MEGA INTERNATIONAL COMMERCIAL BANK (CANADA)

ANNUAL REPORT 2016

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BOARD OF DIRECTORS: **Ying-Ying Chang**, Chairman
Cheng-Chian Tsao, Director
Caesar Cheng, Director
Bernard P.Y. Hu, Director
Nae-Yee Lung, Director
Stanley Kwan, Director
Chung-Shin Loo, Director

OFFICERS: **Chung-Shin Loo**
President & Chief Executive Officer
Lindsay Chase
Chief Compliance Officer
Chi-Chu Liao
Executive Vice President,
General Manager of Credit Department
Chun-Jen Huang
Chief Financial Officer, Vice President& General
Manager, Business Department
Yen-Kai Hsiao
Vice President & General Manager of Credit Department
Jennifer Yeh
Chief Accountant
Ming-Shan Wu
Vice President & General Manager,
Vancouver Branch
Tina Liao
Chief Internal Auditor

THE PARENT BANK: MEGA INTERNATIONAL COMMERCIAL BANK
CO. LTD., TAIPEI, TAIWAN
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Mega International Commercial Bank (Canada)
December 31, 2016

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Independent Auditor's Report

To the Shareholder of
Mega International Commercial Bank (Canada)

We have audited the accompanying financial statements of Mega International Commercial Bank (Canada), which comprise the statement of financial position as at December 31, 2016, and the statement of operations and comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mega International Commercial Bank (Canada) as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 9, 2017

Mega International Commercial Bank (Canada)

Statement of operations and comprehensive income

Year ended December 31, 2016

(in thousands of Canadian dollars, unless otherwise noted)

	2016	2015
	$	$
Interest income		
Loans	3,788	4,474
Deposits with regulated financial institutions	920	662
Other	69	105
	4,777	5,241
Interest expense - deposits	922	1,233
Net interest income	3,855	4,008
Provision for credit losses (Note 6)	(277)	(323)
Net interest income after provision for credit losses	4,132	4,331
Other income (Note 12)	841	851
Net interest and other income	4,973	5,182
Non-interest expenses		
Salaries and staff benefits	2,415	2,417
Premises and equipment, including amortization	862	932
Other	1,114	966
	4,391	4,315
Net income before provision for income taxes	582	867
Provision for income taxes (Note 13)	152	231
Net income	430	636
Average number of common shares outstanding	230,000	230,000
Net income per share	1.87	2.77

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

Mega International Commercial Bank (Canada)

Statement of financial position

December 31, 2016

(in thousands of Canadian dollars, unless otherwise noted)

	2016	2015
	$	$
Assets		
Cash resources		
Cash	426	526
Deposits with regulated financial institutions (Note 3)	121,792	136,374
	122,218	136,900
Loans (Notes 4, 5 and 6)		
Mortgage loans	71,764	91,294
Other loans	22,112	21,962
	93,876	113,256
Deferred income taxes (Note 13)	219	298
Other		
Property and equipment (Note 7)	392	404
Cheques and other items in transit	7	594
Other assets (Note 8)	1,385	8,175
	1,784	9,173
	218,097	259,627
Liabilities		
Deposits (Note 9)		
Payable on demand	34,395	34,644
Payable after notice	21,311	36,206
Payable on a fixed date	119,576	143,889
	175,282	214,739
Other		
Cheques and other items in transit	441	1,353
Other liabilities (Note 10)	1,461	3,052
	1,902	4,405
	177,184	219,144
Shareholder's equity		
Capital stock		
Authorized		
Unlimited number of voting, non-redeemable common shares		
Issued and fully paid		
230,000 common shares (par value of $100 each share)	23,000	23,000
Retained earnings	17,913	17,483
Accumulated other comprehensive income (loss)	-	-
	40,913	40,483
	218,097	259,627

Approved by the Board

_________________________ Director

_________________________ Director

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

Mega International Commercial Bank (Canada)
Statements of changes in shareholder's equity
Year ended December 31, 2016
(in thousands of Canadian dollars, unless otherwise noted)

	2016	2015
	$	$
Capital stock		
Balance, beginning and end of year	23,000	23,000
Retained earnings		
Retained earnings, beginning of year	17,483	16,847
Net income	430	636
Retained earnings, end of year	17,913	17,483
Accumulated other comprehensive income (loss)		
Accumulated other comprehensive income (loss), beginning of year	-	-
Change in unrealized gains/(losses) on available-for-sale securities, net of tax	-	-
Accumulated other comprehensive income (loss), end of year	-	-
Total shareholder's equity	40,913	40,483

