Caisse populaire Alliance limitée

Independent Auditor's Report and Financial Statements

December 31, 2022

Caisse populaire Alliance limitée

Independent Auditor's Report

Financial Statements

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Independent Auditor's Report

To the Members of
Caisse populaire Alliance limitée

Opinion

We have audited the accompanying financial statements of Caisse populaire Alliance limitée ("Caisse Alliance"), which comprise the statement of financial position as at December 31, 2022 and the statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Caisse populaire Alliance limitée as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Financial Statements section of our report. We are independent of Caisse Alliance in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Independent Auditor's Report (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing Caisse Alliance'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 Caisse Alliance or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Caisse Alliance's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Caisse Alliance's internal control.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 material uncertainty exists related to events or conditions that may cast significant doubt on Caisse Alliance'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 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 Caisse Alliance to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Baker Tilly SNT LLP

North Bay, Ontario
March 7, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

Caisse populaire Alliance limitée
Statement of Financial Position
(Audited)

December 31, 2022

(In Thousands of Canadian Dollars)	Note		2022		2021
Assets					
Cash and investments	4	**$**	**267,459**	$	273,448
Loans to members	5		**2,023,675**		1,796,546
Property and equipment	6		**17,047**		17,638
Intangible assets	7		**7,801**		-
Deferred income tax assets	15		**2,804**		1,511
Other assets	8		**21,467**		17,144
Total Assets		**$**	**2,340,253**	$	2,106,287
Liabilities					
Members' deposits	10	**$**	**1,936,180**	$	1,859,016
Loans	11		**235,596**		82,253
Net defined benefit plan liability	12		**711**		888
Other liabilities	13		**21,009**		17,212
Membership shares	14		**10,882**		10,914
Total Liabilities			**2,204,378**		1,970,283
Members' Equity					
Retained earnings			**135,554**		135,550
Accumulated other comprehensive income			**321**		454
Total Members' Equity			**135,875**		136,004
Total Liabilities and Members' Equity		**$**	**2,340,253**	$	2,106,287

Commitments (note 16)

On behalf of the Board of Directors

Grégoire Lefebvre, Director

Olivier Cabana, Director

The accompanying notes are an integral part of the financial statements.

Caisse populaire Alliance limitée

Statement of Comprehensive Income
(Audited)

For the Year Ended December 31, 2022

(In Thousands of Canadian Dollars)	Note		2022		2021
Interest and investment income	17	$	**68,564**	$	61,744
Interest expense	18		**26,443**		18,806
Net interest income			**42,121**		42,938
Credit loss expense	5		**1,781**		2,130
Net Interest Income After Credit Loss Expense			**40,340**		40,808
Other income	19		**11,790**		13,165
			52,130		53,973
Other Expenses					
Salaries and benefits			**25,402**		24,458
Depreciation of property and equipment			**1,743**		1,331
Amortization of intangible assets			**24**		-
Data processing			**10,416**		9,897
Building expenses			**2,300**		2,094
Administrative and general	20		**8,715**		6,185
			48,600		43,965
Income Before Distributions to Members and Income Taxes			**3,530**		10,008
Distributions to members	14		**3,025**		4,412
Income Before Income Taxes			**505**		5,596
Income taxes	15		**501**		812
Net Income for the Year			**4**		4,784
Other Comprehensive Income (Net of Income Taxes)					
Remeasurement of the net defined benefit plan liability			**(133)**		255
Total Comprehensive Income for the Year		$	**(129)**	$	5,039

The accompanying notes are an integral part of the financial statements.

Caisse populaire Alliance limitée

Statement of Changes in Members' Equity
(Audited)

For the Year Ended December 31, 2022

(In Thousands of Canadian Dollars)		Retained Earnings		Accumulated Other Comprehensive Income		Total Members' Equity
Balance at December 31, 2020	$	130,766	$	199	$	130,965
Net income for 2021		4,784		-		4,784
Other comprehensive income for the year 2021		-		255		255
Balance at December 31, 2021		135,550		454		136,004
Net income for 2022		4		-		4
Other comprehensive income for the year 2022		-		(133)		(133)
Balance at December 31, 2022	$	135,554	$	321	$	135,875

The accompanying notes are an integral part of the financial statements.

Caisse populaire Alliance limitée

Statement of Cash Flows
(Audited)

For the Year Ended December 31, 2022

(In Thousands of Canadian Dollars)	2022	2021
Cash Flows From (Used for) Operating Activities		
Net income for the year	**$ 4**	$ 4,784
Non-cash adjustments:		
Credit loss expense	**1,776**	2,130
Depreciation of property and equipment	**1,743**	1,331
Loss on disposal of property and equipment	**12**	-
Amortization of intangible assets	**24**	-
Unrealized losses (gains) on investments	**7,273**	4,771
Depreciation of right-of-use assets	**98**	117
Deferred income taxes	**(1,335)**	(805)
Depreciation of premiums and discounts	**320**	-
Recovery of the net defined benefit plan liability	**(268)**	(291)
Change in operating assets and liabilities		
Accrued interest receivable	**(2,756)**	1,042
Accrued interest payable	**4,103**	(1,554)
Net change in loans to members	**(228,905)**	(248,331)
Net change in member deposits	**77,164**	193,800
Other changes	**(1,877)**	(3,644)
	(142,624)	(46,650)
Cash Flows From (Used For) Financing Activities		
Repayment of lease obligations	**(94)**	(112)
Repayment of loans	**(27,178)**	(27,179)
Increase in loans	**180,201**	18,999
Net change in membership shares	**(32)**	6
	152,897	(8,286)
Cash Flows From (Used For) Investing Activities		
Net change in investments	**13,737**	(11,005)
Purchase of property and equipment	**(3,963)**	(3,065)
Purchase of intangible assets	**(5,026)**	-
	4,748	(14,070)
Increase (Decrease) in Cash	**15,021**	(69,006)
Cash, beginning of year (note 4)	**82,046**	151,052
Cash, End of Year (note 4)	**$ 97,067**	$ 82,046

Supplemental Information on Cash Flows From (Used For) Operating Activities

	2022	2021
Interest paid during the year	**$ (23,972)**	$ (23,737)
Dividends paid during the year	**(412)**	(423)
Income taxes paid during the year	**(2,072)**	(1,796)

The accompanying notes are an integral part of the financial statements.

1. Statutes and Nature of Operations

Caisse populaire Alliance limitée ("Caisse Alliance"), governed by the Credit Unions and Caisses Populaires Act, 2020 of Ontario, is a co-operative enterprise that offers financial services to its members.

Caisse Alliance's head office is located at 1870 Bond St., North Bay, Ontario.

Caisse Alliance's Board of Directors approved these financial statements on March 7, 2023.

2. Accounting Policies

Caisse Alliance's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), as at December 31, 2022.

These financial statements were prepared in accordance with the historical cost basis, amended to incorporate the measurement of financial assets classified at fair value through net income.

The financial statements are expressed in Canadian dollars, functional currency of Caisse Alliance.

All financial information presented in the supplemental notes are in thousands of dollars unless otherwise indicated.

The preparation of financial statements, in accordance with IFRS, requires management to exercise judgments, and make estimates and assumptions, as described in the following significant accounting policies, to determine the fair value of financial instruments, the allowance for credit losses, the provision for distribution to members, the impairment of non-financial assets, right-of-use assets, lease obligations, income taxes and employee benefits. Consequently, actual results may differ from these estimates and assumptions.

Financial Assets and Liabilities

Financial assets and liabilities are recognized on the date on which Caisse Alliance becomes a party to the contracts.

Classification and Measurement

Financial assets are classified based on their contractual cash flow characteristics and the business model under which they are held.

Contractual cash flow characteristics:

To meet the cash flow characteristics criterion for the purposes of classifying a financial asset, the cash flows from this asset must be solely repayments of principal and interest on the principal amount outstanding. Principal is generally the fair value of the financial asset at initial recognition. Interest consists mainly of consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time but may also include consideration for other basic lending risks and costs, for example liquidity risk and administrative costs, as well as a certain profit margin.

2. Accounting Policies (continued)

Financial Assets and Liabilities (continued)

Classification and Measurement (continued)

Business models:

Caisse Alliance's business models are determined in a manner that reflects how groups of financial assets are managed to achieve a particular business objective. The business models represent how Caisse Alliance manages its financial assets to generate cash flows. They therefore reflect whether cash flows will result from collecting contractual cash flows, selling financial assets, or both. Determining business models requires the use of judgment and is based on all relevant evidence that is available to Caisse Alliance at the date of the assessment.

Caisse Alliance's business models are defined as follows:

- Held to collect contractual cash flows: The objective of holding financial assets is achieved by collecting contractual cash flows;
- Held to collect contractual cash flows and sell: The objective is achieved by both collecting contractual cash flows and selling financial assets; and,
- Other business models: The objective is not consistent with any of the above-mentioned business models.

The classification and measurement of Caisse Alliance's financial assets can be summarized as follows:

	Recognition	
Classes	**Initial**	**Subsequent**
Financial assets classified at fair value through net income (i)	Fair value	Fair value
Financial assets at amortized cost (ii)	Fair value	At amortized cost

(i) Financial assets classified at "At fair value through net income" are measured at fair value. The financial assets classified in this category include:

- investments
- derivative financial instruments

(ii) The financial assets classified in the "At amortized cost" category are measured at the amortized cost using the effective interest rate method. Revenues recorded on these assets are shown under "Interest and investment income" in the statement of comprehensive income. The financial assets classified in this category include:

- cash
- loans to members
- accrued interest

2. Accounting Policies (continued)

Financial Assets and Liabilities (continued)

Classification and Measurement (continued)

The financial assets are not reclassified following initial recognition, except where the business model under which they are held has been modified.

Financial liabilities are classified based on their characteristics and the intention of management upon their issuance.

The classification and measurement of Caisse Alliance's financial liabilities can be summarized as follows:

Classes	Recognition Initial	Recognition Subsequent
Financial liabilities classified at fair value through net income (iii)	Fair value	Fair value
Financial liabilities at amortized cost (iv)	Fair value	At amortized cost

iii) The financial liabilities classified in the "Classified at fair value through net income" category include only derivative financial instruments.

iv) The financial liabilities classified in the "At amortized cost" category are measured at the amortized cost using the effective interest rate method. Interest expenses for these liabilities are shown under "Interest expense" in the statement of comprehensive income. The financial liabilities classified in this category include:

- members' deposits
- loans
- accrued interest
- accounts payable
- distributions to members
- dividends payable on Class A shares
- membership shares

Determination of the Fair Value of Financial Instruments

The fair value of financial instruments, and more specifically investments, are established based on quoted prices in active markets, which minimizes subjectivity when determining the fair value.

