment, is reduced to \$nil and the recognition of future losses is discontinued to the extent that Alterna Savings has an obligation or has made payments on behalf of the associate.

o) EMPLOYEE BENEFIT PLANS

Alterna Savings maintains four pension plans for current employees and retirees, and two post-retirement benefits programs, which provide certain post-employment healthcare benefits. The pension plans consist of two Defined Benefit Plans ("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.

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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 interest income on plan assets is based on the fair value of plan assets.

The recognition of actuarial gains and losses is applied through immediate recognition in equity (i.e., OCI), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

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.

p) 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 subsidiary, 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 except for the tax effects of dividends that are recorded in the consolidated statements of income.

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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.

q) LEASING

The determination of whether an arrangement is a lease, or it contains a lease, is based on if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Alterna Savings assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly. If the supplier has a substantive substitution right, then the asset is not identified. Substitution rights are substantive if the supplier either has the practical ability to substitute an alternative asset through the period of use or it benefits economically from substituting the asset;
- Alterna Savings has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- Alterna Savings has the right to direct the use of the asset.

Alterna Savings recognizes right-of-use assets and lease liabilities at the lease commencement date. The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred, less lease incentives received. The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease terms. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

A lease liability is initially measured at the present value of the lease payments over the lease term that are not paid at the commencement date, discounted using Alterna Savings' incremental borrowing rate. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise or to not exercise an extension option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statements of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A lease liability is remeasured when Alterna Savings changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss, if the carrying amount of the right-of-use asset has been reduced to zero.

Alterna Savings presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the consolidated balance sheets. Depreciation expense on the right-of-use assets is included in administration expense and interest expense is included in interest expense in the consolidated statements of income.

Lease modifications

A lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease. It includes adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term. A lease modification is not treated as a separate lease, unless it involves the addition of one or more underlying assets at a price that is commensurate with the standalone price of the increase in scope. If a modification is a separate lease, a lessee applies the requirements of IFRS 16 to the newly added leased asset independently of the original lease. Otherwise, the modification reflects that there is a linkage between the original lease and the modified lease. This means a lessee has to allocate the modified consideration to each separate lease component in the modified contract on the effective date of the modification, resulting in a remeasurement of the existing lease liability and right-of-use asset on that date by the same amount, including an update of the incremental borrowing rate.

Short-term leases and leases of low-value assets

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As permitted by IFRS 16, Alterna Savings has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets under approximately \$5,000. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

r) 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 using the effective interest rate method, except for those designated as FVTPL. 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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets except for those that have become credit-impaired or that were purchased credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortized cost.

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.

s) 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:

Significant Judgments

i) Determination of business model

The assessment to determine the appropriate business model is judgmental. Alterna Savings determines which assets are held to collect and the assessment of whether the contractual terms of the financial assets are SPPI. See further details in note 2(f)(i).

ii) Derecognition of securitization arrangement

Judgment is exercised in concluding whether all the risks and rewards of loans under securitization arrangement have been transferred out to meet the derecognition criteria for MBS. See further details in note 2(i)(iii) and note 13.

iii) Determination whether assets and liabilities acquired constitute a business combination

The assessment whether Alterna Savings has completed a transaction in which assets liabilities acquired constitute a business combination under IFRS 3 is judgmental. See further details in note 2(c).

iv) Identification of intangible assets acquired in business combinations

The identification of assets as part of a business combination that meet the criteria of intangible assets under IAS 38 is judgmental. See further details in note 2(c), 2(m), and note 8.

Use of Estimates and assumptions

The preparation of these consolidated financial statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial

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statements, and other comprehensive income and income and expenses during the reporting period. Estimates made by management are based on historical experience and other factors and assumptions that are believed to be reasonable. Key areas of estimation uncertainty include those relating to the allowance for expected credit losses, the fair value of financial instruments (including derivatives), the fair value of all identifiable assets and liabilities as a result of business combinations, and impairment of non-financial assets including goodwill. Alterna Savings has utilized estimates, assumptions and judgments that reflect this uncertainty. While management makes its best estimates and assumptions, actual results could differ from these and other estimates.

i) Fair value of financial instruments

Alterna Savings measures financial instruments such as cash equivalents, investments classified as FVOCI or designated as FVTPL and derivatives at fair value at each consolidated balance sheet date.

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.

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 consolidated 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 consolidated financial statements on a recurring basis, Alterna Savings determines whether transfers have occurred between levels in the hierarchy by reassessing 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. 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) Measurement of the ECL

Under IFRS 9, the measurement of the ECL provision for financial assets measured at amortized cost and debt instruments measured at FVOCI requires the use of complex models and significant assumptions about future economic condition and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and

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- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

Explanations of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4 which also sets out key sensitivities of the ECL to changes in these elements.

t) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after January 1, 2027)

IFRS 18 will replace *IAS 1 Presentation of Financial Statements*, introducing updated requirements aimed at enhancing comparability of financial performance across similar entities while providing more relevant and transparent information to users. Although IFRS 18 does not affect the recognition or measurement of items in financial statements, its impact on presentation and disclosure is expected to be significant. Key changes include adjustments to the financial statements and the incorporation of management-defined performance measures within the financial statements.

Management is currently evaluating the detailed implications of implementing this new standard on Alterna Savings' consolidated financial statements. Alterna Savings will adopt IFRS 18 on its mandatory effective date of January 1, 2027. Retrospective application is required, meaning comparative information for the financial year ending December 31, 2026, will be restated in compliance with IFRS 18.

3. LOANS AND ADVANCES

(000s)	31 Dec 2024	31 Dec 2023
Loans and advances at amortized cost:		
Personal loans ⁽¹⁾	\$267,006	\$277,389
Residential mortgage loans	5,266,311	4,892,850
Commercial loans	1,311,024	1,290,984
	\$6,844,341	\$6,461,223
Less: Loss allowance (note 4)	(1,680)	(2,594)
Total loans and advances at amortized cost	\$6,842,661	\$6,458,629
Loans and advances at FVTPL:		
Residential mortgage loans	\$136,490	\$358,881
Commercial loans	32,957	38,366
Total loans and advances at FVTPL	\$169,447	\$397,247
	\$7,012,108	\$6,855,876

(1) Included within personal loans are forgivable loans of \$2,893 (2023 - \$nil)

4. 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. Cash and cash equivalents on the consolidated balance sheets are placed with above grade rating financial institutions and therefore not exposed to credit risks.

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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, \$3,300,000 in residential mortgage loans per borrower, \$25,000,000 in commercial mortgage loans per borrower and \$35,000,000 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. 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 mortgages secured by residential properties as 57% (2023 – 57%) of the residential mortgages are fully insured 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, net of the loss allowance, represents Alterna Savings' maximum exposure to credit risk without taking account of the value of any collateral obtained.

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 are diversified by limiting investments in any one issuer based on issuer type and associated maximum percentage of regulatory capital.

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.

(i) Amounts arising from ECL

Definition of default

Alterna Savings defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- The borrower is unlikely to pay its credit obligations to Alterna Savings in full, without recourse by Alterna Savings to actions such as realizing security (if any is held); or
- The borrower is past due more than 90 days on any material credit obligation to Alterna Savings. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

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In assessing whether a borrower is in default, Alterna Savings also considers indicators that are:

- Qualitative – e.g., breaches of covenant;
- Quantitative – e.g., overdue status and non-payment on another obligation of the same issuer to Alterna; and
- Based on data developed internally and/or obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by Alterna Savings for regulatory capital purposes.

Measurement of ECL

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in stage 1 and has credit risk continuously monitored.
- If there is a significant increase in credit risk (“SICR”) since initial recognition, the financial instrument is moved to stage 2 but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, it is moved to stage 3.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in stages 2 or 3 have their ECL measured based on ECL on a lifetime basis.
- Purchased or originated credit-impaired financial assets are those that are credit-impaired on initial recognition. Their ECL are always measured at stage 3.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (“PD”);
- Loss given default (“LGD”); and
- Exposure at default (“EAD”).

These parameters are generally derived from externally developed statistical models and purchased market data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are determined based on credit risk rating frameworks, and assessed using rating tools tailored to the various categories of counterparties and exposures. These credit risk ratings are based on externally purchased market data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. Alterna Savings estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by property, loan-to value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes to property prices. They are calculated using the weighted average of five-year actual loss experiences.

EAD represents the expected exposure in the event of a default. Alterna Savings derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using any maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, Alterna Savings measures ECL considering the risk of default over the maximum contractual

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period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, Alterna Savings considers a longer period. The maximum contractual period extends to the date at which Alterna Savings has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for line of credit facilities that include both a loan and an undrawn component, Alterna Savings measures ECL over a period longer than the maximum contractual period. This occurs if Alterna Savings' contractual ability to demand repayment and cancel the undrawn commitment does not limit Alterna Savings' exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. Alterna Savings can cancel them with immediate effect, but this contractual right is not enforced in the normal day-to-day management, but only when Alterna Savings becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that Alterna Savings expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms. For lines of credit, Alterna Savings will consider an estimation of future draw downs.

For measuring ECL, the estimate of expected cash shortfalls includes the cash flows expected from collateral or proceeds from credit insurance that are part of the contractual terms.

SICR

When determining whether the risk of default on a financial instrument has increased significantly since recognition, Alterna Savings considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Alterna Savings' historical experience, expert credit assessment and forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime PD as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors.

Alterna Savings considers that a significant increase in credit risk occurs no later than when a loan is more than 30 days past due. Days past due are determined by counting the number of days since the earliest-elapsed due date in respect of which contractual payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

Alterna Savings monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Risk ratings

Alterna Savings allocates each commercial exposure to a credit risk rating ("risk rating") based on a variety of data that is determined to be predictive of the risk of default and by applying experienced credit judgment. Risk ratings are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Risk ratings are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between risk rating 1 and 2 is smaller than the difference between the risk rating level 2 and 3.

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Each exposure is allocated to a risk rating at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different risk rating. The monitoring typically involves use of the following data:

- Information obtained during periodic review of borrower files (e.g. financial statements, budgets and projections). Examples of areas of particular focus are gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, and senior management changes;
- Data from credit reference agencies, press articles, changes in external credit ratings; and
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

Beacon scores

For retail, the staging is done at a loan level. Alterna Savings uses quarterly updates of Equifax Risk Score credit scores and a table that translates these scores into PDs.