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

Mega International Commercial Bank (Canada)

Statement of cash flows

Year ended December 31, 2016

(in thousands of Canadian dollars, unless otherwise noted)

	2016	2015
	$	$
Operating activities		
Net income	430	636
Interest expense	922	1,233
Interest income	(4,777)	(5,241)
Adjustments to determine net cash provided by/(used in) operating activities:		
Loans, net of repayments	19,649	26,752
Provision for credit losses	(277)	(323)
Depreciation of property and equipment	32	35
Deferred income taxes	79	97
Interest paid	(1,082)	(1,197)
Interest received	4,739	5,344
Income taxes paid	131	(532)
Change in taxes payable	(131)	526
Change in other items, net	363	566
Cash flows provided by operating activities	20,078	27,896
Investing activities		
Changes in deposits with regulated financial institutions with original maturity dates greater than three months	(8,693)	(7,446)
Disposal (acquisition) of property and equipment	(20)	(73)
Inward and outward documentary bills	5,039	(929)
Cash flows used in investing activities	(3,674)	(8,448)
Financing activities		
Deposits, net of withdrawals	(39,457)	20,317
Cash flows provided by/(used in) financing activities	(39,457)	20,317
Net (decrease)/increase in cash and cash equivalents	(23,053)	39,765
Cash and cash equivalents, beginning of year	99,788	60,023
Cash and cash equivalents, end of year	76,735	99,788
Represented by:		
Cash	426	526
Deposits with regulated financial institutions with original maturity dates of three months or less	76,743	100,021
Cheques and other items in transit, net	(434)	(759)
	76,735	99,788

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

Mega International Commercial Bank (Canada) (formerly International Commercial Bank of Cathay (Canada)) (the "Bank") is a wholly owned subsidiary of Mega International Commercial Bank Co., Ltd. The Bank is domiciled in Canada and licensed to operate as a bank in Canada under the Bank Act (1991) with full banking powers as a foreign bank subsidiary. The Bank is an individual company and does not comprise a group. The Bank's registered address is 4950 Yonge Street, Suite 1002, Toronto, Ontario, Canada M2N 6K1.

1. Estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions which include the fair valuation of certain financial assets and liabilities, the allowance for loan losses, the impairment of assets other than loans, as well as various contingencies. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. The significant accounting policies used in the preparation of these financial statements are summarized below and conform, in all material respects, to International Financial Reporting Standards ("IFRS").

2. Significant accounting policies

Classification of financial instruments

The Bank's classifications of financial assets and financial liabilities are as follows:

Cash equivalents	Loans and receivables
Deposits with regulated financial institutions	Held to maturity
Government of Canada treasury bills	Held to maturity
Other securities	Available for sale
Loans	Loans and receivables
Customers' liability under acceptances	Loans and receivables
Accrued interest receivable and other receivables	Loans and receivables
Deposits	Amortized cost, other financial liabilities
Acceptances	Amortized cost, other financial liabilities
Accrued interest payable and accrued liabilities	Amortized cost, other financial liabilities
Securities sold under repurchase agreements	Amortized cost, other financial liabilities

The carrying amount of cash excludes accrued interest.

Management has judged that the held to maturity classification is the most appropriate category for deposits with regulated financial institutions and Government of Canada treasury bills because the Bank intends to and has the ability to hold these instruments until maturity.

Translation of foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing at year-end.

Income and expense items denominated in foreign currencies are translated into Canadian dollars at the approximate average exchange rates prevailing throughout the year or at the date of the transaction.

Realized and unrealized foreign exchange gains and losses are included in other income in the statement of operations.

Cash and cash equivalents

Cash includes cash on hand and demand cash deposits. Cash equivalents are short term deposits with financial institutions with an original term to maturity of 90 days or less. Cash equivalents are classified as loans and receivables to reflect regular receipts of interest on the principal amount.

Deposits with regulated financial institutions

Deposits with regulated financial institutions are recognized at amortized cost. Interest income on interest bearing deposits is recorded using the effective interest method.