If there are no quoted prices in active markets, fair value is determined based on present value and other valuation methods which are influenced by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk, including liquidity, credit, interest rates, exchange rates and price and rate volatilities. Given the role that judgment plays in applying many of the accepted estimation and valuation techniques for calculating fair value, they are not identical.

2. Accounting Policies (continued)

Financial Assets and Liabilities (continued)

Determination of the Fair Value of Financial Instruments (continued)

Fair value is based on market conditions at a specific point in time and may not be reflective of future fair values. Neither can they be interpreted as realizable amounts in the event of immediate settlement of these instruments.

Caisse Alliance records investments based on the active market. As a result, the unrealized gain (or loss) on the values is recognized in the statement of comprehensive income.

Interest rate fluctuations and changes in the creditworthiness of borrowers are the major cause of fluctuations in the fair value of loans to members held by Caisse Alliance, which translates into a positive or negative variance in relation to the carrying value. The fair value of loans is estimated using a discounted cash flow calculation method that uses market interest rates charged for similar new loans at year-end and considers adjusted estimated prepayments to take loan portfolio credit losses into account.

The fair value of members' deposits and loans which contain variable rate features or have no stated maturity is considered to be equal to carrying value.

The fair value of fixed rate members' deposits and loans is determined by discounting expected cash flows using the market interest rates currently being offered for deposits with substantially the same term.

Derivative financial instruments:

The fair value of derivative financial instruments is determined using pricing models that incorporate the current market prices and the contractual prices of the underlying instruments, the time value of money, interest rate yield curves, credit curves and volatility factors.

Transaction costs:

Transaction costs for financial instruments are capitalized and then amortized over the life of the instrument using the effective interest method. However, for financial instruments classified or designated as "At fair value through net income," these costs are expensed as incurred.

Derecognition of financial assets and liabilities:

A financial asset is derecognized from the statement of financial position when the contractual rights to the cash flows from the asset expire, when the contractual rights to receive these cash flows are retained but Caisse Alliance is obliged to pay them to a third party under certain conditions, or when the contractual rights to receive the cash flows have been transferred, and substantially all the risks and rewards of ownership of the asset have been transferred.

2. Accounting Policies (continued)

Financial Assets and Liabilities (continued)

Determination of the Fair Value of Financial Instruments (continued)

When substantially all the risks and rewards of ownership of the transferred financial asset are retained by Caisse Alliance, such asset is not derecognized from the statement of financial position, and a financial liability is recognized, when appropriate.

When a financial asset is derecognized in its entirety, a gain or a loss is recognized in the statement of comprehensive income for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received.

Caisse Alliance management must use its judgment to determine whether the contractual rights to the cash flows have expired, have been transferred or have been retained with an obligation to pay them to a third party. With respect to the transfer of substantially all the risks and rewards of ownership of the assets, management evaluates Caisse Alliance's exposure before and after the transfer as well as the changes in the amount and timing of the net cash flows of the transferred asset. Lastly, management must make judgments to determine whether it controls the financial asset and to measure retained rights.

A financial liability is derecognized when the related obligation is discharged, cancelled, or expired. The difference between the carrying amount of the transferred financial liability and the consideration paid is recognized in the statement of comprehensive income.

Loans to Members

Loans to members are carried at amortized cost using the effective interest rate method, net of the allowance for credit losses.

Commission income and direct fees related to loan origination, restructuring and renegotiation are treated as an integral part of the yield earned on a loan, unless conditions are altered to such an extent that this transaction is treated as a new loan, in which case commission income and direct fees are included in earnings for the year.

Impairment of Financial Assets

At year-end, Caisse Alliance recognizes an allowance for expected credit losses on loans to members classified at amortized cost. The allowance is estimated based on an impairment model that includes three categories:

Category 1 : For financial instruments that have not had a significant increase in credit risk since initial recognition or that have a low credit risk, a loss allowance amounting to 12-month expected credit losses is recognized;

Category 2 : For financial instruments that have had a significant increase in credit risk since initial recognition or do not have a low credit risk, a loss allowance amounting to the lifetime expected credit losses is recognized; and

2. Accounting Policies (continued)

Impairment of Financial Assets (continued)

Category 3 : For financial instruments considered as credit impaired, a loss allowance amounting to the lifetime expected credit losses is recognized.

Financial instruments may, over their life, move from one impairment model category to another based on the improvement or deterioration in their credit risk and the level of expected credit losses.

To determine whether, at year-end, credit risk has increased significantly since initial recognition, Caisse Alliance compares the probability of default (PD) of the financial instrument at year-end with its probability of default at the date of initial recognition. In particular, a loan is in default when contractual payments are over 90 days past due.

The allowance for expected credit losses represents the present value of the difference between cash flows that are due, or the amount of the commitment that may be used under the terms and conditions of the contract, and the total cash flows Caisse Alliance expects to receive. For credit-impaired financial assets, expected credit losses are calculated based on the difference between the gross carrying amount of the asset and estimated cash flows.

The measurement of the allowance for expected credit losses is estimated for each exposure at the reporting date and is based on the result of multiplying the three credit risk parameters, namely PD, loss given default (LGD) and exposure at default (EAD). The result of this multiplication is then discounted using the effective interest rate. The parameters are estimated using an appropriate segmentation that considers common credit risk characteristics. For financial instruments in Category 1 of the expected credit loss model, credit risk parameters are projected over a maximum horizon of 12 months, while for those in Category 2 and 3, the credit risk parameters are projected over the remaining life of the instrument.

The allowance for expected credit losses also considers information about future economic conditions. To incorporate forward-looking information relevant to the determination of significant increases in credit risk and the measurement of the allowance for expected credit losses, Caisse Alliance uses past events, current conditions, reasonable and justifiable forecasts that affect the expected recoverability of the financial asset's future cash flows. Caisse Alliance uses three scenarios (base, upside, and downside) to establish the allowance for expected credit losses, assigning each scenario a probability of occurrence. Incorporating forward-looking information is based on a set of assumptions and methodologies specific to credit risk and economic projections. It therefore requires a high degree of judgment.

The allowance for expected credit losses on loans is recorded under "Loans to members" in the statement of financial position, and under "Credit loss expense" in the statement of comprehensive income.

The allowance for impaired loans complies with By-law no. 6 established by the Financial Services Regulatory Authority of Ontario (FSRA).

A loan is written off when all attempts at restructuring or collection have been made and the likelihood of future recovery is remote. When a loan is written off completely, any subsequent payments are recorded under "Credit loss expense" in the statement of comprehensive income.

2. Accounting Policies (continued)

Securitization

Caisse Alliance participates in the National Housing Act (NHA) Mortgage-Backed Securities Program. Under this program, guaranteed residential mortgage loans are assigned. However, in these transactions, Caisse Alliance retains substantially all the risks, including prepayment, interest rate and credit risks, and the rewards, namely the cash flows associated with these assets. The loans therefore continue to be recognized in Caisse Alliance's statement of financial position.

Caisse Alliance recognizes a liability corresponding to the consideration received from the acquirer when cash or other assets are received in exchange for the transferred assets. This liability is shown under "Loans" in the statement of financial position. Premiums or discounts are applied to the book value of the loan and subsequently amortized over the term of the loans using the effective interest rate method.

Property and Equipment

Property and equipment are recognized at cost less any accumulated depreciation and impairment losses, and are depreciated over the expected useful life of each significant component using the straight-line method at the following annual rates:

	Depreciation Periods
Land	Non-depreciable
Building	10 to 60 years
Equipment, furniture and other	1 to 20 years

Property and equipment in progress are not depreciated until the asset is available for productive use.

Intangible Assets

Intangible assets, including those acquired and internally generated, are recognized at cost less any accumulated amortization and impairment losses and are amortized over the expected useful life of each significant component using the straight-line method at the following annual rates :

	Amortization Periods
Software	10 years

2. Accounting Policies (continued)

Intangible Assets (continued)

An internally generated intangible asset arising from development is recognised if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenses incurred from the date when the intangible asset first meets the recognition criteria listed above.

Internally generated intangible assets that are not yet complete are not amortized but are subject to impairment testing as described in "Impairment of Non-Financial Assets" section.

Intangible assets in progress are not depreciated until the asset is available for productive use.

Leases

Caisse Alliance analyzes contracts newly entered into or modified to assess whether they are or contain a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The way a lease is accounted for differs depending on whether Caisse Alliance is the lessee or the lessor.

Lessee

Caisse Alliance mainly leases premises that are used in the normal course of its operations. A right-of-use asset and a lease liability are recognized in the statement of financial position at the commencement date of the lease, except for short-term and low-value leases. The commencement date of the lease is the date on which the lessor makes the leased asset available for use by the lessee. Caisse Alliance elected to apply the exemption provisions for short-term and low-value leases. Accordingly, lease payments associated with those leases are recognized as a lease expense in the statement of comprehensive income based on the terms of the lease. In addition, Caisse Alliance applies the simplification measure which allows it not to separate the contract's non-lease components from lease components.

Right-of-use assets are initially measured at cost, which comprises the amount of the initial measurement of the lease liability, plus prepaid lease payments less lease incentives received. Right-of-use assets are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses. Right-of-use assets are depreciated on a straight-line basis over the shortest of the lease term and the useful life of the underlying asset. The lease term is the non-cancellable period and includes any renewal options Caisse Alliance is reasonably certain to exercise, or any renewal option Caisse Alliance is reasonably certain not to exercise. The right-of-use asset is periodically adjusted to reflect certain reassessments of the lease liability.

2. Accounting Policies (continued)

Leases (continued)

Lessee (continued)

Right-of-use assets are presented under "Other assets" in the statement of financial position and the depreciation of right-of-use assets is presented under "Building expenses" in the statement of comprehensive income.

The lease liability is initially measured at the present value of the lease payments for the lease term that have not yet been paid, calculated using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, Caisse Alliance uses its incremental borrowing rate as a discount rate. Payments included in the measurement of the lease liability comprise fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or rate, based on the index or rate in effect at the contract's commencement date, an estimated amount for any guaranteed residual value as well as amounts Caisse Alliance is reasonably certain to pay for the exercise price of a purchase option or a termination penalty.