Other factors contributing to a SICR

- Qualitative elements: Alterna Savings monitors qualitative indicators to suggest a significant increase in credit risk such as bankruptcy and consumer proposal.
- Backstop indicators: Financial assets that are more than 30 days past due are assumed to have a SICR and are stage 2 assets. Similarly, financial assets that are more than 90 days past due are assumed to be financial assets with credit risk that has increased to the point that they are considered credit-impaired and stage 3 assets.

Generating the term structure of PD

Risk ratings and beacon scores are primary inputs into the determination of PDs for exposures. Alterna Savings collects performance and default information about its credit risk exposures analyzed by type of product, borrower and risk ratings or beacon scores. For some portfolios, information purchased from external credit reference agencies is also used.

Forward-looking information

Alterna Savings employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates, changes in key macro-economic factors and in-depth analysis of the impact of certain other factors on the risk of default. For most exposures, key macro-economic indicators include housing price index, Canadian equity markets, and unemployment. The changes in the parameters of macro-economic factors from the actual assumptions used in the determination of Alterna Savings ECL are not material.

Based on assessments from the Credit Risk Management Committee and consideration of a variety of external actual and forecast information, Alterna Savings formulates a 'baseline case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios, both negative (pessimistic) and positive (optimistic). Alterna Savings then uses these forecasts to adjust its estimates.

The following table compares the probability weight ECL (determined as the reported loss allowance) against the baseline case ECL to illustrate the impact of applying probability weights to each scenario in the determination of loss allowance. The differences are isolated to the measurement of ECL without considering the impact of migration between stages.

000s	31 Dec 2024	31 Dec 2023
Probability-weighted ECL (reported loss allowance)	\$1,680	\$2,594
Baseline case ECL	1,653	2,472
Difference	\$27	\$122

Use of management overlays

Management overlays to ECL estimates are adjustments used in circumstances where Alterna Savings believes existing inputs, assumptions and model techniques do not capture all relevant risks. Examples of such circumstances include the emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters,

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models or data that are not incorporated in Alterna Savings' current parameters, internal risk ratings migrations, or forward-looking information. Management determined no overlays are needed in 2024.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set in note 2.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects the comparison of:

- Its remaining lifetime PD at the reporting date based on the modified terms; with
- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

Alterna Savings renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms typically include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. This applies to both retail and commercial loans.

For financial assets modified as part of Alterna Savings' forbearance policy, the estimate of PD reflects whether the modification has improved or restored Alterna Savings' ability to collect interest and principal and Alterna Savings' previous experience of similar forbearance action. As part of this process, Alterna Savings evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

There were no material modifications during the reporting period.

Reconciliation of opening to closing balance of the loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

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(000s)	31 Dec 2024					Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL - not credit- impaired loans	Stage 3 Lifetime ECL - credit- impaired loans	Purchased credit- impaired		
Loss allowance on Personal Loans						
As at 1 Jan	\$ 798	\$ 151	\$ 477	\$ -	\$ -	\$ 1,426
Transfer in on business combination	-	-	-	-	-	-
Amounts written off	-	-	(832)	-	-	(832)
Transfers to (from) Stage 1 - 12-month ECL	536	-	(536)	-	-	-
Transfers to (from) Stage 2 - Lifetime ECL - not credit-impaired loans	-	50	(50)	-	-	-
Transfers to (from) Stage 3 - Lifetime ECL - credit-impaired loans	-	-	-	-	-	-
Recoveries on loans previously written off	-	-	522	-	-	522
Allowance charged to (recovered from) operations	(510)	(97)	868	-	-	261
As at 31 Dec	\$ 824	\$ 104	\$ 449	\$ -	\$ -	\$ 1,377
Loss allowance on Residential Mortgages						
As at 1 Jan	\$ 616	\$ -	\$ -	\$ -	\$ -	\$ 616
Transfer in on business combination	-	-	-	-	-	-
Amounts written off	-	-	-	-	-	-
Transfers to (from) Stage 1 - 12-month ECL	125	-	(125)	-	-	-
Transfers to (from) Stage 2 - Lifetime ECL - not credit-impaired loans	-	62	(62)	-	-	-
Transfers to (from) Stage 3 - Lifetime ECL - credit-impaired loans	-	-	-	-	-	-
Recoveries on loans previously written off	-	-	122	-	-	122
Allowance charged to (recovered from) operations	(610)	2	65	-	-	(543)
As at 31 Dec	\$ 131	\$ 64	\$ -	\$ -	\$ -	\$ 195
Loss allowance on Commercial loans						
As at 1 Jan	\$ 473	\$ -	\$ 79	\$ -	\$ -	\$ 552
Transfer in on business combination	-	-	-	-	-	-
Amounts written off	-	-	(871)	-	-	(871)
Transfers to (from) Stage 1 - 12-month ECL	5	-	(5)	-	-	-
Transfers to (from) Stage 2 - Lifetime ECL - not credit-impaired loans	-	(3)	3	-	-	-
Transfers to (from) Stage 3 - Lifetime ECL - credit-impaired loans	-	-	-	-	-	-
Recoveries on loans previously written off	-	-	106	-	-	106
Allowance charged to (recovered from) operations ⁽¹⁾	(460)	3	778	-	-	321
As at 31 Dec	\$ 18	\$ -	\$ 90	\$ -	\$ -	\$ 108
Total as at 31 Dec	\$ 973	\$ 168	\$ 539	\$ -	\$ -	\$ 1,680

⁽¹⁾ Allowance charged is net of \$492 Compensation Right Asset related to the FSRA Guarantee.

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(000s)	31 Dec 2023				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL - not credit- impaired loans	Stage 3 Lifetime ECL - credit-impaired loans	Purchased credit-impaired	Total
Loss allowance on Personal Loans					
As at 1 Jan	\$ 756	\$ 253	\$ 340	\$ 33	\$ 1,382
Transfer in on business combination	-	-	-	-	-
Amounts written off	-	-	(972)	-	(972)
Transfers to (from) Stage 1 - 12-month ECL	368	25	(393)	-	-
Transfers to (from) Stage 2 - Lifetime ECL - not credit-impaired loans	6	(42)	36	-	-
Transfers to (from) Stage 3 - Lifetime ECL - credit-impaired loans	1	3	(4)	-	-
Recoveries on loans previously written off	-	-	315	-	315
Allowance charged to (recovered from) operations	(333)	(88)	1,155	(33)	701
As at 31 Dec	\$ 798	\$ 151	\$ 477	\$ -	\$ 1,426
Loss allowance on Residential Mortgages					
As at 1 Jan	\$ 652	\$ 6	\$ -	\$ -	\$ 658
Transfer in on business combination	-	-	-	-	-
Amounts written off	-	-	-	-	-
Transfers to (from) Stage 1 - 12-month ECL	468	8	(476)	-	-
Transfers to (from) Stage 2 - Lifetime ECL - not credit-impaired loans	1	(83)	82	-	-
Transfers to (from) Stage 3 - Lifetime ECL - credit-impaired loans	1	2	(3)	-	-
Recoveries on loans previously written off	-	-	237	-	237
Allowance charged to (recovered from) operations	(506)	67	160	-	(279)
As at 31 Dec	\$ 616	\$ -	\$ -	\$ -	\$ 616
Loss allowance on Commercial loans					
As at 1 Jan	\$ 483	\$ 175	\$ 1,509	\$ 31	\$ 2,198
Transfer in on business combination	-	-	-	-	-
Amounts written off	-	-	-	-	-
Transfers to (from) Stage 1 - 12-month ECL	439	11	(450)	-	-
Transfers to (from) Stage 2 - Lifetime ECL - not credit-impaired loans	-	(227)	227	-	-
Transfers to (from) Stage 3 - Lifetime ECL - credit-impaired loans	1	16	(13)	-	4
Recoveries on loans previously written off	-	-	914	-	914
Allowance charged to (recovered from) operations ⁽¹⁾	(450)	25	(2,108)	(31)	(2,564)
As at 31 Dec	\$ 473	\$ -	\$ 79	\$ -	\$ 552
Total as at 31 Dec	\$ 1,887	\$ 151	\$ 556	\$ -	\$ 2,594

⁽¹⁾ Allowance charged is net of \$476 Compensation Right Asset related to the FSRA Guarantee.

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(ii) Financial assets by stage

The table below breaks down all financial assets by stage and by asset class under IFRS 9.

(000s)	31 Dec 2024			31 Dec 2023		
	Gross carrying amount	Loss allowance	Carrying amount	Gross carrying amount	Loss allowance	Carrying amount
Personal Loans						
Stage 1 - 12-month ECL	\$ 259,785	\$ 824	\$ 258,961	\$ 270,064	\$ 798	\$ 269,266
Stage 2 - Lifetime ECL - not credit-impaired loans	5,887	104	5,783	5,251	151	5,100
Stage 3 - Lifetime ECL - credit-impaired loans	1,313	449	864	2,051	477	1,574
Purchased credit-impaired	21	-	21	23	-	23
	\$ 267,006	\$ 1,377	\$ 265,629	\$ 277,389	\$ 1,426	\$ 275,963
Residential Mortgages						
Stage 1 - 12-month ECL	\$ 5,220,023	\$ 131	\$ 5,219,892	\$ 4,861,510	\$ 616	\$ 4,860,894
Stage 2 - Lifetime ECL - not credit-impaired loans	40,167	64	40,103	24,654	-	24,654
Stage 3 - Lifetime ECL - credit-impaired loans	6,121	-	6,121	6,686	-	6,686
Purchased credit-impaired	-	-	-	-	-	-
	\$ 5,266,311	\$ 195	\$ 5,266,116	\$ 4,892,850	\$ 616	\$ 4,892,234
Commercial Loans						
Stage 1 - 12-month ECL	\$ 1,308,036	\$ 18	\$ 1,308,018	\$ 1,281,476	\$ 473	\$ 1,281,003
Stage 2 - Lifetime ECL - not credit-impaired loans	1,125	-	1,125	6,531	-	6,531
Stage 3 - Lifetime ECL - credit-impaired loans	906	90	816	1,962	79	1,883
Purchased credit-impaired	957	-	957	1,015	-	1,015
	\$ 1,311,024	\$ 108	\$ 1,310,916	\$ 1,290,984	\$ 552	\$ 1,290,432
Total	\$ 6,844,341	\$ 1,680	\$ 6,842,661	\$ 6,461,223	\$ 2,594	\$ 6,458,629

Maximum exposure to credit risk on financial instruments subject to impairment

The following table contains an analysis of the maximum exposure to credit risk on financial instruments subject to impairment, based on past due information.