2. Significant accounting policies (continued)

Securities

The Bank records its purchase and sales of securities on settlement date. Government of Canada treasury bills, all of which are held to maturity in the Bank's investment account, are carried at amortized cost which management has judged approximates to fair value. Gains and losses on disposal of these securities are included in other income in the year of disposal.

Other securities are classified as available-for-sale and are carried at fair value, using bid price at the balance sheet date. Any changes in the fair values of other securities are recognized in Other Comprehensive Income (OCI). When the asset is disposed of, or has become impaired, the accumulated gain or loss in OCI is transferred from OCI to the Statement of Operations and recognized as net gains (losses) on invested assets and other gains (losses).

Loans

Loans are measured at amortized cost and stated net of any allowance for credit losses. Interest income is recorded using the effective interest method. A loan is classified as impaired when objective evidence demonstrates there is an indication that the loan is impaired, such as default or delinquency of interest payments and in management's opinion, there is no longer reasonable assurance of timely collection, either in whole or in part, of principal or interest.

Allowance for credit losses

The Bank considers evidence of impairment for loans, advances and held to maturity instruments at both the individual asset level and the collective level. All individually significant loans, advances and held to maturity instruments are assessed for individual impairment. All individually significant loans, advances and held to maturity investments not found to be individually impaired are then collectively assessed for impairment that has been incurred but not yet identified. Loans, advances and held to maturity instruments not individually significant are grouped according to their risk characteristics and assessed for impairment collectively.

In assessing collective impairment, the Bank uses statistical modeling of the probability of default and losses given default, adjusted for managements judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historic modeling.

Under normal circumstances, historical experience provides the best objective relevant information to assess inherent losses within a loan portfolio. Under certain circumstances however, historical loss experience provides less relevant information about the inherent loss in a loan portfolio at the statement of financial position date. This can occur for example, where there have been changes in the economic or regulatory environment, such that the most recent trends in the portfolio risk factors are not fully reflected in the Bank’s models. These risk factors may include recent loan portfolio growth, bankruptcy trends, unemployment rates and economic conditions such as national and local trends in real estate markets and interest rates. These risk factors, where relevant, are taken into account when calculating impairment.

Impairment of assets carried at amortized cost is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows discounted at the asset’s original effective interest rate. When the asset is impaired, the instrument’s carrying amount is reduced to estimated realizable value through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be recognized on impaired amortized cost assets at the original effective interest rate.

2. Significant accounting policies (continued)

Impairment of available for sale ("AFS") Assets

Impairment losses arising on AFS assets are measured as the difference between the asset's carrying amount and the present value of future cash flows arising on that asset. Amounts in OCI related to the impaired asset are reclassified from OCI to the income statement as impairment losses. If in a subsequent period, the fair value of an AFS asset increases and this increase can be objectively linked to an event after the impairment loss was originally recorded, the impairment loss is reversed through the income statement.

Acceptances

The Bank's liability under acceptances is reported as a liability in the statement of financial position. The Bank's recourse against the customer in the event of a call on any of these commitments is reported as an offsetting asset of the same amount. Fees earned are included in other income.

Property and equipment

Land is carried at cost. All other property and equipment assets are carried at cost, less accumulated amortization. Amortization is based on their estimated useful life using straight line over the following terms:

Buildings	50 years
Vehicles and computer equipment	5 years
Furniture and fixtures	8 years
Leasehold improvements	Term of lease

The Bank reviews its property plant and equipment each statement of financial position date for indications of impairment, such as physical damage or changes in the planned use of the asset.

Leasehold inducements

Cash payments from the lessor are accounted for as reductions of rental expense over the term of the lease.

Income taxes

The Bank follows the asset and liability method of accounting for income taxes, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that substantive enactment or enactment occurs.

Securities sold under repurchase agreements

When securities are sold subject to a commitment to repurchase them at a predetermined price ("repos"), they remain on the statement of financial position and a liability is recorded in respect of the consideration received. The difference between the sale and repurchase price is treated as interest and recognized over the life of the agreement. Interest expense is recorded on an accrual basis.

2. Significant accounting policies (continued)

Derivative financial instruments

In the ordinary course of business, the Bank enters into various foreign exchange swaps. The Bank enters into such contracts to manage its exposures to currency fluctuations as part of the Bank's asset - liability management (ALM) program. Such derivatives are used to manage the Bank's own exposures.