The lease liability is subsequently adjusted to reflect interest on the lease liability and lease payments made. It is remeasured when there is a change in future lease payments mainly as a result of a change in an index or rate, or a change in the amounts expected to be payable by Caisse Alliance under a residual value guarantee, when there are lease modifications, or when Caisse Alliance revises its assessment of the potential exercise of a purchase, renewal or termination option.

Lease liabilities are presented under "Other liabilities" in the statement of financial position, and interest expenses for lease liabilities are recorded under "Building expenses" in the statement of comprehensive income.

Lessor

Leases in which Caisse Alliance is the lessor are leases for premises. Caisse Alliance classifies the leases in which it is the lessor as either finance leases or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and as an operating lease if it does not. Caisse Alliance mainly enters into operating leases.

When Caisse Alliance is the lessor, lease income from operating leases is recognized on a straight-line basis over the lease term under "Other income" and the leased assets remains recognized on the statement of financial position. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the lease income. Contingent rent is recognized in income in the year in which it is earned.

2. Accounting Policies (continued)

Impairment of Non-Financial Assets

Caisse Alliance assesses at the reporting date whether there is evidence that an asset may be impaired. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable value. The recoverable amount represents the higher of the fair value less costs of disposal and the value in use that corresponds to the discounted value of the amount expected to be recovered. Any impairment loss recognized in the statement of comprehensive income represents the excess of the carrying amount of the asset over the recoverable amount. The asset's impairment losses may be subsequently reversed and are recognized in the statement of comprehensive income in the year in which they occur.

Estimating the recoverable amount of a non-financial asset to determine whether it is impaired also requires management to make estimates and assumptions. Any change in these estimates and assumptions could impact the determination of the recoverable amount of non-financial assets and, therefore, the outcome of the impairment test.

Derivative Financial Instruments

Derivative financial instruments are financial contracts whose value depends on assets, interest rates, foreign exchange rates or other financial indexes. The vast majority of Caisse Alliance's derivative financial instruments are negotiated by mutual agreement with the counterparty and may include forward exchange contracts, interest rate swaps, and interest rate and stock index options.

Caisse Alliance uses options to manage the risks inherent in its financial assets and liabilities.

Caisse Alliance recognizes the fair value of obligations under indexed term savings where the obligation varies according to the performance of market returns or stock indexes. These obligations are recognized with member deposits. Caisse Alliance also recognizes at fair value derivative instruments which are used to manage the risks inherent in these obligations under other assets. The fluctuation in the fair value of derivative financial instruments is recorded under "Interest expense" in the statement of comprehensive income.

Provisions for Litigation

Provisions are recognized when Caisse Alliance has a legal or constructive obligation arising from past events, the settlement of which is expected to be a disbursement by Caisse Alliance, and when the amount can be reliably estimated. These provisions are reviewed at the reporting date and adjusted to reflect the best estimate by management.

Membership Shares

To become a member of Caisse Alliance, the purchase of at least one membership share of $10 is required. According to the Credit Unions and Caisses Populaires Act, 2020, membership shares are included in the regulatory capital which is subject to the conditions listed in note 24 "Capital Management." Membership shares are redeemable upon closing of the account by the member.

2. Accounting Policies (continued)

Revenue Recognition

Interest income earned on loans and investments is recorded using the effective interest rate method. Interest on Category 1 and 2 loans is calculated based on the gross carrying value of the loan. Interest on Category 3 loans is calculated by applying the effective interest rate to the amortized cost of the loan. Other income is generally recognized when services are provided.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the reporting date. Non-monetary assets and liabilities are translated at historic rates. Income and expenses are translated at the average exchange rate for the year. Realized and unrealized gains and losses resulting from the translation are recognized in the statement of comprehensive income under "Other income."

Income Taxes

The determination of income tax expense is based on the tax treatment of transactions in the statement of comprehensive income and in the statement of changes in members' equity. To determine the current and future portion of taxes on income, assumptions must be made concerning the dates on which asset and liability entries related to future income taxes will be reversed. If Caisse Alliance's interpretation differs from that of taxation authorities or if the reversal dates do not correspond to the forecasted dates, the provision for income taxes may increase or decrease in subsequent years.

Income tax assets or liabilities are measured at the amount expected to be recovered or paid to the taxation authorities. The income tax rates and rules applied to calculate these amounts are the ones in effect at the reporting date.

Deferred income taxes are recognized using the liability method, to account for all temporary differences at period end between the tax base of the assets and liabilities and their carrying value in the statement of financial position.

The carrying value of the deferred income taxes is reviewed at each closing date and is adjusted to the extent that it is more likely than not that a sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are valued based on the expected tax rates for the period during which the assets are anticipated to be realized and the liability settled, based on income tax rates (and income tax regulations) which have been enacted or substantially enacted at the reporting date.

Distributions to Members

Distributions to members are recognized when circumstances indicate that Caisse Alliance has a constructive obligation, that it has little or no discretion to avoid incurring these costs, and the amount can be estimated reliably.

2. Accounting Policies (continued)

Employee Benefits

Short-term benefits

These benefits are payable within 12 months of the end of the period, other than termination benefits, such as salaries, social contributions, and certain premiums. An expense is recognized under these short-term benefits for the period during which services giving rise to these benefits were given.

Post-Employment Benefits

Pension plans

Defined benefit plan

Some Caisse Alliance employees participate in a defined benefit pension plan. The plan was modified on January 1, 2013; the employees retain their rights to the benefits vested in the plan to that date. Since that date, Caisse Alliance has been offering its employees a defined contribution plan.

The cost of these plans is recognized in the statement of comprehensive income and includes current service cost, past service cost and net interest on the net defined benefit plan liabilities. Past service cost resulting from a plan amendment or curtailment is immediately recognized in the statement of comprehensive income.

Remeasurements of the net defined benefit plan liabilities are recognized in items of other comprehensive income that will not be reclassified subsequently to the statement of comprehensive income and are immediately reclassified to undistributed surplus earnings. Remeasurements of the net defined benefit plan liabilities include actuarial gains and losses and the differences between the actual return on plan assets and the interest income generated by such assets, which is recognized in the statement of comprehensive income. Actuarial gains and losses result from changes in actuarial assumptions used to determine the defined benefit plan obligation and experience gains and losses on such obligation.

Net defined benefit plan assets or liabilities are equal to the present value of the plans' obligation, calculated using the projected unit credit method, less the fair value of plan assets. The value of any defined benefit plan asset is, when appropriate, limited to the present value of any economic benefit available in the form of refunds from the plans or reductions in future contributions to the pension plans.

The net defined benefit pension plan liability is recognized under "Net defined benefit plan liability" in the statement of financial position.

Defined contribution plan

Caisse Alliance offers its employees a defined contribution pension plan. When an employee has rendered services to Caisse Alliance during a period, Caisse Alliance recognizes the contribution payable for that period.

2. Accounting Policies (continued)

Post-Employment Benefits (continued)

Other plans

In the framework of a defined benefit plan, Caisse Alliance offers its employees and their dependents, health, hospital and paramedical care and life insurance plans. This insurance coverage is available to employees up to the age of 65 who met the eligibility criteria on December 31, 2011. The terms of the plans consider future wage and health care cost developments and their impact on future benefit costs. The costs of these benefits are accumulated during the employees' service life according to the accounting policies similar to those applied to defined benefit pension plans, and the increase in costs will have an impact on the amount of future benefits. Plan costs are attributed to Caisse Alliance. The post-employment benefit liability is recognized under "Net defined benefit plan liability" in the statement of financial position.

3. Future Accounting Changes

The accounting standards issued by the IASB but not yet effective as at December 31, 2022, are presented below.

IAS 1 Presentation of Financial Statements

In February 2021, the IASB issued amendments that change the requirements of IAS 1 regarding disclosures about accounting policies. The Amendments replace all occurrences of "significant accounting policies" with "significant accounting policy disclosures". Information about accounting policies is material if, taken together with other information included in an entity's financial statements, it can reasonably be expected to influence the decisions that primary users of the financial statements general purpose take based on these financial statements. The supporting paragraphs to IAS 1 are also amended to clarify that information about accounting policies that relate to immaterial transactions, other events or conditions is immaterial, and that its presentation is not required. Disclosures about accounting policies may be significant because of the nature of transactions, other events or related conditions, even if the amounts are immaterial. However, accounting policy information relating to significant transactions, other events or conditions is not necessarily all itself material.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. The amendments are applied prospectively, with earlier application permitted.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued amendments that introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

3. Future Accounting Changes (continued)

IAS 12, Income Taxes

In May 2021, the IASB issued amendments on deferred tax related to assets and liabilities arising from a single transaction, which changes how companies recognize deferred income tax. The initial recognition exemption would not apply to transactions which simultaneously result in temporary deductible differences and temporary taxable differences at initial recognition, and therefore the recognition of deferred tax assets and deferred tax liabilities with the same value. Caisse Alliance is currently evaluating the impact of adopting these clarifications, which will apply to periods beginning on or after January 1, 2023. Early adoption is permitted.

4. Cash and Investments

		2022		2021
Cash	**$**	**97,067**	$	82,046
Investments				
Bonds				
Financial institutions, bearing interest at 1.07% to 4.33% and maturing between Wednesday, February 1, 2023 and Monday, January 19, 2026		**23,814**		45,542
Canadian provinces, industries, and corporations, bearing interest at 0.25% to 3.77% and maturing between Wednesday, February 15, 2023, and Tuesday, September 15, 2026		**144,564**		144,025
Shares (a)		**2,014**		1,835
	$	**267,459**	$	273,448

(a) As the shares have no quoted prices in active markets, they are measured and recognized at their acquisition price.

5. Loans to Members

Net Loans by Borrower Category

		2022		2021
Residential mortgages	**$**	**1,255,452**	$	898,026
Personal loans		**176,291**		179,669
Business loans		**591,932**		718,851
	$	**2,023,675**	$	1,796,546

In 2022, a reclassification was made in the records of Caisse Alliance, following the change in the definition of residential property in Ontario Regulation 105/22 made under the Credit Unions and Caisses Populaires Act, 2020 and, filed on February 28, 2022. In 2022, $262,142 was transferred from business loans to residential mortgages. In 2021, $208,032 was included in business loans for this type of loan.