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(000s)	31 Dec 2024					
Days Overdue	Stage 1 12-month ECL	Stage 2 Lifetime ECL - not credit- impaired loans	Stage 3 Lifetime ECL - credit-impaired loans	Purchased credit- impaired	Total	
Personal Loans						
0 to 29 days	\$ 259,785	\$ 4,808	\$ -	\$ 21	\$	264,614
30 to 89 days	-	1,079	-	-	-	1,079
90 days and greater	-	-	1,313	-	-	1,313
	\$ 259,785	\$ 5,887	\$ 1,313	\$ 21	\$	267,006
Residential Mortgages						
0 to 29 days	\$ 5,220,023	15,185	-	-	-	5,235,208
30 to 89 days	-	24,982	-	-	-	24,982
90 days and greater	-	-	6,121	-	-	6,121
	\$ 5,220,023	\$ 40,167	\$ 6,121	\$ -	\$	5,266,311
Commercial Loans						
0 to 29 days	\$ 1,308,036	\$ -	\$ -	\$ 957	\$	1,308,993
30 to 89 days	-	1,125	-	-	-	1,125
90 days and greater	-	-	906	-	-	906
	\$ 1,308,036	\$ 1,125	\$ 906	\$ 957	\$	1,311,024
Total	\$ 6,787,844	\$ 47,179	\$ 8,340	\$ 978	\$	6,844,341

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(000s)	31 Dec 2023					
Days Overdue	Stage 1 12-month ECL	Stage 2 Lifetime ECL - not credit- impaired loans	Stage 3 Lifetime ECL - credit-impaired loans	Purchased credit- impaired	Total	
Personal Loans						
0 to 29 days	\$ 270,064	\$ 1,570	\$ -	\$ 23	\$ 271,657	
30 to 89 days	-	3,681	-	-	3,681	
90 days and greater	-	-	2,051	-	2,051	
	\$ 270,064	\$ 5,251	\$ 2,051	\$ 23	\$ 277,389	
Residential Mortgages						
0 to 29 days	\$ 4,861,510	\$ 6,872	\$ -	\$ -	\$ 4,868,382	
30 to 89 days	-	17,782	-	-	17,782	
90 days and greater	-	-	6,686	-	6,686	
	\$ 4,861,510	\$ 24,654	\$ 6,686	\$ -	\$ 4,892,850	
Commercial Loans						
0 to 29 days	\$ 1,281,476	\$ -	\$ -	\$ 1,015	\$ 1,282,491	
30 to 89 days	-	6,531	-	-	6,531	
90 days and greater	-	-	1,962	-	1,962	
	\$ 1,281,476	\$ 6,531	\$ 1,962	\$ 1,015	\$ 1,290,984	
Total	\$ 6,413,050	\$ 36,436	\$ 10,699	\$ 1,038	\$ 6,461,223	

(iii) Collateral

Alterna Savings employs a range of policies and practices to mitigate credit risk, the most common of which is accepting collateral. A valuation of the collateral obtained is prepared as part of the loan origination process and reviewed periodically. 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. The policies regarding obtaining collateral have not significantly changed during the reporting period and there have been no significant changes in the overall quality of the collateral held since the prior period. Alterna Savings closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely Alterna Savings will take possession to mitigate potential credit losses. There were 8 repossessions held at December 31, 2024 (December 31, 2023 – two) with an appraisal value of \$1,078,550 (2023 – \$442,750).

(iv) Loans with renegotiated terms

Loans with renegotiated terms are defined as loans that have been restructured due to deterioration in the borrower's financial position, for which Alterna Savings has made concessions by agreeing to terms and conditions that are more favourable for the borrower than Alterna Savings had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

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.

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(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' (unconsolidated parent entity) 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' (unconsolidated parent entity) 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 is restricted to a 7% decline in the market value of equity as a limit to mitigate long-term interest rate risk. As at December 31, 2024, the results for these measures were 2.00% (2023 – 2.68%) and -1.51% (2023 – -1.49%), for short-term interest rate risk and long-term interest rate risk respectively.

The following table details Alterna Savings' exposure to interest rate risk resulting from the mismatch, or gap, between financial assets and financial 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)	Maturity							31-Dec-24	31-Dec-23
	Non-interest rate sensitive	Variable rate demand	Under 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total		
Cash and cash equivalents	\$ 183,946	\$ 152,853	\$ -	\$ -	\$ -	\$ -	\$ 336,799	\$ 329,846	
Interest Rates	-	3.55%	-	-	-	-	1.61%	2.91%	
Investments	\$ 46,743	\$ -	\$ 90,172	\$ 286,198	\$ 79,861	\$ -	\$ 502,974	\$ 542,495	
Interest Rates	-	-	1.47%	1.36%	1.91%	-	1.34%	1.47%	
Investments in Joint Venture	\$ 513	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 513	\$ 8,135	
Interest Rates	-	-	-	-	-	-	-	-	
Personal loans	\$ -	\$ 255,751	\$ 1,672	\$ 2,753	\$ 4,852	\$ 601	\$ 265,629	\$ 275,963	
Interest Rates	-	6.54%	7.28%	7.92%	8.31%	9.18%	6.60%	8.26%	
Residential mortgage loans	\$ 16,840	\$ 769,337	\$ 282,921	\$ 1,290,307	\$ 3,037,491	\$ 5,710	\$ 5,402,606	\$ 5,249,911	
Interest Rates	-	4.67%	3.84%	3.38%	3.62%	5.76%	3.71%	3.67%	
Commercial loans	\$ -	\$ 255,972	\$ 147,143	\$ 214,973	\$ 685,321	\$ 40,464	\$ 1,343,873	\$ 1,328,798	
Interest Rates	-	7.16%	3.70%	4.89%	5.09%	3.32%	5.24%	5.28%	
Other	\$ 190,975	\$ 33,394	\$ -	\$ -	\$ -	\$ -	\$ 224,369	\$ 240,968	
TOTAL ASSETS	\$ 439,017	\$ 1,467,307	\$ 521,908	\$ 1,794,231	\$ 3,807,525	\$ 46,775	\$ 8,076,763	\$ 7,976,116	
Deposits	\$ -	\$ 2,724,642	\$ 478,887	\$ 1,684,665	\$ 807,845	\$ 36	\$ 5,696,075	\$ 5,622,706	
Interest Rates	-	0.29%	4.70%	4.27%	4.25%	-	2.40%	2.06%	
Mortgage securitization liabilities	\$ -	\$ -	\$ 509	\$ 17,517	\$ 1,458,427	\$ -	\$ 1,476,453	\$ 1,361,370	
Interest Rates	-	-	2.24%	1.47%	2.67%	-	2.66%	2.86%	
Borrowings	\$ -	\$ 50,000	\$ 288,493	\$ -	\$ -	\$ -	\$ 338,493	\$ 442,764	
Interest Rates	-	5.45%	3.51%	-	-	-	3.80%	5.24%	
Other	\$ 136,853	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,853	\$ 131,581	
Members' equity	\$ 428,889	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 428,889	\$ 417,695	
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 565,742	\$ 2,774,642	\$ 767,889	\$ 1,702,182	\$ 2,266,272	\$ 36	\$ 8,076,763	\$ 7,976,116	
MATCHING GAP	\$ (126,725)	\$ (1,307,335)	\$ (245,981)	\$ 92,049	\$ 1,541,253	\$ 46,739	\$ -	\$ -	

Sensitivity Analysis

The key metrics that Alterna Savings uses to monitor interest rate risk are earnings at Risk ("EaR") and Economic Value of Equity at Risk ("EVEaR"). This metric is calculated based on the consolidated balance sheet date and only represents cash flow risk. EaR is defined as the change in interest income from a predetermined shock to interest rates. This exposure is measured over a 12-month period. EVEaR is defined as the change in the present value of the asset portfolio resulting from a predetermined shock versus the change in the present value of the liability portfolio resulting from the same

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predetermined interest rate shock. To mitigate risk, Alterna Savings uses various derivative financial instruments to manage interest rate risk. The estimated impact of a positive 100 basis point shock on these metrics is presented below.

(000s)	31 Dec 2024	31 Dec 2023
EaR	(\$15,498)	(\$10,607)
EVEaR	(1.32%)	(1.39%)

(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, 2024, the percentage of foreign currency denominated financial assets is within 90%–110% of foreign currency denominated financial liabilities. For a 10% instantaneous exchange rate increase (decrease), Alterna Savings' consolidated net income exposure is minimal.

(iii) Price risk

Alterna Savings is exposed to price risk on its investment in a private equity fund (see note 22). Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices other than those arising from interest rate risk and currency risk. Such fluctuations may occur because of factors specific to the individual investment or those affecting similar investments in the industry. The private equity fund investment is subject to normal market fluctuations and the risks inherent with investments in early-stage equity investments. The manager of the private equity fund investment manages price risk by diversifying their portfolio of underlying investments across geographies and industry sectors.

As at December 31, 2024, the impact of a 10% increase/ decrease on the fair value of the private equity fund investment would result in a \$1,708,000 (2023 - \$1,697,000) increase/ decrease to Alterna Savings income before income taxes.

c) LIQUIDITY RISK

Liquidity risk is the risk that Alterna Savings will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. 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.

Alterna Savings reports the liquidity risk against policy limits to ALCO on a monthly basis and to the Board on a minimum quarterly basis.

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Under FSRA regulations, Alterna Savings is expected to establish and maintain prudent levels of liquidity that are sufficient to meet its cash flow needs, including depositor withdrawals and all other objectives as they come due. The Liquidity Ratio measures Alterna Savings' liquid assets as a percentage of total deposits and borrowings, and is used by Alterna Savings to monitor its liquidity position in addition to the Liquidity Coverage Ratio ("LCR"), Net Cumulative Cash Flow ("NCCF") and Net Stable Funding Ratio ("NSFR"). As at December 31, 2024, Alterna Savings' Liquidity Ratio was 20.74% (2023 – 18.80%), the LCR and NSFR minimums were met and the NCCF did not show any liquidity deficiencies over the next 12-month period.

For the contractual maturities of assets and liabilities, please refer to the table under note 4(b)(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 derivative liabilities and interest, and lease liabilities, which are disclosed in note 23 and note 15 respectively.

(000s)					31 Dec 2024	31 Dec 2023
	Less than 1 year	1 to 5 years	Over 5 years	Due on demand ⁽¹⁾	Total	Total
Deposits	\$2,163,552	\$807,845	\$36	\$2,724,642	\$5,696,075	\$5,622,706
Borrowings	288,493	-	-	50,000	338,493	442,764
Mortgage securitization liabilities	18,026	1,458,427	-	-	1,476,453	1,361,370
	\$2,470,071	\$2,266,272	\$36	\$2,774,642	\$7,511,021	\$7,426,840

⁽¹⁾ Credit instruments approved as at December 31, 2024 but have not yet been disbursed are disclosed in note 25. Once disbursed and recorded, these credit instruments will be due on demand.

5. INVESTMENTS

(000s)	31 Dec 2024	31 Dec 2023
Classified as amortized cost:		
Guaranteed investment certificates	\$98,492	\$106,166
Classified as FVTPL:		
Private equity fund	18,225	16,968
Equity investments	6,288	4,276
Debt instruments classified as FVOCI:		
Securities issued or guaranteed by Sovereigns ⁽¹⁾	363,888	399,109
Other fixed income	2,924	2,813
Equity instruments designated as FVOCI:		
Central 1 shares	12,371	12,352
Other	786	811
	\$502,974	\$542,495

⁽¹⁾ Sovereigns – Direct Obligations of the Government of Canada or any obligations directly guaranteed by the Government of Canada.

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6. INVESTMENT IN ASSOCIATES

Alterna Savings' carrying value of the investment in associates for the fiscal year ended December 31, 2024 is as follows.

	2024	2023
Opening balance	\$8,135	\$9,717
Additions from business combinations	-	-
Capital contribution (distributions)	(7,622)	(4,854)
Accrued interest – net of interest payments received	-	221
Net income during the period	-	3,051
Closing balance	\$513	\$8,135

7. PROPERTY AND EQUIPMENT

(000s)	Land	Buildings	Furniture and Equipment	Computer Hardware	Leasehold Improvements	Total
Cost:						
Balance as at January 1, 2024	\$ 10,084	\$ 53,840	\$ 9,355	\$ 8,620	\$ 13,802	\$ 95,701
Additions ⁽¹⁾	-	2,591	204	289	697	3,781
Disposals	(344)	(671)	(137)	-	-	(1,152)
Balance as at December 31, 2024	9,740	55,760	9,422	8,909	14,499	98,330
Depreciation and impairment:						
Balance as at January 1, 2024	-	19,076	6,854	6,844	8,861	41,635
Depreciation	-	4,136	643	835	729	6,343
Disposals	-	(559)	(67)	-	-	(626)
Balance as at December 31, 2024	-	22,653	7,430	7,679	9,590	47,352
Net book value:						
Balance as at January 1, 2024	10,084	34,764	2,501	1,776	4,941	54,066
Balance as at December 31, 2024	\$ 9,740	\$ 33,107	\$ 1,992	\$ 1,230	\$ 4,909	\$ 50,978

⁽¹⁾ Includes impact of lease modifications

(000s)	Land	Buildings	Furniture and Equipment	Computer Hardware	Leasehold Improvements	Total
Cost:						
Balance as at January 1, 2023	\$ 10,084	\$ 52,568	\$ 9,080	\$ 8,122	\$ 12,861	\$ 92,715
Additions ⁽¹⁾	-	1,272	368	833	981	3,454
Disposals	-	-	(93)	(335)	(40)	(468)
Balance as at December 31, 2023	10,084	53,840	9,355	8,620	13,802	95,701
Depreciation and impairment:						
Balance as at January 1, 2023	-	14,826	6,177	5,996	8,207	35,206
Depreciation	-	4,254	765	1,181	692	6,892
Disposals	-	(4)	(88)	(333)	(38)	(463)
Balance as at December 31, 2023	-	19,076	6,854	6,844	8,861	41,635
Net book value:						
Balance as at January 1, 2023	10,084	37,742	2,903	2,126	4,654	57,509
Balance as at December 31, 2023	\$ 10,084	\$ 34,764	\$ 2,501	\$ 1,776	\$ 4,941	\$ 54,066

⁽¹⁾ Includes impact of lease modifications

For details of right-of-use assets included in the above, refer to note 15.

Total depreciation charged to income in 2024, including the foregoing right-of-use asset depreciation, was \$6,343,000 (2023 – \$6,892,000) and is included in administration and occupancy expenses under operating expenses on the consolidated statements of income.

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The gross carrying amount of fully depreciated property and equipment that are still in use is \$15,666,000, as at December 31, 2024 (2023 – \$14,289,000).

8. INTANGIBLE ASSETS

(000s)	Computer Software 2024	Core Deposit Intangible 2024 ⁽¹⁾	Total 2024	Computer Software 2023	Core Deposit Intangible 2023 ⁽¹⁾	Total 2023
Cost:						
Balance as at January 1	\$28,147	\$28,000	\$56,147	\$27,923	\$28,000	\$55,923
Additions	1,874	-	1,874	1,040	-	1,040
Disposals	-	-	-	(816)	-	(816)
Balance as at December 31	\$30,021	\$28,000	\$58,021	\$28,147	\$28,000	\$56,147
Amortization and impairment:						
Balance as at January 1	\$13,279	\$5,250	\$18,529	\$12,345	\$1,750	\$14,095
Amortization	1,655	3,500	5,155	1,750	3,500	5,250
Disposals	-	-	-	(816)	-	(816)
Balance as at December 31	\$14,934	\$8,750	\$23,684	\$13,279	\$5,250	\$18,529
Net book value:						
Balance as at January 1	\$14,868	\$22,750	\$37,618	\$15,578	\$26,250	\$41,828
Balance as at December 31	\$15,087	\$19,250	\$34,337	\$14,868	\$22,750	\$37,618

⁽¹⁾ Core Deposits Intangible acquired a part of business combination.

Total amortization charged to income in 2024 was \$5,155,000 (2023 – \$5,250,000) 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 \$5,226,000 as at December 31, 2024 (2023 – \$5,058,000).

9. GOODWILL

(000s)	2024	2023
Cost:		
Balance as at January 1	\$20,351	\$18,700
Adjustments	-	1,651
Balance as at December 31	\$20,351	\$20,351

Goodwill has been allocated to the entity-wide cash-generating unit (“CGU”) and Alterna Savings performed its annual impairment assessment as at September 30, 2024 and determined that no impairment existed. The recoverable amount of the CGU was estimated using a discounted value in use (“VIU”) calculation that was based on financial forecasts approved by the Board of Directors and covers a five-year period. Financial forecasts incorporate actual historical performance updated to reflect current market trends, capital requirements and strategic business initiatives set by Management.

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Key assumptions and the resulting recoverable amount is as follows:

(000s)	Terminal Growth Rate	Discount Rate (1)	Undiscounted Net Operating Cash Flows	Recoverable amount
	3.0%	11.0%	\$134,769	\$438,971

(1) Analysis indicates that an appropriate discount rate would be in the range of 9.8% to 12.2%.

The discount rate is determined by the yield of 10-year government bonds, modified to incorporate risk premiums. The terminal growth rate is the nominal long-term growth rate which cash flows beyond the projected five-year forecast period have been extended. This terminal growth rate was established according to management's assessment of the long-term compound annual growth in cash flows, aligning with assumptions typical of a market participant.

Management deems these key assumptions as reasonable and are indicative of management's best estimates. Adjustments to estimations and assumptions hold the potential to notably influence the outcomes of the impairment test.

As of December 31, 2024, the recoverable amount of the CGU was \$438,971,000 which exceeds the carrying amount of \$417,791,000 by \$21,180,000. As such no impairment has been recorded.

Sensitivity Analysis

Calculating the recoverable amount by applying the value in use approach entails key judgment regarding the inputs for the discounted cash flow model, particularly in relation to the terminal growth rate and discount rate assumptions. The recoverable amount's sensitivity to crucial inputs and assumptions was examined by recalculating the recoverable amount with reasonably conceivable alterations to these assumptions.

Management has analyzed the impairment test's sensitivity to plausible adjustments in key assumptions determining the recoverable amount for the cash-generating unit (CGU). A 10% per annum increase in undiscounted net operating cash flows would increase the recoverable amount by \$41,554,000, whereas a 10% per annum decrease in undiscounted net operating cash flows would decrease the recoverable amount by \$41,554,000. A 1% increase in the terminal growth rate would increase the recoverable amount by \$48,162,000, whereas a 1% decrease in the terminal growth rate would decrease the recoverable amount by \$37,460,000. A 1% increase in the discount rate would decrease the recoverable amount by \$48,006,000, whereas a 1% decrease in the discount rate would increase the recoverable amount by \$61,891,000. If the undiscounted net operating cash flows were decreased by 5% per annum, or if the discount rate was increased by 0.4%, or if the terminal growth rate was decreased by 0.6%, the recoverable amount would approximate the carrying amount.

Changes to these assumptions have been implemented while maintaining the constancy of other individual factors. However, adjustments in one factor may be amplified or mitigated by correlated modifications in other assumptions, given the intricate interdependency of impacts on the recoverable amount. Such alterations in assumptions may not yield a linear effect on the recoverable amount of the CGU. In summary, the range of reasonably conceivable outcomes would not materially alter the recoverable amount of the CGU.

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10. OTHER ASSETS

(000s)	31 Dec 2024	31 Dec 2023
Securitization receivables and deferred charges	\$36,715	\$39,960
Accrued interest receivable	22,066	18,652
Restricted cash ⁽¹⁾	20,924	32,136
Prepaid expenses	9,067	10,061
Defined Pension Benefits Assets	8,479	-
Deferred Guarantee Premium Asset	6,577	8,434
Other	4,155	4,678
Finance Leases	983	-
Compensation Right Asset	492	885
	\$109,458	\$114,806

⁽¹⁾ Included in restricted cash is \$15,520 (2023 - \$30,116) held as an unscheduled prepayment cash reserve, a requirement of Alterna Savings' participation in the NHA MBS program. The use of these funds is restricted to those allowed as provided for by the program. Restricted cash also includes \$5,404 (2023 - \$2,020) held by counterparties as collateral for Alterna Savings' derivative transactions (note 23). The terms and conditions for the collateral are governed by the International Swaps and Derivatives Association agreements which gives conditional rights of set-off that are enforceable and exercisable only in the event of default, insolvency, or bankruptcy of any of the counterparties.