5. Loans to Members (continued)

The following tables present the gross carrying value of loans for which Caisse Alliance estimates an allowance for expected credit losses based on the probability of default and the category of the impairment model in which they are classified:

Loans

At December 31, 2022	Category 1	Category 2	Category 3	Total
Personal				
0.00% - 0.10%	$ -	$ -	$ -	$ -
0.10% - 0.40%	651,268	-	-	651,268
0.40% - 1.00%	471,389	-	-	471,389
1.00% - 3.00%	181,902	887	-	182,789
3.00% - 6.00%	53,235	4,358	-	57,593
6.00% - 11.00%	17,309	10,333	-	27,642
11.00% - 17.00%	3,800	13,107	-	16,907
17.00% - 25.00%	1,359	5,840	-	7,199
25.00% - 50.00%	87	10,806	-	10,893
50.00% - 100.00%	-	298	9,357	9,655
Total Gross Personal Loans	1,380,349	45,629	9,357	1,435,335
Allowance for credit losses	1,960	793	838	3,591
Total Net Personal Loans	$ 1,378,389	$ 44,836	$ 8,519	$ 1,431,744
Business				
0.00% - 0.10%	$ -	$ -	$ -	$ -
0.10% - 0.40%	432,494	-	-	432,494
0.40% - 1.00%	90,706	394	-	91,100
1.00% - 3.00%	15,268	203	-	15,471
3.00% - 6.00%	-	7,236	-	7,236
6.00% - 11.00%	-	341	-	341
11.00% - 17.00%	-	18,792	-	18,792
17.00% - 25.00%	-	-	-	-
25.00% - 50.00%	875	293	-	1,168
50.00% - 100.00%	-	2,905	38,788	41,693
Total Gross Business Loans	539,343	30,164	38,788	608,295
Allowance for credit losses	374	568	15,422	16,364
Total Net Business Loans	$ 538,969	$ 29,596	$ 23,366	$ 591,931
Total Net Loans at December 31, 2022	$ 1,917,358	$ 74,432	$ 31,885	$ 2,023,675

Caisse populaire Alliance limitée
Notes to the Financial Statements
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5. Loans to Members (continued)

Loans (continued)

At December 31, 2021	Category 1	Category 2	Category 3	Total
Personal				
0.00% - 0.10%	$ 358	$ -	$ -	$ 358
0.10% - 0.40%	504,439	-	-	504,439
0.40% - 1.00%	182,193	-	-	182,193
1.00% - 3.00%	272,468	350	-	272,818
3.00% - 6.00%	51,202	3,743	-	54,945
6.00% - 11.00%	16,026	8,271	-	24,297
11.00 % - 17.00%	6,001	9,856	-	15,857
17.00% - 25.00%	3,393	6,366	-	9,759
25.00% - 50.00%	715	11,158	-	11,873
50.00% - 100.00%	-	-	4,295	4,295
Total Gross Personal Loans	1,036,795	39,744	4,295	1,080,834
Allowance for credit losses	1,859	694	586	3,139
Total Net Personal Loans	$ 1,034,936	$ 39,050	$ 3,709	$ 1,077,695
Business				
0.00% - 0.10%	$ -	$ -	$ -	$ -
0.10% - 0.40%	586,300	-	-	586,300
0.40% - 1.00%	60,410	2	-	60,412
1.00% - 3.00%	25,138	156	-	25,294
3.00% - 6.00%	-	7,505	-	7,505
6.00% - 11.00%	-	523	-	523
11.00% - 17.00%	-	7,399	-	7,399
17.00% - 25.00%	-	-	-	-
25.00% - 50.00%	699	856	-	1,555
50.00 % - 100.00%	-	4,515	41,218	45,733
Total Gross Business Loans	672,547	20,956	41,218	734,721
Allowance for credit losses	399	527	14,944	15,870
Total Net Business Loans	$ 672,148	$ 20,429	$ 26,274	$ 718,851
Total Net Loans at December 31, 2021	$ 1,707,084	$ 59,479	$ 29,983	$ 1,796,546

Caisse populaire Alliance limitée
Notes to the Financial Statements
December 31, 2022

5. Loans to Members (continued)

Allowance for Credit Losses

For the Year Ended December 31, 2022	Category 1	Category 2	Category 3	Allowance for Credit Losses
Residential Mortgages				
Balance at January 1, 2022	$ 906	$ 272	$ 88	$ 1,266
Changes in the allowance for credit losses				
Transfers[1] :				
Category 1	13	(13)	-	-
Category 2	(117)	128	(11)	-
Category 3	-	(91)	91	-
Net remeasurement due to transfers[2]	94	(92)	(89)	(87)
Net repayments[3]	(407)	(18)	(76)	(501)
Expense	541	157	22	720
Write-offs	-	-	-	-
Recoveries of write-offs	-	-	-	-
Balance at December 31, 2022	$ 1,030	$ 343	$ 25	$ 1,398
Personal Loans				
Balance at January 1, 2022	$ 953	$ 422	$ 498	$ 1,873
Changes in the allowance for credit losses				
Transfers[1] :				
Category 1	27	(27)	-	-
Category 2	(189)	45	144	-
Category 3	-	(124)	124	-
Net remeasurement due to transfers[2]	86	23	(55)	54
Net repayments[3]	(294)	5	39	(250)
Expense	347	106	244	697
Write-offs	-	-	(210)	(210)
Recoveries of write-offs	-	-	29	29
Balance at December 31, 2022	$ 930	$ 450	$ 813	$ 2,193

5. Loans to Members (continued)

Allowance for Credit Losses (continued)

For the Year Ended December 31, 2022	Category 1	Category 2	Category 3	Allowance for Credit Losses
Business Loans				
Balance at January 1, 2022	$ 399	$ 527	$ 14,944	$ 15,870
Change in the allowance for credit losses				
Transfers[1] :				
Category 1	5	(5)	-	-
Category 2	(263)	270	(7)	-
Category 3	-	(101)	101	-
Net remeasurement due to transfers[2]	258	(81)	903	1,080
Net repayments[3])	(135)	(38)	(449)	(622)
Expense (recovery)	110	(4)	584	690
Write-offs	-	-	(654)	(654)
Recoveries of write-offs	-	-	-	-
Balance at December 31, 2022	$ 374	$ 568	$ 15,422	$ 16,364
Total Balance at December 31, 2022	$ 2,334	$ 1,361	$ 16,260	$ 19,955

[1] Represent transfers between categories before the remeasurement of expected credit losses.
[2] Represent the remeasurement of the allowance for expected credit losses resulting from transfers between categories.
[3] Represent the change in the allowance for drawdowns and repayments on outstanding loans.

5. Loans to Members (continued)

Allowance for Credit Losses (continued)

For the year ended December 31, 2021	Category 1	Category 2	Category 3	Allowance for Credit Losses
Residential mortgages				
Balance at January 1, 2021	$ 525	$ 174	$ 147	$ 846
Change in the allowance for credit losses				
Transfers[1] :				
Category 1	16	(16)	-	-
Category 2	(58)	115	(57)	-
Category 3	-	(26)	26	-
Net remeasurement due to transfers[2]	44	(48)	27	23
Net repayments[3]	(136)	6	(4)	(134)
Expense	515	67	76	658
Write-offs	-	-	(178)	(178)
Recoveries of write-offs	-	-	51	51
Balance at December 31, 2021	$ 906	$ 272	$ 88	$ 1,266
Personal Loans				
Balance at January 1, 2021	$ 1,576	$ 591	$ 899	$ 3,066
Change in the allowance for credit losses				
Transfers[1] :				
Category 1	27	(27)	-	-
Category 2	(164)	14	150	-
Category 3	-	(118)	118	-
Net remeasurement due to transfers[2]	70	(65)	(277)	(272)
Net repayments[3]	(892)	(116)	(80)	(1,088)
Expense	336	143	195	674
Write-offs	-	-	(507)	(507)
Recoveries of write-offs	-	-	-	-
Balance as December 31, 2021	$ 953	$ 422	$ 498	$ 1,873

5. Loans to Members (continued)

Allowance for Credit Losses (continued)

For the year ended December 31, 2021	Category 1	Category 2	Category 3	Allowance for Credit Losses
Business loans				
Balance at January 1, 2021	$ 835	$ 1,958	$ 10,776	$ 13,569
Change in the allowance for credit losses				
Transfers[(1)] :				
Category 1	11	(11)	-	-
Category 2	(282)	749	(467)	-
Category 3	-	(1,565)	1,565	-
Net remeasurement due to transfers[(2)]	247	(206)	(221)	(180)
Net repayments[(3)]	(546)	(44)	224	(366)
Expense (recovery)	134	(354)	3,035	2,815
Write-offs	-	-	(187)	(187)
Recoveries of write-offs	-	-	219	219
Balance at December 31, 2021	$ 399	$ 527	$ 14,944	$ 15,870
Total balance at December 31, 2021	$ 2,258	$ 1,221	$ 15,530	$ 19,009

(1) Represent transfers between categories before the remeasurement of expected credit losses.
(2) Represent the remeasurement of the allowance for expected credit losses resulting from transfers between categories.
(3) Represent the change in the allowance for drawdowns and repayments on outstanding loans.

5. Loans to Members (continued)

Loans and provisions

	2022 Personal	2022 Business	2022 Total
Total Gross Loans	**$ 1,435,334**	**$ 608,296**	**$ 2,043,630**
Allowance - Category 1	**1,960**	**374**	**2,334**
Allowance - Category 2	**793**	**568**	**1,361**
Allowance - Category 3	**838**	**15,422**	**16,260**
Total Net Loans	**$ 1,431,743**	**$ 591,932**	**$ 2,023,675**

	2021 Personal	2021 Business	2021 Total
Total Gross Loans	$ 1,080,834	$ 734,721	$ 1,815,555
Allowance - Category 1	1,859	399	2,258
Allowance - Category 2	694	527	1,221
Allowance - Category 3	586	14,944	15,530
Total Net Loans	$ 1,077,695	$ 718,851	$ 1,796,546

Forward-Looking Information

The allowance for expected credit losses is based on a set of assumptions and methodologies specific to credit risk and evolution of economic conditions. Significant judgment must therefore be used in establishing the allowance for expected credit losses. The main elements that required substantial judgment that impair its measurement at December 31, 2022 are:

- Changes in borrowers' credit ratings (or the PD); and
- incorporation of forward-looking information.

5. Loans to Members (continued)

Loans and provisions (continued)

Changes in Borrower Credit Risk Rating or Probability of Default

Borrowers' credit risk rating is the foundation of the credit risk assessment model. The rating of a borrower is directly related to its estimated PD. Many variables are taken into consideration in credit risk assessment models. For more information about these models, refer to Note 2, "Impairment of financial assets" and Note 23, "Financial instrument risk management." Changes in borrowers' credit risk rating have an impact on determining significant increases in credit risk, as this is mainly based on the change in the borrower's PD and measuring the allowance for expected credit losses.