11. DEPOSITS

(000s)	31 Dec 2024	31 Dec 2023
Demand deposits	\$2,432,716	\$2,582,774
Term deposits	1,869,511	1,670,482
Registered plans	1,393,848	1,369,450
	\$5,696,075	\$5,622,706

As at December 31, 2024, members' deposits denominated in US Dollars amounted to US\$28,422,000 (2023 – US\$30,527,000) with a carrying amount of \$40,865,000 (2023 – \$40,331,000).

12. BORROWINGS

(000s)	31 Dec 2024	31 Dec 2023
Borrowings	\$50,000	\$-
Repurchase agreements	288,493	442,764
	\$338,493	\$442,764

Alterna Savings has access to a \$345,250,000 credit facility with Central 1 (2023 – \$413,250,000) of which the balance outstanding was \$nil as at December 31, 2024 (2023 – \$nil). The facilities are secured by a pledge of certain assets under a general security agreement. This credit facility is in good standing as at December 31, 2024.

Alterna Savings also has access to a \$200,000,000 revolving credit facility with major Canadian Banks (2023 – \$150,000,000) of which the balance outstanding as at December 31, 2024 was \$50,000,000 (2023 – \$nil). The facility is secured by mortgage collateral.

Alterna Savings must comply with certain financial covenants in order to be in compliance with its borrowings. As at December 31, 2024, Alterna Savings is in compliance with all required financial covenants.

Borrowings also include \$288,493,000 (2023 – \$442,764,000) in short-term borrowings in the form of investment repurchase agreements.

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13. MORTGAGE SECURITIZATION LIABILITIES

(000s)	31 Dec 2024	31 Dec 2023
Mortgage securitization liabilities ⁽¹⁾	\$1,476,453	\$1,361,370

⁽¹⁾ Of which \$87,552 (2023 - \$160,454) are measured at FVTPL.

As part of its program of liquidity, capital and interest rate risk management, Alterna Savings securitizes insured residential and commercial mortgage loans through the creation of MBS under the NHA MBS program and may in turn sell them to Canada Housing Trust (“CHT”) under the Canada Mortgage Bond (“CMB”) Program and/or to third party investors.

As all mortgages securitized by Alterna Savings are required to be fully insured prior to sale, they pose minimal to no credit risk to Alterna Savings immediately before or any time after the securitization transaction.

The creation and sale of most insured MBS under the above program does not lead to the derecognition of the underlying mortgages as Alterna Savings has retained substantially all the risks and rewards of ownership, primarily pre-payment and interest rate risk. Where Alterna Savings retains substantially all the risks and rewards of the transferred loans, the loan portfolio remains on the consolidated balance sheets, the proceeds received are recognized as a mortgage securitization liability on the consolidated balance sheets. Certain insured multi-unit residential mortgages with no prepayment privileges do qualify for derecognition upon the transfer of the asset.

Additionally, for certain MBS pools that do have pre-payment privileges, Alterna Savings may enter into additional transactions which, together with the MBS sale transaction allow the transfer of the contractual right to receive the residual cash flows from the mortgages and transfer substantially all of the risks and rewards of ownership, including credit, interest rate, prepayment and other price risks. These transactions are derecognized from the consolidated balance sheets when the derecognition criteria in note 2(i)(iii) is met. Refer to note 19 for income generated from securitization activity.

(000s)	31 Dec 2024	31 Dec 2023
Mortgages securitized:		
On-balance sheet (and included in loans)	\$2,363,418	\$2,221,397
Off-balance sheet	\$958,192	\$1,055,167

14. OTHER LIABILITIES

(000s)	31 Dec 2024	31 Dec 2023
Accrued interest payable	\$69,543	\$57,315
Trade payables and accrued expenses	17,610	24,557
Lease liabilities (note 15)	17,376	17,310
Dividend payable	6,305	7,459
Salaries and benefits payable	5,284	4,659
Certified cheques	406	453
Accrued benefit liability (note 22)	-	230
	\$116,524	\$111,983

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15. LEASES

a) AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEETS

The consolidated balance sheets show the following amounts relating to leases:

(000s)	31 Dec 2024	31 Dec 2023
Right-of-use assets ⁽¹⁾		
Buildings	\$12,829	\$13,698
Furniture and Equipment	-	90
	\$12,829	\$13,788
Lease liabilities ⁽²⁾		
Current	\$3,194	\$3,662
Non-current	14,182	13,648
	\$17,376	\$17,310

(1) included in the line item 'Property and equipment' in the consolidated balance sheets. Additions in the year were \$2,479,000 (2023 - \$1,065,000).

(2) included in the line item 'Other liabilities' in the consolidated balance sheets. Refer to maturity analysis of undiscounted cash flows below:

(000s)	31 Dec 2024				
	Less than 1 year	1 to 5 years	Over 5 years	No specified maturity	Total
Lease liabilities	\$3,746	\$14,581	\$1,870	\$0	\$20,197

b) SUB-LEASE

During 2024, Alterna Savings has sub-leased a portion of a building that has been presented as a right-of-use-assets-buildings.

During 2024, Alterna Savings recognized a gain of \$64,000 (2023 - \$nil) on derecognition of the right-of-use asset pertaining to the portion of the building and presented the gain as part of "Gain on Sale of property, plan and equipment (see Note 7).

During 2024, Alterna Savings has recognized interest income on the lease receivable of \$10,000 (2023 - \$nil)

The following table sets out a maturity analysis of the lease receivable, showing the undiscounted lease payments to be received after December 31, 2024.

(000s)	2024
Less than 1 year	\$ 163
1 to 5 years	911
Over 5 years	-
Total undiscounted lease receivable	1,074
Unearned finance income	125
Net investment in the lease	949

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c) AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENTS OF INCOME

The consolidated statements of income shows the following amounts relating to leases:

(000s)	31 Dec 2024	31 Dec 2023
Depreciation charge for right-of-use assets ⁽¹⁾		
Buildings	\$3,323	\$3,459
Furniture and Equipment	25	56
	\$3,348	\$3,515
Interest expense ⁽²⁾	\$765	\$776
Expense relating to short-term leases ⁽³⁾	\$174	\$387
Expense relating to variable lease payments ⁽³⁾	\$2,861	\$3,170

(1) \$25 (2023 – \$56) included in the line item ‘Administration’ and \$3,323 (2023 – \$3,459) in the line item ‘Occupancy’ in the consolidated statements of income.

(2) \$764 (2023 - \$773) included in the line item ‘Interest expense’ and \$1 (2023 - \$3) included in the line item ‘Administration’ in the consolidated statements of income.

(3) included in the line item ‘Occupancy’ in the consolidated statements of income.

The total cash outflow for leases in 2024 was \$8,162,884 (2023 – \$8,267,053).

16. 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.

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

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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 may request redemption of their shares at any time. Requests are held to 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 annually to a maximum of 10% of the Class A, Series 3 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 3 shares at any time.

Class A, Series 4 holders may request redemption of their shares at any time. Requests are held to December 31st annually. The Board of Directors will approve redemption requests once annually, at its first Board meeting in each fiscal year once redemptions can legally occur. All redemptions are at the discretion of the Board of Directors. 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 A, Series 5 holders may request redemption of their shares at any time. Requests are held to December 31st annually. The Board of Directors will approve redemption requests once annually, at its first Board meeting in each fiscal year once redemptions can legally occur. All redemptions are at the discretion of the Board of Directors. 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 5 shares, issued and outstanding at the end of the prior fiscal year. Alterna Savings, at its option, may reacquire the Class A, Series 5 shares, for cancellation after a period of five years following the issuance of the shares.

Class A, Series 6 holders may request redemption of their shares after the fifth anniversary of their issuance, which was between June 28th and September 30th of 2024. The Board will approve redemption requests once annually, at its first Board meeting in each fiscal year once redemptions can legally occur. All redemptions are at the discretion of the Board of Directors. 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 6 shares, issued and outstanding at the end of the prior fiscal year. Alterna Savings, at its option, may reacquire the Class A, Series 6 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

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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, 2024 is as follows (in thousands of dollars and thousands of shares):

	Class A Special Shares											
	Series 1		Series 2		Series 3		Series 4		Series 5		Series 6	
	Number of Shares	\$	Number of Shares	\$	Number of Shares	\$	Number of Shares	\$	Number of Shares	\$	Number of Shares	\$
Transferred and outstanding as at December 31, 2022	14,414	14,225	9,199	9,199	34,230	33,839	1,374	1,374	74,991	74,285	50,000	49,615
Net shares transferred (redeemed) net of issuance costs	(1,308)	(1,308)	(252)	(252)	(2,961)	(2,961)	(102)	(102)	(7,300)	(7,300)	-	-
Transferred and outstanding as at December 31, 2023	13,106	12,917	8,947	8,947	31,269	30,878	1,272	1,272	67,691	66,985	50,000	49,615
Net shares transferred (redeemed) net of issuance costs	(873)	(873)	(198)	(198)	(2,188)	(2,188)	(69)	(69)	(6,787)	(6,787)	-	(2)
Transferred and outstanding as at December 31, 2024	12,233	12,044	8,749	8,749	29,081	28,690	1,203	1,203	60,904	60,198	50,000	49,613

	Class B Special Shares				Membership Shares	
	Series 1		Series 2		Number of Shares	\$
	Number of Shares	\$	Number of Shares	\$		
Transferred and outstanding as at December 31, 2022	1917	1917	239	239	2551	2551
Net shares transferred (redeemed) net of issuance costs	2	2	1	1	(48)	(48)
Transferred and outstanding as at December 31, 2023	1,919	1,919	240	240	2,503	2,503
Net shares transferred (redeemed) net of issuance costs	14	14	(3)	(3)	(146)	(146)
Transferred and outstanding as at December 31, 2024	1,933	1,933	237	237	2,357	2,357

There are no issued shares that have not been fully paid.

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d) DIVIDENDS DECLARED

During 2024, the Board of Directors approved the following dividends based on policies outlined in the offering statements of each class of shares:

Class	Number of holders of record as of declaration date	Dividend Rate	\$	Period
Class A, Series 1	13,106	5.00%	655	September 1, 2023 to August 31, 2024
Class A, Series 2	8,749	4.25%	372	January 1, 2024 to December 31, 2024
Class A, Series 3	29,082	4.25%	1,236	January 1, 2024 to December 31, 2024
Class A, Series 4	1,203	4.25%	51	January 1, 2024 to December 31, 2024
Class A, Series 5	60,903	4.25%	2,588	January 1, 2024 to December 31, 2024
Class A, Series 6 ^{(1) (2)}	50,000	4.00% ¹ 4.25% ²	2,056	January 1, 2024 to December 31, 2024
Class B, Series 1	1,919	5.00%	96	January 1, 2023 to December 31, 2023
Class B, Series 2	240	5.00%	12	January 1, 2023 to December 31, 2023
			7,066	
Income taxes			1,286	
Total dividends paid net of tax			5,780	

⁽¹⁾ The dividend rate for Class A, Series 6 was 4% up until investment share 5 year anniversary date from May 2024 - September 2024.
⁽²⁾ The dividend rate for Class A, Series 6 was 4.25% after the investment share 5 year anniversary date from May 2024 - September 2024 to December 31, 2024.

(000s)	2023			
Class	Number of holders of record	Dividend Rate	\$	Period
Class A, Series 1	14,417	5.00%	721	September 1, 2022 to August 31, 2023
Class A, Series 2	8,947	5.00%	447	January 1, 2023 to December 31, 2023
Class A, Series 3	31,269	5.00%	1,563	January 1, 2023 to December 31, 2023
Class A, Series 4	1,272	5.00%	64	January 1, 2023 to December 31, 2023
Class A, Series 5	67,691	5.00%	3,385	January 1, 2023 to December 31, 2023
Class A, Series 6	50,000	4.00%	2,000	January 1, 2023 to December 31, 2023
Class B, Series 1	1,917	5.00%	95	January 1, 2022 to December 31, 2022
Class B, Series 2	240	5.00%	12	January 1, 2022 to December 31, 2022
			8,287	
Income taxes			1,516	
Total dividends paid net of tax			6,771	

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17. INTEREST INCOME AND INTEREST EXPENSE

(000s)	31 Dec 2024	31 Dec 2023
Interest income:		
Residential mortgage loans	\$204,153	\$173,500
Commercial loans	80,022	73,626
Personal loans	21,479	21,489
Swap agreements	3,589	4,733
	\$309,243	\$273,348
Interest expense:		
Term deposits	\$82,525	\$64,041
Mortgage securitization cost of funds	58,566	43,794
Registered plans	51,121	42,708
Borrowings	16,107	19,988
Demand deposits	7,199	10,063
Leases (note 15)	764	773
	\$216,282	\$181,367

As at December 31, 2024, there was \$229,000 (2023 - \$nil) of interest income recorded on stage 3 loans.

18. INTEREST INCOME FROM INVESTMENTS

(000s)	31 Dec 2024	31 Dec 2023
Income on financial assets FVOCI	\$10,794	\$11,305
Income on financial assets amortized cost	2,986	2,722
Profit on financial assets FVTPL	994	879
	\$14,774	\$14,906

19. SECURITIZATION INCOME

(000s)	31 Dec 2024	31 Dec 2023
Net change in fair value of loans and advances and mortgage securitization liabilities	\$1,265	\$2,894
Net (loss) gain on sale of mortgages	970	2,129
Servicing income	583	461
Net change in gain (loss) on bond forwards	52	(343)
	\$2,870	\$5,141

The bond forwards referred to in the above table hedge interest rate risk on loans held for sale. The bond forwards, which are derivatives, are not designated in hedge accounting relationships. The gains or losses on the bond forwards are mainly offset by the fair value change in the loans held for sale.

20. EMPLOYEE BENEFIT PLANS

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. The post-retirement benefits programs were assumed in business combinations and provide 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.

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

Effective October 1, 2024, the Alterna Savings DB pension plan was amended and renamed the Alterna Savings Pension Plan. As part of this amendment, a new Defined Contribution component ("DC Component") was introduced, featuring contribution and benefit structures similar to those of the existing DC pension plan. The DC Component applies to all individuals who were members of the DC pension plan as of September 30, 2024, as well as employees who joined on or after October 1, 2024. As of October 1, 2024, all contributions to the DC pension plan ceased, and all assets of the DC pension plan were transferred to the Alterna Savings Pension Plan.

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 Savings 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, 2024, and are detailed as follows:

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(000s)	31 Dec 2024			31 Dec 2023
	Pension	Benefits	Total	Total
Accrued benefit obligation:				
Balance, beginning of year	\$22,642	\$230	\$22,872	\$21,975
Interest cost	1,003	10	1,013	1,082
Re-measurement (gains)/losses				
Actuarial gains and losses from changes in financial assumptions	(17)	2	(15)	1,236
Benefits paid	(1,672)	(14)	(1,686)	(1,421)
Balance, end of year	\$21,956	\$228	\$22,184	\$22,872
Plans' assets:				
Fair value, beginning of year	\$33,294	\$-	\$33,294	\$31,697
Interest income	1,486	-	1,486	1,579
Re-measurement (gains)/losses				
Return on plan assets (excluding amounts included in net interest expense)	1,027	-	1,027	1,424
Employer contributions ⁽¹⁾	(335)	14	(321)	15
Benefits paid	(1,672)	(14)	(1,686)	(1,421)
Fair value, end of year	\$33,800	\$-	\$33,800	\$33,294
Over funded (under funded) status of plans	\$11,844	(\$228)	\$11,616	\$10,422
Limit on amount recognized (min. funding obligation/unrecognized plan surplus) ⁽¹⁾	(\$3,137)	-	(3,137)	(10,652)
Accrued benefit liability	\$8,707	(\$228)	\$8,479	(\$230)

(1) As the Alterna Savings Pension is currently on a contribution holiday, it was permissible for Alterna Savings to use the over funded surplus to fund the employer contribution requirements for the newly established DC Component of the Alterna Savings Pension Plan.

As at December 31, 2024, the total over funded status of the pension plans was \$11,844,000 (2023 - \$10,652,000), which comprised of the over funded status of the DB pension plan of \$11,204,000 (2023 - \$10,092,000 over funded) and the over funded status of the SRIP of \$640,000 (2023 - \$560,000 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 2024		31 Dec 2023	
	Pension	Benefits	Pension	Benefits
Discount rate for accrued benefit obligation	4.61%	4.50%	4.60%	4.60%
Discount rate for pension expense	4.00%	4.60%	4.47%	5.00%

The health care cost trend rate is expected to be 4.5% in 2025.

A 1% increase in the discount rate would decrease the accrued benefit obligation by \$1,964,000 and a 1% decrease in the discount rate would increase the accrued benefit obligation by \$2,321,000. 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.

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As at December 31, 2024, the fair value of the pension plans' assets for each major asset class was as follows:

(000s)	31 Dec 2024	31 Dec 2023
Fixed Income Funds		
Cash equivalents	\$982	\$1,029
Bonds	21,221	21,198
	22,203	22,227
Equity Funds:		
Canadian	6,941	6,681
United States	2,862	2,579
Other international	1,605	1,566
	11,408	10,826
Other Funds:		
Real Estate	189	241
	\$33,800	\$33,294

The fair values of the above equity and debt instruments are classified as Level 1 or Level 2 financial instruments.

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

(000s)	31 Dec 2024	31 Dec 2023
Net interest expense	\$18	\$11
Components of defined benefit costs recognized in the consolidated statements of income	\$18	\$11
(000s)	31 Dec 2024	31 Dec 2023
Re-measurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	\$1,027	\$1,424
Actuarial gains and losses from experience adjustments	-	(167)
Actuarial gains and losses from changes in demographic assumptions	-	-
Actuarial gains and losses from changes in financial assumptions	15	(1,237)
Limit on amount recognized (min. funding obligation/unrecognized plan surplus)	8,006	(27)
Components of defined benefit (cost) recovery recognized in other comprehensive income	\$9,048	(\$7)

The next actuarial valuation for funding purposes of the DB pension plan is to be performed as at December 31, 2025 (the most recent valuation was performed as at December 31, 2022). 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, 2022 for the DB pension plan, January 1, 2023 for the SRIP and August 31, 2019 for the post-retirement benefits program.

Alterna Savings expects to contribute approximately \$17,000 to its defined benefit plan in 2025. The average duration of the defined benefit plan obligation at the end of the reporting period is 9.9 years for the DB pension plan, 7.1 years for the SRIP and 8.1 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, 2024 was \$1,602,000 (2023 – \$1,891,000).

Total Cash Payments

Total cash payments for employee benefit plans for 2024, 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 were \$1,616,000 (2023 – \$1,906,000).

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21. INCOME TAXES

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

(000s)	Consolidated balance sheets	
	31 Dec 2024	31 Dec 2023
Loss allowance	\$93	\$390
Deferred pension liability	(1,602)	42
Investments	(828)	(1,824)
Property and equipment	(1,790)	(2,103)
Other	1,072	998
Net deferred income tax (liability) asset	(\$3,055)	(\$2,497)

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

(000s)	31 Dec 2024		31 Dec 2023	
	Amount	Percent	Amount	Percent
Expected tax provision at combined federal and provincial rates	\$3,280	26.51%	\$3,387	26.50%
Additional credit for Credit Unions	(545)	(4.40%)	(172)	(1.35%)
Return to provision – current	(291)	(2.35%)	295	2.31%
Return to provision – deferred	(1)	(0.01%)	(302)	(2.36%)
Deferred income tax rate differential	89	0.72%	25	0.2%
Permanent differences	(766)	(6.19%)	(1,172)	(9.17%)
Other – net	578	4.67%	720	5.63%
	\$2,344	18.95%	\$2,781	21.76%

The components of income tax expense for the years ended December 31, 2024 and 2023 are as follows:

(000s)	31 Dec 2024	31 Dec 2023
Current income tax expense	\$2,509	\$1,896
Deferred income tax expense (recovery)	(165)	885
Income tax expense reported in the consolidated statements of income	\$2,344	\$2,781

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

(000s)	31 Dec 2024	31 Dec 2023
Change in unrealized gains and losses on FVOCI financial assets	\$2,633	\$4,226
Change in gains and losses on derivatives designated as cash flow hedges	(295)	(1,686)
Defined benefit plan – actuarial losses	1,647	-
	\$3,985	\$2,540

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

(000s)	31 Dec 2024	31 Dec 2023
Current income tax expense	\$2,338	\$1,844
Deferred income tax expense	1,647	696
	\$3,985	\$2,540

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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 the loss allowance, using the valuation methods and assumptions described below.