Changes in the borrowers' credit risk rating may increase or decrease the allowance for expected credit losses. Generally, a deterioration in a borrower's credit risk rating gives rise to an increase in the allowance, while an improvement results in a decrease in the allowance.

Incorporation of Forward-Looking Information

Caisse Alliance uses three scenarios to determine the allowance for expected credit losses, namely, a base scenario, an upside scenario, and a downside scenario. The macroeconomic variables projected under each scenario and the related probability of occurrence have a significant impact on determining significant increases in credit risk and measuring the allowance for expected credit losses.

The incorporation of forward-looking information may increase or decrease the allowance for expected credit losses. Generally, an improvement in the outlook will give rise to a decrease in the allowance, while a deterioration will result in an increase in the allowance.

As at December 31, 2022, the macroeconomic scenarios selected for calculating the allowance for expected credit losses include the following value ranges over the projection horizon for the most significant variables for credit risk parameters:

	Base Scenario	Intervals
Macroeconomic variables :		
Interest rate	4.41%	1.39% - 5.71%
Unemployment rate	5.20%	4.50% - 7.70%
Housing prices	13.35%	(16.63)% - 13.35%
Gross domestic product	3.50%	(3.20)% - 3.50%

5. Loans to Members (continued)

Loans Transferred but not Derecognized

Mortgages transferred for securitization purposes

The following table presents the carrying value of mortgage loans transferred by Caisse Alliance from a legal perspective, which have not been derecognized.

	2022	2021
Mortgages assigned for securitization purposes	**$ 169,779**	$ 81,291

Undisbursed Loans

Loans totalling $364,775 were approved but not disbursed as at December 31, 2022 ($346,853 in 2021).

Letters of credit represent irrevocable commitments by Caisse Alliance to make payments in the event a member cannot meet financial obligations to third parties. Caisse Alliance's policy with respect to collateral received for these letters is generally the same as for loans. The balance of commitments resulting from the letters of credit issued by Caisse Alliance amounts to $7,405 at December 31, 2022 ($4,573 in 2021).

Derecognition of Financial Assets

Since the second quarter of 2020, Caisse Alliance has been participating in the federal Canada Emergency Business Account (CEBA) program, implemented in collaboration with Export Development Canada (EDC). Under this program, Caisse Alliance grants loans that are financed by the government. Caisse Alliance has determined that these loans were eligible for derecognition since all cash flows are passed on to EDC and substantially all risks and benefits in ownership of the loans have been transferred. Caisse Alliance has continued involvement in the derecognized assets since it administers these loans. At December 31, 2022, loans amounting to $27,631 ($33,770 in 2021) had been granted to Caisse Alliance members specifically under the terms of the CEBA program.

Since the second quarter of 2020, Caisse Alliance has been participating in the federal Business Development Canada (BDC) Co-Lending Program, implemented through the Business Credit Availability Program (BCAP). Under this program, Caisse Alliance grants term loans for which the maximum financing is established according to the business's sales; terms are adapted to the business's needs. The BDC has entered into a joint facility with Caisse Alliance; under its terms, the BDC automatically acquires an 80% stake in term loans granted to Caisse Alliance's eligible members. The maximum loan amount is $6,250 ($18,750 per borrower group) a moratorium of up to 12 months on principal repayments is permitted. The participation in loans financed by the BDC is derecognized from Caisse Alliance's statement of financial position since the program meets the criteria of transferring substantially all the risks and rewards inherent in loans to the government. At December 31, 2022, no loan had been granted to Caisse Alliance members specifically under this co-lending program.

6. Property and Equipment

The change in property and equipment is as follows:

	Land	Buildings	Equipment, Furniture and Other	In Progress	Total
Cost					
At December 31, 2020	$ 1,771	$ 24,632	$ 4,753	$ -	$ 31,156
Acquisitions	-	146	120	2,799	3,065
Disposals	-	-	(7)	-	(7)
At December 31, 2021	1,771	24,778	4,866	2,799	34,214
Acquisitions	305	2,328	76	1,254	3,963
Disposals	-	(66)	(224)	-	(290)
Transfers	-	-	-	(2,799)	(2,799)
At December 31, 2022	**$ 2,076**	**$ 27,040**	**$ 4,718**	**$ 1,254**	**$ 35,088**
Accumulated Depreciation					
At December 31, 2020	$ -	$ 12,941	$ 2,311	$ -	$ 15,252
Deprecation	-	929	402	-	1,331
Disposals	-	-	(7)	-	(7)
At December 31, 2021	-	13,870	2,706	-	16,576
Depreciation	-	956	787	-	1,743
Disposals	-	(54)	(224)	-	(278)
At December 31, 2022	**$ -**	**$ 14,772**	**$ 3,269**	**$ -**	**$ 18,041**
Net Carrying Value					
At December 31, 2021	$ 1,771	$ 10,908	$ 2,160	$ 2,799	$ 17,638
At December 31 2022	**$ 2,076**	**$ 12,268**	**$ 1,449**	**$ 1,254**	**$ 17,047**

7. Intangible assets

The change in intangible assets is detailed as follows:

	Software	In Progress	Total
Cost			
At December 31, 2020	$ -	$ -	$ -
Acquisitions	-	-	-
At December 31, 2021	-	-	-
Acquisitions	521	4,505	5,026
Transfers	-	2,799	2,799
At December 31, 2022	**$ 521**	**$ 7,304**	**$ 7,825**
Accumulated Amortization			
At December 31, 2020	$ -	$ -	$ -
At December 31, 2021	-	-	-
Amortization	24	-	24
At December 31, 2022	**$ 24**	**$ -**	**$ 24**
Net Carrying Value			
At December 31, 2021	$ -	$ -	$ -
At December 31, 2022	**$ 497**	**$ 7,304**	**$ 7,801**

8. Other Assets

The other assets reported in the statement of financial position are comprised primarily of:

	2022	2021
Accrued interest	**$ 5,004**	$ 2,248
Derivative financial instruments	**11,211**	9,599
Right-of-use assets (note 9)	**322**	420
Other	**4,930**	4,877
	$ 21,467	$ 17,144

9. Leases

Right-of-use assets are comprised solely of buildings.

Depreciation of right-of-use assets amounts to $98 for the year ($117 in 2021). The interest expense of lease liabilities amounts to $11 for the year ($14 in 2021).

10. Members' Deposits

		2022		2021
Chequing accounts and savings accounts	$	**795,518**	$	850,052
Term deposits		**1,140,662**		1,008,964
	$	**1,936,180**	$	1,859,016

11. Loans

		2022		2021
Line of credit, interest calculated with variable rates from 5.29% to 5.40% paid monthly, renewable quarterly and secured by conventional mortgages and insured mortgages	$	**70,000**	$	-
Term loans arising from the securitization program, interest calculated at fixed rates of 1.39% to 3.57% maturing between Thursday, June 1, 2023 and Monday, November 1, 2027 and secured by insured mortgages		**165,596**		82,253
	$	**235,596**	$	82,253

Caisse Alliance has lines of credit totalling $10,000 ($10,000 in 2021) bearing interest equal to the financial institutions prime rate and secured with investments. At December 31, 2022, $- ($- in 2021) had been used on these lines of credit.

Caisse Alliance has a line of credit totalling $100,000 ($50,000 in 2021), renewable on a quarterly basis, bearing interest at a rate calculated using the Desjardins cost of funds and secured with conventional mortgages. At December 31, 2022, $70,000 ($- in 2021) had been used on this line of credit.

12. Post-Employment Benefits

Pension Plan

Caisse Alliance has made contributions to its employees defined contribution pension plan. The contribution for the year amounts to $2,155 ($1,777 in 2021).

Group Pension and Insurance Plans

The cost of benefits and the value of the net liability of the defined benefit plan are established using actuarial calculations and various assumptions. While management believes that the assumptions used in the actuarial valuation are reasonable, there remains a degree of risk and uncertainty that may cause future actual results to significantly differ from these assumptions, which could give rise to actuarial gains or losses.

A complete actuarial valuation is performed each year by a qualified actuary. The discount rates used have been determined by reference to the rate of high-quality corporate bonds.

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12. Post-Employment Benefits (continued)

The information on these plans is as follows:

Change in Net Defined Benefit Plan Liability

	2022			2021		
	Group Pension Plan	**Group Insurance Plan**	**Total of Plans**	Group Pension Plan	Group Insurance Plan	Total of Plans
Change in Obligation Under Defined Benefit Plans						
Present value of obligation for defined benefits at the beginning of the year	**$ 11,789**	**$ 1,156**	**$ 12,945**	$ 12,682	$ 1,467	$ 14,149
Cost of services rendered during the year						
Financial cost	**341**	**30**	**371**	312	27	339
Benefits paid	**(442)**	**(109)**	**(551)**	(428)	(144)	(572)
Other	**(4)**	**-**	**(4)**	-	-	-
	(105)	**(79)**	**(184)**	(116)	(117)	(233)
Amounts recorded in comprehensive income for the year:						
Actuarial losses (gains) arising from a change in demographic assumptions	**(2,495)**	**22**	**(2,473)**	(777)	(104)	(881)
Actuarial losses (gains) arising from a change in financial assumptions	**-**	**(204)**	**(204)**	-	(99)	(99)
Experience losses (gains)	**-**	**28**	**28**	-	9	9
	(2,495)	**(154)**	**(2,649)**	(777)	(194)	(971)
Present Value of the Defined Benefit Plan Obligation at Year End	**$ 9,189**	**$ 923**	**$ 10,112**	$ 11,789	$ 1,156	$ 12,945
Change in Fair Value of Plan Assets						
Fair value of plan assets at the beginning of the year	**$ 12,057**	**$ -**	**$ 12,057**	$ 12,632	$ -	$ 12,632
Return on plan assets, net of management fees	**407**	**-**	**407**	313	-	313
Employer contributions	**185**	**-**	**185**	178	-	178
Benefits paid	**(442)**	**-**	**(442)**	(428)	-	(428)
Other	**(14)**	**-**	**(14)**	(5)	-	(5)
	136	**-**	**136**	58	-	58
Amounts recorded in comprehensive income for the year						
Variance between actual return on assets	**(1,972)**	**-**	**(1,972)**	1,227	-	1,227
Asset ceiling	**(820)**	**-**	**(820)**	(1,860)	-	(1,860)
Fair Value of Plan Assets, End of Year	**$ 9,401**	**$ -**	**$ 9,401**	$ 12,057	$ -	$ 12,057
Net Defined Benefit Plan Liability	**$ (212)**	**$ 923**	**$ 711**	$ (268)	$ 1,156	$ 888

12. Post-Employment Benefits (continued)

Key Actuarial Assumptions

The key assumptions used to measure the obligation and costs recorded for the defined benefit plan are as follows:

	December 31, 2022		December 30, 2021	
	Group Pension Plan	**Group Insurance Plan**	Group Pension Plan	Group Insurance Plan
Obligation discount rate	**5.05 %**	**5.00 %**	2.95 %	2.70 %
Cost discount rate	**2.00**	**2.00**	2.00	2.00
Expected salary increase	**2.50**	-	2.50	-
Pre- and post-retirement pension indexation rate	**2.00**	-	2.00	-
Expected rate of return on plan assets(1)	**5.05**	-	2.95	-
Estimated annual growth rate for health care expenses covered				
Prescription drug insurance	-	**2.50**	-	2.50
Hospitalization	-	**14.25**	-	13.75
Complementary care	-	**(2.50)**	-	(2.50)

(1) The expected rates of return on assets are based on market prices, including the broker projections prevailing at the closing date and applicable to the period for which the obligations must be settled.