(000s)	31 Dec 2024		31 Dec 2023	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
FVOCI:				
Investments	\$379,969	\$379,969	\$415,085	\$415,085
FVTPL:				
Investments	24,513	24,513	21,244	21,244
Derivative financial instruments				
- interest rate swaps	2,454	2,454	5,790	5,790
- bond forwards	3,396	3,396	5,166	5,166
- purchased options	2,860	2,860	1,967	1,967
Loans and advances				
- residential mortgage loans	136,490	136,490	358,881	358,881
- commercial loans	32,957	32,957	38,366	38,366
Amortized cost:				
Cash and cash equivalents	336,799	336,799	329,846	329,846
Investments	98,492	98,492	106,166	106,166
Investment in associates	513	513	8,135	8,135
Loans and advances				
- personal loans	267,006	267,367	277,389	277,729
- residential mortgage loans	5,266,311	5,492,933	4,891,646	4,716,929
- commercial loans	1,311,024	1,288,296	1,290,984	1,282,887
Total	\$7,862,784	\$8,067,039	\$7,750,665	\$7,568,191
Financial liabilities:				
Other liabilities:				
Deposits				
- demand deposits	\$2,432,716	\$2,432,716	\$2,582,774	\$2,668,109
- term deposits	1,869,511	1,879,742	1,670,482	1,659,249
- registered plans	1,393,848	1,403,478	1,369,450	1,355,390
Mortgage securitization liabilities	1,388,901	1,541,258	1,200,917	1,365,677
Borrowings	50,000	50,000	-	-
Repurchase agreements	288,493	288,493	442,764	442,764
FVTPL:				
Mortgage securitization liabilities	87,552	87,552	160,454	160,454
Derivative financial instruments				
- interest rate swaps	11,123	11,125	9,080	9,080
- bond forwards	7	7	76	76
- embedded options	2,854	2,854	1,960	1,960
Total	\$7,525,005	\$7,697,225	\$7,437,957	\$7,662,759

Management has assessed that cash and cash equivalents, trade receivables, trade payables, other current liabilities and borrowings 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

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assumptions were used to estimate the fair values:

(i) Fair values of FVOCI investments are derived from discounted cash flow valuation models. Discount rates are based on observable market inputs, other than quoted prices, which include relevant interest rates pertaining to the value of the investments.

(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, 2024, 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. 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, 2024, Alterna Savings assessed these risks to be insignificant.

(iv) Personal loans, residential mortgage loans, commercial loans, deposits and mortgage securitization liabilities - at discounted cash flows using prevailing interest rates of instruments with similar remaining terms.

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FAIR VALUE HIERARCHY

The following tables show the hierarchical classification of financial assets and financial liabilities measured or disclosed at fair value as at December 31, 2024 and 2023:

31 Dec 2024 (000s)	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial investments FVTPL	\$-	\$-	\$24,513	\$24,513
Financial investments FVOCI	-	379,969	-	379,969
Derivative financial instruments				
- interest rate swaps	-	2,454	-	2,454
- bond forwards	-	3,396	-	3,396
- purchased options	-	2,860	-	2,860
Loans and advances				
- residential mortgages	-	136,490	-	136,490
- commercial mortgages	-	32,957	-	32,957
Assets for which fair values are disclosed:				
Loans and advances				
- personal loans	-	267,367	-	267,367
- residential mortgage loans	-	5,492,933	-	5,492,933
- commercial loans	-	1,288,296	-	1,288,296
Liabilities measured at fair value:				
Mortgage securitization liabilities	-	87,552	-	87,552
Derivative financial instruments				
- interest rate swaps	-	11,125	-	11,125
- bond forwards	-	7	-	7
- embedded options	-	2,854	-	2,854
Liabilities for which fair values are disclosed:				
Deposits				
- demand deposits	-	2,432,716	-	2,432,716
- term deposits	-	1,879,742	-	1,879,742
- registered plans	-	1,403,478	-	1,403,478
Mortgage securitization liabilities	-	1,541,258	-	1,541,258

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31 Dec 2023 (000s)	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial investments FVTPL	\$-	\$-	\$21,244	\$21,244
Financial investments FVOCI	-	415,085	-	415,085
Derivative financial instruments				
- interest rate swaps	-	5,790	-	5,790
- bond forwards	-	5,166	-	5,166
- purchased options	-	1,967	-	1,967
Loans and advances				
- residential mortgage loans	-	358,881	-	358,881
- commercial loans	-	38,366	-	38,366
Assets for which fair values are disclosed:				
Loans and advances				
- personal loans	-	277,729	-	277,729
- residential mortgage loans	-	4,716,929	-	4,716,929
- commercial loans	-	1,282,887	-	1,282,887
Liabilities measured at fair value:				
Mortgage securitization liabilities	-	160,454	-	160,454
Derivative financial instruments				
- interest rate swaps	-	9,080	-	9,080
- bond forwards	-	76	-	76
- embedded options	-	1,960	-	1,960
Liabilities for which fair values are disclosed:				
Deposits				
- demand deposits	-	2,668,109	-	2,668,109
- term deposits	-	1,659,249	-	1,659,249
- registered plans	-	1,355,390	-	1,355,390
Mortgage securitization liabilities	-	1,365,677	-	1,365,677

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2024 and 2023.

The table below presents the changes in fair value of Level 3 financial assets and liabilities for the years ended December 31, 2024 and 2023. These instruments are measured at fair value utilizing non-observable market inputs. The total net gains included in interest income from investment in the consolidated statements of income, on financial instruments for which fair value was estimated using a valuation technique requiring non-observable market inputs \$1,778,000 (2023 – \$95,000). Alterna Savings has committed to contribute \$10,000,000 of capital for the private equity fund investment (see note 5). The unfunded commitment at December 31, 2024 is \$204,000 (2023 - \$522,000).

31 Dec 2024 (000s)	Net realized/unrealized gains included in						Closing balance	Unrealized gains ⁽¹⁾
	Opening balance	Net income	OCI	Net Purchases	Settlements			
Financial investments								
FVTPL – Private equity fund	\$16,968	\$1,724	\$-	(\$467)	\$-	\$18,225	\$1,321	
FVTPL – Equity Investments	4,276	54	-	1,958	-	6,288	54	
	\$21,244	\$1,778	\$-	\$1,491	\$-	\$24,513	\$1,375	

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(000s)	Opening balance	Net realized/unrealized gains included in		Purchases	Settlements	Closing balance	Unrealized gains ⁽¹⁾
		Net income	OCI				
31 Dec 2023							
Financial investments							
FVTPL – Private equity fund	\$16,894	(\$26)	\$-	\$100	\$-	\$16,968	(\$188)
FVTPL – Equity Investments	2,826	905	-	545	-	4,276	905
	\$19,720	\$879	\$-	\$645	\$-	\$21,244	\$717

There were no transfers in or out of Level 3 during the years ended December 31, 2024 and 2023.

The table below sets out information about significant unobservable inputs used as at December 31, 2024 in measuring financial instruments categorized as Level 3 in the fair value hierarchy:

Description	Fair value as at December 31, 2024	Valuation technique	Unobservable input	Range
Private equity fund investment ⁽¹⁾	\$18,225	Market comparable	Net asset value	-
Equity investments	6,288	Discounted Cash flow	Capitalization rate	5.4%

⁽¹⁾ The valuation of the private equity fund investment utilizes net asset values as reported by fund managers. Net asset values are not considered observable as Alterna Savings cannot redeem these instruments at such values. The range for net asset values per unit or price per share has not been disclosed for these instruments since the valuations are not model-based.

23. DERIVATIVE FINANCIAL INSTRUMENTS

The tables below provide a summary of Alterna Savings' derivative portfolio, their notional values and fair values as at December 31, 2024 and 2023:

(000s)	31 Dec 2024				
	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 ⁽¹⁾	\$11,516	\$281,199	\$292,715	\$2,454	\$11,125
Bond forwards	53,050	-	53,050	3,396	7
	64,566	281,199	345,765	5,850	11,132
Other derivatives					
Index-linked call options	5,610	16,270	21,880	2,860	2,854
	5,610	16,270	21,880	2,860	2,854
	\$70,176	\$297,469	\$367,645	\$8,710	\$13,986

⁽¹⁾ Of which \$nil are derivative instrument assets designated as cash flow hedges and \$11,063 are derivative instrument liabilities designated as cash flow hedges. The notional amounts of derivative instrument liabilities designated as cash flow hedges are \$200,000 maturing in 1 to 5 years. \$2,454 are derivative instrument assets designated as fair value hedges and \$nil are derivative instrument liabilities designated as fair value hedges. The notional amounts of derivative instrument assets are \$11,516 with a maturity within 1 year and \$76,199 maturing in 1 to 5 years.

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(000s)	31 Dec 2023				
	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 ⁽¹⁾	\$13,650	\$293,323	\$306,973	\$5,790	\$9,080
Bond forwards	116,350	-	116,350	5,166	76
	130,000	293,323	423,323	10,956	9,156
Other derivatives					
Index-linked call options	4,372	18,419	22,791	1,967	1,960
	4,372	18,419	22,791	1,967	1,960
	\$134,372	\$311,742	\$446,114	\$12,923	\$11,116

⁽¹⁾ Of which \$nil are derivative instrument assets designated as cash flow hedges and \$9,080 are derivative instrument liabilities designated as cash flow hedges. The notional amounts of derivative instrument liabilities designated as cash flow hedges are \$200,000 maturing in 1 to 5 years. \$5,750 are derivative instrument assets designated as fair value hedges and \$nil are derivative instrument liabilities designated as fair value hedges. The notional amounts of derivative instrument assets are \$13,650 with a maturity within 1 year and \$88,323 maturing in 1 to 5 years.