Sensitivity of Key Assumptions in 2022

Due to the long-term nature of employee benefits, there are significant uncertainties as to the recording of balances associated with the assumptions selected. The following table shows the impact of a one percentage point variation in key assumptions on the obligation and the costs recognized for defined benefit plans where all other assumptions remain constant. There may be correlations among these assumptions. However, to show the impact of changes in the assumptions, they must be modified individually:

	Change in Obligation Under the Group Insurance Plan	**Change in Costs Recognized Under the Group Insurance Plan**
Discount rate		
1 % increase	$ (69)	$ 5
1 % decrease	80	(6)
Health care costs		
1 % increase	2	-
1 % decrease	(2)	-

12. Post-Employment Benefits (continued)

	Change in Obligation Under the Group Pension Plan	Change in Costs Recognized Under the Group Pension Plan
Discount rate		
1 % increase	$ (831)	$ (3)
1 % decrease	1,167	3

Allocation of Group Pension Plan Assets

The fair value of group pension plan assets is allocated as follows (in percent):

	December 31, 2022	December 31, 2021
Shares	**54.2 %**	64.6 %
Fixed-income securities	**34.2**	31.9
Other	**11.6**	3.5

13. Other Liabilities

The components of other liabilities presented in the statement of financial position mainly comprise:

	2022	2021
Accrued interest	**$ 11,972**	$ 7,869
Income taxes payable	**67**	220
Lease liabilities (note 9)	**339**	433
Accounts payable, accrued liabilities and other	**6,206**	4,278
Distributions to members	**1,886**	4,000
Dividends payable on Class A shares	**539**	412
	$ 21,009	$ 17,212

14. Membership Shares

The membership shares consist of an unlimited number of qualifying shares and Class A, B and C shares, the main characteristics of which are:

Qualifying shares, nominal value of $10, participating, non-cumulative, redeemable, voting.

Class A and B shares, non-cumulative, non-participating, redeemable, non-voting.

Class C shares, reserved entirely for patronage shares, non-cumulative, non-participating, redeemable, non-voting.

To become a member of Caisse Alliance, the purchase of at least one qualifying share of $10 is required.

Preferred Class A Shares - Series 1

In 1999, Caisse Alliance issued preferred shares to its members. Upon issuance, the shares carried an annual dividend rate equal to the interest rates on five-year term deposits plus 0.5%, with a minimum rate of 6.25%. In 2018, the Board of Directors adopted a new dividend policy. The shares then carried an annual dividend rate equal to the average annual interest rate on a non-redeemable five-year term deposit, established based on the rates posted on the first business day in each month of its fiscal year, plus 2.0%. In 2020, the Board of Directors adopted a new dividend policy. The dividend rate will be the higher of the following rates: at least 150 basis points on the yield on the Government of Canada monthly series of five-year bonds and 2.25%. Subject to the provisions of the Act, these shares have been redeemable by Caisse Alliance since January 2004, at face value plus the declared and unpaid dividends. The dividend rate for the year ended December 31, 2022, is 5.25% (4.0% in 2021).

Preferred Class A Shares - Series 2

In 2000, Caisse Alliance issued preferred shares to its members. Upon issuance, the shares carried an annual dividend rate equal to the interest rates on five-year term deposits plus 0.5%, with a minimum rate of 6.0%. In 2018, the Board of Directors adopted a new dividend policy. The shares then carried an annual dividend rate equal to the average annual interest rate on a non-redeemable five-year term deposit, established based on the rates posted on the first business day in each month of its fiscal year, plus at least 0.5%. In 2020, the Board of Directors adopted a new dividend policy. The dividend rate will be the higher of the following rates: at least 150 basis points on the yield on the Government of Canada monthly series of five-year bonds and 2.25%. Subject to the provisions of the Act, these shares have been redeemable by Caisse Alliance since January 2005, at face value plus the declared and unpaid dividends. The dividend rate for the year ended December 31, 2022, is 5.25% (4.0% in 2021).

14. Membership Shares (continued)

Class A Shares - Series 3

In 2002, Caisse Alliance issued preferred shares to its members. Upon issuance, the shares carried an annual dividend rate equal to the average interest rate on five-year term deposits plus 0.75%, with a minimum rate of 5.75%. In 2018, the Board of Directors adopted a new dividend policy. The shares then carried an annual dividend rate equal to the average annual interest rate on a non-redeemable five-year term deposit, established based on the rates posted on the first business day in each month of its fiscal year, plus at least 0.75%, with a minimum rate of 5.75%. In 2020, the Board of Directors adopted a new dividend policy. The dividend rate will be the higher of the following rates: at least 150 basis points on the yield on the Government of Canada monthly series of five-year bonds and 2.25%. Subject to the provisions of the Act, these shares have been redeemable by Caisse Alliance since November 2006 at face value plus the declared and unpaid dividends. The dividend rate for the year ended December 31, 2022, is 5.25% (4.0% in 2021).

Preferred Class A Shares - Series 4

In 2014, Caisse Alliance issued preferred shares to its members. Upon issuance, the shares carried a minimum annual dividend rate of 2.5%. In 2020, the Board of Directors adopted a new dividend policy. The dividend rate will be the higher of the following rates: at least 150 basis points on the yield on the Government of Canada monthly series of five-year bonds and 2.25%. Subject to the provisions of the Act, these shares have been redeemable by Caisse Alliance as of March 2020 at face value plus the declared and unpaid dividends. The dividend rate for the year ended December 31, 2022, is 5.25% (4.0% in 2021).

Preferred Class A Shares - Series 5

In 2015, Caisse Alliance issued preferred shares to its members. Upon issuance, the shares carried a minimum annual dividend rate of 2.25 %. In 2020, the Board of Directors adopted a new dividend policy. The dividend rate will be the higher of the following rates: at least 150 basis points on the yield on the Government of Canada monthly series of five-year bonds and 2.25%. Subject to the provisions of the Act, these shares have been redeemable by Caisse Alliance as of March 2020 at face value plus the declared and unpaid dividends. The dividend rate for the year ended December 31, 2022, is 5.25% (4.0% in 2021).

Class A Shares - Series 6

In 1998, Caisse Alliance issued preferred shares to its members. Upon issuance, the shares carried an annual dividend rate equal to the interest rates on five-year term deposits plus 0.5%, with a minimum rate of 6.0%. In 2018, the Board of Directors adopted a new dividend policy. The shares then carried an annual dividend rate equal to the average annual interest rate on a non-redeemable five-year term deposit, established based on the rates posted on the first business day in each month of its fiscal year, plus at least 0.5%, with a minimum rate of 4.0%. In 2020, the Board of Directors adopted a new dividend policy. The dividend rate will be the higher of the following rates: at least 150 basis points on the yield on the Government of Canada monthly series of five-year bonds and 2.25%. Subject to the provisions of the Act, these shares have been redeemable by Caisse Alliance since February 2003 at face value plus the declared and unpaid dividends. The dividend rate for the year ended December 31, 2022, is 5.25% (4.0% in 2021).

14. Membership Shares (continued)

		2022		2021
Qualifying shares	**$**	**616**	$	611
10,266 Class A shares		**10,266**		10,303
	$	**10,882**	$	10,914

During the year, Caisse Alliance redeemed 37 (- in 2021) Class A preferred shares and in return paid $37 ($- in 2021) in cash.

Distribution to Members

		2022		2021
Distributions to members	**$**	**2,486**	$	4,000
Dividends on Class A shares		**539**		412
	$	**3,025**	$	4,412

15. Income Taxes

Income Taxes Expense

The income tax expense recognized in the statement of comprehensive income is as follows:

		2022		2021
Current income tax expense	**$**	**1,836**	$	1,617
Deferred income tax expense (recovery) relating to the origination and reversal of temporary differences		**(1,335)**		(805)
	$	**501**	$	812

The income tax expense recognized in the statement of comprehensive income differs from the income tax expense determined using the statutory rate for the following reasons:

		2022		2021
Income taxes at the statutory rate of 26.5 % (26.5 % in 2021)	**$**	**134**	$	1,483
Supplemental caisse populaire deduction		**(791)**		(760)
Adjustment of deferred income taxes of prior years		**(520)**		-
Permanent differences		**3**		4
Creation and reversal of temporary differences		**1,675**		85
	$	**501**	$	812

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15. Income Taxes (continued)

Deferred Income Taxes

The deferred income tax sources are as follows:

	Statement of Financial Position		Statement of Comprehensive Income	
	2022	2021	**2022**	2021
Deferred Income Tax Assets				
Allowance for credit losses	**$ 968**	$ 1,333	**$ 365**	$ 481
Net defined pension plan liability	**102**	196	**94**	167
Net defined pension plan liability - other comprehensive income	**-**	-	**(42)**	(83)
Property and equipment	**41**	-	**(41)**	-
Investments	**1,818**	491	**(1,327)**	(491)
	2,929	2,020	**(951)**	74
Deferred Income Tax Liabilities				
Investments	**-**	-	**-**	(1,094)
Commissions and other fees related to loans	**(125)**	(334)	**(209)**	321
Property and equipment	**-**	(175)	**(175)**	(106)
	(125)	(509)	**(384)**	(879)
Deferred Income Taxes	**$ 2,804**	$ 1,511	**$ (1,335)**	$ (805)

16. Commitments

As of December 31, 2022, the costs committed for an IT infrastructure project amount to $23,127**.**

17. Interest and Investment Income

	2022	2021
Personal loans	**$ 40,009**	$ 35,095
Business loans	**33,626**	27,153
Cash and investments	**5,137**	5,246
Realized losses on investments	**(2,935)**	(979)
Non-realized losses on investments	**(7,273)**	(4,771)
	$ 68,564	$ 61,744

18. Interest Expense

		2022		2021
Chequing accounts and savings accounts	**$**	**2,458**	$	1,036
Term deposits		**19,485**		15,582
Loans		**4,500**		2,188
	$	**26,443**	$	18,806

19. Other Income

		2022		2021
Mainly related to the administration of deposits	**$**	**4,604**	$	4,285
Related to the administration of other services		**5,121**		6,746
Loan and savings insurance		**2,065**		2,134
	$	**11,790**	$	13,165

20. Administrative and General

		2022		2021
Clearing, exchange and service fees	**$**	**2,009**	$	1,786
Office and communications		**794**		717
Advertising and promotion		**1,145**		1,037
Insurance premiums - FSRA		**1,722**		1,510
Remuneration of directors		**351**		155
Meetings and travel		**344**		142
Other		**2,350**		838
	$	**8,715**	$	6,185

21. Related Party Transactions

In the normal course of operations, Caisse Alliance carries out transactions with its management personnel, under terms and conditions equivalent to those of arm's length transactions. Transactions that involve a financial instrument were initially recognized at fair value. In the normal course of operations, Caisse Alliance may have granted loans to related parties.