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 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 swap 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 CORRA 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 CORRA 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

Index-linked call options

Alterna Savings has issued \$21,880,000 of indexed term deposits to its members as at December 31, 2024 (2023 – \$22,791,000). 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.

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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.

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, 2024 and 2023.

(000s)	31 Dec 2024			31 Dec 2023		
	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	(\$1,325)	(\$1,561)	\$49	(\$7,582)	\$718	(\$49)
Fair value hedges	-	-	\$1,857	-	-	(830)
	(\$1,325)	(\$1,561)	\$1,906	(\$7,582)	\$718	(\$879)

24. CAPITAL MANAGEMENT

Alterna Savings' capital management objective is to ensure the long-term viability of the entity 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 Act. The Act requires credit unions to maintain minimum regulatory capital, as defined by the Act. Regulatory capital is calculated as a percentage of total assets and of risk-weighted assets. Risk-weighted assets are calculated by applying risk-weighted percentages, as prescribed by the Act, to various asset categories, operational and interest rate risk criteria. The prescribed risk weights are dependent on the degree of risk inherent in the asset.

In March 2022, the new Capital Adequacy Requirements Rule ("CAR Rule") developed by FSRA came into effect with the implementation of Ontario's new Credit Unions and Caisses Populaires Act, 2020 (CUCPA 2020). The CAR Rule requires credit unions with consolidating subsidiaries to report capital ratios on a consolidated basis.

The new CAR Rule requires credit unions to maintain the following regulatory minimums:

Consolidated Tier 1 capital ratio (%)	6.5%
Consolidated Retained earnings to Risk weighted Capital Ratio (%)	3.0%
Consolidated Capital conservation buffer ratio (%)	2.5%
Consolidated Risk Weighted Capital Ratio (Total capital ratio) (%)	8.0%
Consolidated Total supervisory capital ratio (%)	10.5%
Consolidated Leverage ratio (%)	3.0%

Tier 1 capital is the highest quality. It is comprised of retained earnings, contributed surplus, accumulated other comprehensive income, membership shares and the non-redeemable portion of the special shares, excluding Class B, Series 1.

Tier 2 capital, otherwise known as supplementary capital, contributes to the overall strength of a financial institution as a going concern, but is of a lesser quality than Tier 1 capital relative to both permanence and freedom from charges. It is comprised of the redeemable portion of the special shares ineligible as Tier 1 capital, Class B, Series 1 and the eligible portion of the Stage 1 and Stage 2 loan allowances.

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

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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, 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 those payments become, insolvent, or that regulatory liquidity or capital levels would not be met after payment.

Capital Summary

As at December 31, 2024, Alterna Savings was in compliance with the regulations in the CAR Rule as indicated by the table below:

	31 Dec 2024 (Consolidated)	31 Dec 2023 (Consolidated)
Tier 1 capital (000s)	\$385,073	\$382,634
Tier 2 capital (000s)	\$17,575	\$14,149
Total regulatory capital (000s)	\$402,648	\$396,783
Total risk-weighted assets (000s)	\$2,648,317	\$2,746,974
Tier 1 capital ratio (%)	14.5%	13.9%
Retained earnings to Risk weighted Capital Ratio (%)	10.3%	9.8%
Capital conservation buffer ratio (%)	7.2%	6.4%
Risk Weighted Capital Ratio (Total capital ratio) (%)	15.2%	14.4%
Total supervisory capital ratio (%)	15.2%	14.4%
Leverage ratio (%)	5.0%	5.0%

25. COMMITMENTS AND CONTINGENCIES

a) CREDIT INSTRUMENTS

As at December 31, 2024, the credit instruments approved but not yet disbursed were as follows:

(000s)	31 Dec 2024	31 Dec 2023
Residential mortgage loans	\$13,426	\$7,091
Commercial demand loans	\$-	\$-
Commercial mortgage loans	\$-	\$-
Lines of credit unfunded	\$827,131	\$891,082

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, 2024 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 \$41,721,000 (2023 - \$45,959,000) representing the maximum potential amount of future payments it would be required to make under the guarantees, in

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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 are the same as is held for loans. As at December 31, 2024, no liability has been recorded on the consolidated balance sheets as no letters of credit have been called upon. In addition, under IFRS 9 no ECL or fair value has been recorded for the guarantees as these are immaterial.

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.

26. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a) COMPONENTS OF CASH AND CASH EQUIVALENTS

(000s)	31 Dec 2024	31 Dec 2023
Deposits with other financial institutions	\$210,398	\$239,604
Marketable securities (original maturities less than 90 days)	111,052	73,140
Cash on hand	15,349	17,102
	\$336,799	\$329,846

27. 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.

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 Senior Vice-President, Region Head and Vice-President.

(i) Key management personnel compensation

The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for was made up of short-term employee benefits of \$5,8745,000, (2023 - \$5,486,000).

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(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 2024	31 Dec 2023
(1) Aggregate value of loans outstanding as at consolidated balance sheet dates	\$4,265	\$3,769
(2) Total value of personal lines of credit facilities as at consolidated balance sheet dates	2,377	1,728
Less: Amounts drawn down and included in loan values and included in (1)	(1,038)	(603)
Net balance available	\$5,604	\$4,894
Aggregate value of loans disbursed during the year:		
Residential mortgages	\$968	\$584
Personal loans	709	-
Total	\$1,677	\$584

(iii) Deposits from KMP

(000s)	31 Dec 2024	31 Dec 2023
Total value of demand, term and registered plan deposits from KMP	\$4,142	\$4,114
Total amount of interest paid on deposits to KMP	113	63

b) OTHER RESTRICTED PARTY DISCLOSURES

Alterna Savings also employs the definition of restricted party contained in section 92 of Ontario Regulation 105/22 of 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, their spouse, their dependent relatives who live in the same household as the person, and any corporation controlled by such spouse or dependent relative.

(i) Loans

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

At the end of the year, the total amount of loans related to restricted parties, as defined, was approximately \$4,265,000 (2023 – \$3,769,000). There was approximately \$163,000 (2023 – \$114,000) 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 \$435,000 (2023 – \$425,000) and other expenses incurred totalled \$169,000 (2023 – \$215,000). As at December 31, 2024, Alterna Savings' Board consisted of 10 Directors (2023 – 10 Directors) and Alterna Bank's Board consisted of 7 Directors (2023 – 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.

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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 \$175,000. The individuals and their respective remuneration (salary, bonus, benefits, other compensation (paid, payable, awarded, granted or given)) included Robert Paterson, President and Chief Executive Officer (\$583,000, \$375,000, \$178,000, \$46,000), Bill Boni, SVP and Chief Financial Officer (\$364,000, \$118,000, \$58,000, \$24,000), José Gallant, SVP and Chief Administrative Officer (\$297,000, \$92,000, \$16,000, \$24,000) Brian Lawson, SVP, SME and Member Experience NCR (\$231,000, \$55,000, \$13,000, \$24,000), and Benjamin Choi, Interim COO, PACE (\$289,000, \$50,000, \$16,000, \$124,000).

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.

28. 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, 2024 and 2023.

(000s)	As at 31 Dec 2024			As at 31 Dec 2023		
	Within 1 Year	After 1 year	Total	Within 1 Year	After 1 year	Total
Assets						
Cash and cash equivalents	\$ 336,799	\$ -	\$ 336,799	\$ 329,846	\$ -	\$ 329,846
Investments	423,113	79,861	502,974	284,004	258,491	542,495
Investment in associates	-	513	513	-	8,135	8,135
Personal loans	261,553	5,453	267,006	270,306	7,083	277,389
Residential mortgages loans	2,359,600	3,043,201	5,402,801	1,627,341	3,624,390	5,251,731
Commercial loans	618,196	725,785	1,343,981	616,568	712,782	1,329,350
Loss allowance	(1,680)	-	(1,680)	(2,594)	-	(2,594)
Property and equipment	-	50,978	50,978	-	54,066	54,066
Intangible assets	-	34,337	34,337	-	37,618	37,618
Goodwill	-	20,351	20,351	-	20,351	20,351
Derivative financial instruments	4,393	4,317	8,710	5,558	7,365	12,923
Income tax receivable	535	-	535	-	-	-
Other assets	109,458	-	109,458	114,806	-	114,806
Total assets	\$ 4,111,967	\$ 3,964,796	\$ 8,076,763	\$ 3,245,835	\$ 4,730,281	\$ 7,976,116
Liabilities						
Demand deposits	\$ 2,432,716	-	\$ 2,432,716	\$ 2,582,774	\$ -	\$ 2,582,774
Term deposits	1,476,303	393,208	1,869,511	1,262,580	407,902	1,670,482
Registered plans	979,175	414,673	1,393,848	925,128	444,322	1,369,450
Borrowings	338,493	-	338,493	442,764	-	442,764
Mortgage securitization liabilities	18,026	1,458,427	1,476,453	26,749	1,334,621	1,361,370
Derivative financial instruments	908	13,078	13,986	468	10,648	11,116
Income tax payable	931	-	931	3,482	-	3,482
Deferred income tax liability	-	3,055	3,055	-	2,497	2,497
Other liabilities	116,524	-	116,524	98,335	13,648	111,983
Membership shares	-	2,357	2,357	-	2,503	2,503
Total liabilities	\$ 5,363,076	\$ 2,284,798	\$ 7,647,874	\$ 5,342,280	\$ 2,216,141	\$ 7,558,421
Net	\$ (1,251,109)	\$ 1,679,998	\$ 428,889	\$ (2,096,445)	\$ 2,514,140	\$ 417,695

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29. RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current year presentation.

30. EVENTS AFTER THE CONSOLIDATED BALANCE SHEETS DATE

On March 4, 2025, the United States government, imposed a 25% tariff on imports of all Canadian goods and services excluding Canadian energy which received a 10% tariff through an executive order. In response, Canada moved forward with 25% tariffs on \$30 billion worth of imported goods, increasing to \$155 billion in 21 days should the United States continue to apply the imposed tariffs. The impact of such may not be known immediately and could vary depending on numerous factors such as extent, duration and retaliatory measures imposed by Canada. The estimated impact on Alterna's future financial position cannot be quantified at this time. There is no impact to Alterna's financial position as of December 31, 2024.