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21. Related Party Transactions (continued)

Transactions Involving Restricted Parties

During the year, Caisse Alliance granted 4 loans to directors, management personnel or to a corporation in which one restricted party holds more than 10% of issued voting shares or in which it holds control for a total amount of $210 (6 loans for $470 in 2021). No specific Category 3 allowance was required at December 31, 2022 regarding the overall loans granted to restricted parties.

Key Management Personnel Compensation

Caisse Alliance's key management personnel include the members of its Board of Directors, its president, and vice-presidents. These individuals have the authority and responsibility for planning, directing, and controlling the activities of Caisse Alliance.

The total compensation of Caisse Alliance's key management personnel is as follows:

		2022		2021
Salaries and short-term benefits	**$**	**1,526**	$	1,298
Post-employment benefits		**115**		169
Other long-term benefits		**143**		120

Pursuant to section 40 of Ontario Regulation 105/22 of the Credit Unions and Caisses Populaires Act, 2020, Caisse Alliance must also disclose the compensation paid to five officers whose total remuneration exceeds $175. For the fiscal year ended December 31, 2022, Caisse Alliance paid Pierre Dorval (President and CEO), a total amount of $309 which comprises $267 in salary and $42 in benefits. Luc Racette (Vice-President, Finance and Risk), a total amount of $242 which comprises $202 in salary and $40 in benefits. Daniel Michel (Vice President, Credit), a total amount of $249 which comprises $208 in salary and $41 in benefits. Julie St. Jacques (Vice President, Member Experience),a total amount of $258 which comprises $218 in salary $40 in benefits. Michèle Leblanc (Vice President, Human Resources and Communications), a total amount of $230 which comprises $191 in salary $39 in benefits.

22. Fair Value and Classification of Financial Instruments

The following table presents the carrying value and fair value of all financial assets and liabilities according to their classification in the categories defined in Note 2 regarding financial instruments. The sensitivity to interest rates is the primary cause of fluctuation in the fair value of Caisse Alliance's financial instruments.

	2022			
	Fair Value Through Net Income	**Amortized Cost**	**Total**	**Fair value**
Financial Assets				
Cash	$ -	$ 97,067	$ 97,067	$ 97,067
Investments	170,392	-	170,392	170,392
Loans to members	-	2,023,675	2,023,675	1,986,629
Accrued interest	-	5,004	5,004	5,004
Derivative financial instruments	11,211	-	11,211	11,211
Total Financial Assets	$ 181,603	$ 2,125,746	$ 2,307,349	$ 2,270,303
Financial Liabilities				
Members' deposits	$ -	$ 1,936,180	$ 1,936,180	$ 1,811,471
Loans	-	235,596	235,596	230,231
Accrued interest	-	11,972	11,972	11,972
Distributions to members	-	1,886	1,886	1,886
Accounts payable	-	6,206	6,206	6,206
Dividends payable on Class A shares	-	539	539	539
Membership shares	-	10,882	10,882	10,882
Total Financial Liabilities	$ -	$ 2,203,261	$ 2,203,261	$ 2,073,187

22. Fair Value and Classification of Financial Instruments (continued)

	2021			
	Fair Value Through Net Income	Amortized Cost	Total	Fair Value
Financial Asset				
Cash	$ -	$ 82,046	$ 82,046	$ 82,046
Investments	191,402	-	191,402	191,402
Loans to members	-	1,796,546	1,796,546	1,806,853
Accrued interest	-	2,248	2,248	2,248
Derivative financial instruments	9,599	-	9,599	9,599
Total Financial Assets	$ 201,001	$ 1,880,840	$ 2,081,841	$ 2,092,148
Financial Liabilities				
Members' deposits	$ -	$ 1,859,016	$ 1,859,016	$ 1,870,145
Loans	-	82,253	82,253	82,253
Accrued interest	-	7,869	7,869	7,869
Distributions to members	-	4,000	4,000	4,000
Accounts payable	-	4,278	4,278	4,278
Dividends payable on Class A shares	-	412	412	412
Membership shares	-	10,914	10,914	10,914
Total Financial Liabilities	$ -	$ 1,968,742	$ 1,968,742	$ 1,979,871

The measurement of financial instruments recognized at fair value in the statement of financial position is based on the following hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quotes prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

22. Fair Value and Classification of Financial Instruments (continued)

The following table presents the breakdown of the fair value measurements using the fair value hierarchy:

				2022				
		Level 1		**Level 2**		**Level 3**		**Total**
Assets								
Investments	**$**	**168,378**	**$**	**-**	**$**	**2,014**	**$**	**170,392**
Derivative financial instruments		**11,211**		**-**		**-**		**11,211**
	$	**179,589**	**$**	**-**	**$**	**2,014**	**$**	**181,603**

				2021				
		Level 1		Level 2		Level 3		Total
Assets								
Investments	$	189,567	$	-	$	1,835	$	191,402
Derivative financial instruments		9,599		-		-		9,599
	$	199,166	$	-	$	1,835	$	201,001

No significant transfers were made between hierarchy levels for instruments recognized at fair value during the period.

23. Financial Instrument Risk Management

In the normal course of its operations, Caisse Alliance is exposed to the following risks for the financial instruments it holds: credit risk, liquidity risk, and market risk. The following is a description of these risks and how Caisse Alliance manages its exposure to them.

The members of Caisse Alliance's Board of Directors, together with management, must define, adopt, implement, monitor and control a management framework for identifying and measuring all the significant risks to which Caisse Alliance is exposed, and implement corrective measures in a timely manner.

To map out a sound and prudent management practice, Caisse Alliance's Board of Directors relies on laws, regulations and its own policies. This approach to risk management is founded on principles that promote Caisse Alliance's accountability for the quality of its risk management.

Furthermore, Caisse Alliance has adopted an integrated risk management policy that defines Caisse Alliance's risk appetite and tolerance for the risk Caisse Alliance is prepared to accept in the pursuit of its objectives. The framework provides for a structured approach to managing risk in various ways. Risk appetite has been determined by taking into consideration risk acceptance, limits and tolerance, as well as Caisse Alliance's risk profile.

23. Financial Instrument Risk Management (continued)

Credit Risk

Credit risk is the risk of losses resulting from a borrower's or counterparty's failure to honour its contractual obligations, whether or not such obligations appear in the statement of financial position.

Credit Risk Management

Caisse Alliance is responsible for the credit risk inherent to its lending operations to members. In this regard, Caisse Alliance has a certain amount of latitude in terms of approvals, framework, and management tools.

Framework

Each year, the Board of Directors examines and approves the credit policy and procedures. They define the framework within which lending operations to members and other transactions that carry a credit risk exposure must be conducted, as well as associated control measures.

For this purpose, they define:

- A minimum framework for the management and control of credit risk;
- The roles and responsibilities of the key parties involved;
- The modalities pertaining to commitment, authorization, review, and delegation limits;
- Management and control of credit activities; and
- The financing terms and conditions applicable to borrowers.

Together, these frameworks and policies define the responsibilities of the parties involved, specify the level of risk Caisse Alliance is willing to accept, establish concentration limits, and set out risk management and control guidelines.

Credit Granting

With respect to lending, Caisse Alliance minimizes its exposure to credit risk by:

- Limiting the amount loaned to a single borrower;
- Limiting the amount loaned based on the form of loan;
- Conducting a credit analysis prior to authorizing a loan;
- Obtaining appropriate collateral;
- Setting rates based on risk; and
- For commercial loans, limiting concentration by industry.

Personal Loans

The personal loan portfolio comprises residential mortgages and personal loans. To weigh the risk of credit activities with individuals, Caisse Alliance uses credit scoring systems based on proven statistics.

These systems were developed using a history of borrower behaviour with a profile or characteristics similar to those of the applicant and using the products, including the collateral offered to determine the transaction risk.

23. Financial Instrument Risk Management (continued)

Personal Loans (continued)

These systems are used during the initial approval and subsequently, when portfolio risk is assessed on an ongoing basis using behavioural scores calculated on the basis of transactional data on borrowing members. The risk level of borrowers is updated monthly, enabling proactive portfolio credit risk management.

The performance of these systems is analyzed on an ongoing basis and adjustments are made regularly with a view to assessing transaction and borrower risks as accurately as possible.

Business Loans

Credit granting to businesses is based on an analysis of various parameters in each file for which each borrower is assigned a rating which represents its risk level. The ratings are assigned individually following a detailed review of the business's financial, market and management characteristics.

The scope of the analysis and approval authority are tailored to the level of risk and the transaction's complexity.

Credit Risk Mitigation

In its lending operations, Caisse Alliance obtains collateral in accordance with credit practices. Collateral is normally in the form of assets, such as cash, accounts receivables, inventory, movable or fixed assets. For some portfolios, programs offered by organizations such as the Canada Mortgage and Housing Corporation and Canada Small Business Financing Program are used in addition to customary collateral.

The large number of borrowers, who are for the most part are individuals, as well as small and medium-sized businesses, helps ensure the sound diversification of the financing portfolio. Note 5 in the financial statements presents the distribution of loans to members by borrower category.

Monitoring of Files and Management of Higher Risks

The members' loan portfolio is monitored in line with credit procedures that set out a degree of thoroughness and review frequency according to the quality and extent of the exposure risk, and the probability of default. Changes in high credit risk portfolios are monitored and the quality of credit risk management is presented to the Board of Directors at least once a quarter. Management of higher-risk credits involves more frequent monitoring.

23. Financial Instrument Risk Management (continued)

Maximum Exposure to Credit Risk

Credit risk is limited in the residential mortgage sector since many mortgages are insured by mortgage insurance companies. Caisse Alliance monitors commercial loan concentration risk by setting exposure ceilings for total loan balances per sector. The total commitment for loans, letters of guarantee, and the carrying value of loans to members recognized in the statement of financial position, excluding insured mortgages and 85% of loans guaranteed by the Canada Small Business Financing Program, net of impairment, and without considering the value of the guarantees received, if applicable, represents Caisse Alliance's maximum credit risk exposure. At December 31, 2022. Caisse Alliance's maximum credit risk exposure was $2,119,287 ($1,852,483 in 2021).

	2022	2021
Recognized in the statement of financial position		
Loans	**$ 1,742,103**	$ 1,498,809
Accrued interest	**5,004**	2,248
	1,747,107	1,501,057
Off balance sheet:		
Letters of credit	**7,405**	4,573
Credit commitments	**364,775**	346,853
	$ 2,119,287	$ 1,852,483

Liquidity Risk

Liquidity risk refers to Caisse Alliance's capacity to raise the necessary funds (by increasing labilities or converting assets) to meet a financial obligation, whether or not it appears on the statement of financial position, at maturity or otherwise.

Liquidity risk management aims to ensure timely and cost-effective access to the funds needed to meet its financial obligations as they become due, in both routine and crisis situations. Managing this risk involves maintaining a sufficient level of liquidity, ensuring stable and diversified sources of funding, as well as a contingency plan for extraordinary events. Liquidity risk management is a key component of the overall risk management strategy, as it is essential to maintaining depositor confidence.

Each year, the Board of Directors reviews and approves the liquidity risk management policy. This policy describes the principles, limits and procedures that apply to liquidity risk management that have been established.

Caisse Alliance's policy describes the level and amount of liquidity it must maintain. The policy defines two levels: the operating liquidity level and the minimum level to maintain. Caisse Alliance's total liquidity, except for cash, is monitored on a daily basis. The Board of Directors also monitors the liquidity coverage ratio (LCR), which measures the adequacy of stressed liquidity coverage.

23. Financial Instrument Risk Management (continued)

Liquidity Risk (continued)

The following table presents financial liabilities and other off-balance sheet obligations by remaining contractual maturity. These figures include the principal and interest, if applicable.

			2022	
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Members' deposits	**$ 1,494,726**	**$ 432,449**	**$ 9,005**	**$ 1,936,180**
Loans	**81,773**	**153,823**	**-**	**235,596**
Other financial liabilities	**31,485**	**-**	**-**	**31,485**
Loan commitments	**364,775**	**-**	**-**	**364,775**
Letters of credit	**7,405**	**-**	**-**	**7,405**

			2021	
	Less than 1 year	1 to 5 years	More than 5 years	Total
Members' deposits	$ 1,435,892	$ 414,171	$ 8,953	$ 1,859,016
Loans	11,694	70,559	-	82,253
Other financial liabilities	27,473	-	-	27,473
Loan commitments	346,853	-	-	346,853
Letters of credit	4,573	-	-	4,573

Market Risk

Market risk refers to the risk of changes in the fair value of financial instruments resulting from fluctuations in the parameters affecting this value, in particular, interest rates and foreign exchange rates.

Interest rate risk management

Caisse Alliance is exposed to market risk primarily through positions taken in the course of its traditional financing and deposit taking activities. Interest rate risk represents the potential impact of interest rate fluctuations on net interest income and the economic value of its capital.

Dynamic, sound, and prudent management is applied in order to optimize net interest income while minimizing the negative impact of interest rate fluctuations.

Each year, the Board of Directors reviews and approves the policies on market risk and structural risk management. The policies developed describe the principles, limits and procedures that apply to managing these risks. Simulations are used to measure the effect of different variables on changes in net interest income and the economic value of its capital.

To cover risks arising from market index fluctuations, Caisse Alliance has obtained adequate derivative financial instruments.

23. Financial Instrument Risk Management (continued)

Management of Investment Activity Risk

The policies developed describe the principles, limits and procedures that apply to managing this risk. The risk is managed on a daily basis and Caisse Alliance receives risk management guidance from a group of brokers from a range of brokerage firms with the aim of optimizing the risk-return ratio and reducing the risk associated with concentration by industry sector, issuer, geographic location, instrument and level of credit quality.

Risk Management at Caisse Alliance

Interest rate risk management is conducted in accordance with Caisse Alliance's policies and a strategy that includes targets and courses of actions to be taken when Caisse Alliance finds itself outside of established benchmarks.

Each month, Caisse Alliance conducts simulations to measure the effect of different variables on changes in net interest income for the next 12 months and on the economic value of Caisse Alliance's capital.

The underlying assumptions draw on analysis of historical data and the impacts of various interest rate contexts on changes in the data. These assumptions affect the evolution of the asset and liability structure, including modelling for deposits with no stated maturity, capital, member behaviour, and pricing.

Sensitivity analysis

Based on Caisse Alliance's interest rate positions at December 31, the following table provides the results of simulations on forecasted net interest income according to the probable scenario, an immediate and sustained interest rate increase of 100 basis points, and an immediate and sustained interest rate decrease of 100 basis points.

	2022	2021
Impact of a 100 basis point increase in interest rates	**$ 3,332**	$ 2,769
Impact of a 100 basis point decrease in interest rates	**(3,340)**	(3,274)

The extent of the interest rate risk is dependent on the difference between off-balance-sheet asset, liability and financial instrument cash flows. The situation presented reflects the position on this date and can change depending on the behaviour of members, the interest rate environment and the strategies followed by Caisse Alliance.

The following table provides a succinct presentation of the interest rate risk exposure of Caisse Alliance's asset and liability items at the end of the fiscal year. The information comes from an internal report provided to Caisse Alliance's management personnel for interest rate risk management.

23. Financial Instrument Risk Management (continued)

Risk Management at Caisse Alliance (continued)

	Assets	Effective Interest Rates	Liabilities	Effective Interest Rates
Non-Interest-Rate-Sensitive Items	$ 95,762		$ 698,578	
Interest-Rate-Sensitive Items				
Floating rate	299,315	6.55%	170,272	1.85%
0 to 12 months	483,705	4.01%	746,074	3.24%
1 to 5 years	1,458,701	3.54%	580,449	2.87%
More than 5 years	2,770	4.28%	9,005	2.74%
Total	2,244,491		1,505,800	
Total	$ 2,340,253		$ 2,204,378	

Risk exposure is based on cash flows and maturity dates or, if closer, the interest rate revision dates of fixed-rate assets and liabilities.

The amounts shown in the table above represent the balances as at year-end.

Prudent assumptions with respect to the maturity profile are used in Caisse Alliance's models to determine their interest rate sensitivity.

Foreign Exchange Risk Management

Caisse Alliance is exposed to foreign exchange risk, particularly with respect to liquidity, investments and U.S. dollar denominated member deposits.

Each year, the Board of Directors reviews and approves the structural risk management policy. This policy describes the principles, limits and procedures that apply to foreign exchange risk management.

The statement of financial position includes the following amounts in Canadian dollars for financial assets and liabilities whose cash flows are denominated in U.S. dollars:

	2022	2021
Liquidity	**$ 11,576**	$ 12,119
Members' deposits	**(7,888)**	(8,689)

An abrupt 1% increase (decrease) in the foreign exchange rate would have little impact on Caisse Alliance's net income.

24. Capital Management

Caisse Alliance's capital management goal is to ensure its long-term viability and protect members' deposits.

Each year, the Board of Directors reviews and approves the capital management policy. Caisse Alliance's capital adequacy is regulated by the Caisses Populaires and Credit Unions Act, 2020 and more specifically by rule 2021-002 of the Financial Services Regulatory Authority of Ontario. This rule stipulates the sufficiency of own funds, the elements that compose them and the proportion of these elements between them.

Caisse Alliance's regulatory capital, which constitutes its capital, differs from members' equity appearing in the statement of financial position. The regulatory capital is comprised of two categories:

Tier 1 capital includes more permanent capital items than Tier 2 capital. It consists of eligible qualifying shares, retained earnings, eligible preferred shares that are not redeemable in the coming year, accumulated other comprehensive income, deferred income tax assets, and deductible portion of intangible assets.

Tier 2 capital consists of eligible preferred shares that are redeemable in the coming year as defined in the policy and the eligible portion of the allowance for credit losses.

Caisse Alliance must maintain the following capital and financial leverage ratios:

- minimum tier 1 capital ratio of 6.5%
- minimum retained earnings to risk weighted asset ratio of 3.0%
- minimum capital conservation buffer ratio of 2.5%
- minimum total capital ratio of 8.0%
- minimum total supervisory capital ratio of 10.5%
- minimum leverage ratio of 3.0%

The following table outlines the composition of Caisse Alliance's regulatory capital:

Capital	**2022**	2021
Tier 1 Capital		
Qualifying shares	**$ 616**	$ 611
Retained earnings	**135,554**	135,550
Eligible preferred non-redeemable shares	**9,239**	9,273
Accumulated other comprehensive income	**321**	-
Deferred income tax assets	**(2,804)**	-
Deductible portion of intangible assets	**(514)**	-
	142,412	145,434
Tier 2 Capital		
Eligible preferred redeemable shares	**1,027**	1,030
Eligible allowance for credit losses	**3,695**	3,479
	4,722	4,509
Total	**$ 147,134**	$ 149,943

24. Capital Management (continued)

Caisse Alliance presents ratios that are greater than the regulatory requirements. It therefore meets the minimum capitalization requirements as at December 31, 2022, as it did in the prior period. As at December 31, 2022, the ratios achieved by Caisse Alliance are:

	2022
Tier 1 capital ratio	12.1 %
Retained earnings to risk weighted asset ratio	11.5
Capital conservation buffer ratio	4.5
Total capital ratio	12.5
Total supervisory capital ratio	12.5
Leverage ratio	6.3

Capital adequacy as of December 31, 2021 was governed by the Caisses Populaires and Credit Unions Act, 1994 and Caisse Alliance had ratios in excess of those required by regulatory requirements. It therefore met the minimum capitalization requirements as of December 31, 2021.