The fair value of derivatives is recognized in Other assets or Other liabilities at the statement of financial position date and the gain or loss is recognized in Other income. All derivatives are carried at fair value and the resulting net gains or losses are recognized as Other income in the statement of operation and comprehensive Income in the current period.

Other income

Other income includes commission earned form the provision of services and gains or losses on foreign exchange, which are recognized as revenue. Commission income is generally earned on a straight line basis over the contract period. Foreign exchange gains and losses are recognized in the statement of operations and comprehensive income in the period to which they relate.

Financial guarantee contracts

Liabilities under financial guarantee contracts are recorded initially at their fair value, which is generally the fee received or receivable. Subsequently, financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortization, and the best estimate of the expenditure required to settle the obligations.

Amendments to IAS 1 Disclosure Initiative

The Bank has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the basis of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the Bank's financial position and financial performance.

Regarding the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not resulted in any impact on the financial performance or the financial position of the Bank.

Future changes in accounting policy

IFRS 15 Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15 which establishes principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based five step model for revenue recognition to be applied to all contracts with customers.

IFRS 9 Financial Instruments

In July 2014, IASB published the complete version of IFRS 9 Financial Instruments, which replaces most of the guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 provides guidance on the recognition, classification, and measurement of financial assets and financial liabilities. IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Bank is currently assessing the impact on the future Financial Statements.

(in thousands of Canadian dollars, unless otherwise noted)

3. Deposits with regulated financial institutions

Deposits with regulated financial institutions are unsecured. An analysis of gross deposits with regulated financial institutions by remaining term to maturity and location of ultimate risk is as follows:

				2016
	Non-interest bearing	**Within 3 months**	**3 months to 6 months**	**Total**
	$	**$**	**$**	**$**
Canada	**16,968**	**57,966**	**45,141**	**120,075**
United States	**-**	**1,603**	**-**	**1,603**
Other countries	**206**	**-**	**-**	**206**
	17,174	**59,569**	**45,141**	**121,884**
Collective allowance	**(13)**	**(45)**	**(34)**	**(92)**
Total deposits with regulated financial institutions, net of Collective allowance	**17,161**	**59,524**	**45,107**	**121,792**
Average effective yield	**0.00%**	**0.97%**	**1.05%**	**0.86%**

				2015
	Non-interest bearing	**Within 3 months**	**3 months to 6 months**	**Total**
	$	**$**	**$**	**$**
Canada	**25,999**	**73,520**	**36,448**	**135,967**
United States	**-**	**287**	**-**	**287**
Other countries	**215**	**-**	**-**	**215**
	26,214	**73,807**	**36,448**	**136,469**
Collective allowance	**(19)**	**(51)**	**(25)**	**(95)**
Total deposits with regulated financial institutions, net of Collective allowance	**26,195**	**73,756**	**36,423**	**136,374**
Average effective yield	**0.00%**	**0.60%**	**0.72%**	**0.52%**

Average effective yields are based on book values and contractual interest rates.

Deposits with regulated financial institutions include amounts denominated in foreign currencies of $75,453(2015 - $81,963).

(in thousands of Canadian dollars, unless otherwise noted)

4. Loans

a) An analysis of the Bank's loan portfolio, net of the allowance for credit losses, by category and by location of ultimate risk is as follows:

	Neither past due nor impaired	Past due but not impaired <90 Days	Past due but not impaired 90 to 180 days	Impaired	2016
	$				$
Canada					
Residential mortgages	9,548	-	-	-	9,548
Commercial mortgages	62,416	-	-	275	62,691
Consumer loans	3,234	-	-	23	3,257
Other business loans	19,111	-	-	17	19,128
Other					
Residential mortgages	244	-	-	-	244
Commercial mortgages	-	-	-	-	-
Consumer loans	-	-	-	-	-
Other business loans	-	-	-	-	-
	94,553	-	-	315	94,868
Allowance for credit losses					
Mortgages loans	(719)	-	-	-	(719)
Other loans	(233)	-	-	(40)	(273)
	(952)	-	-	(40)	(992)
Total loans, net of allowance for credit losses					93,876

	Neither past due nor impaired	Past due but not impaired <90 Days	Past due but not impaired 90 to 180 days	Impaired	2015
	$				$
Canada					
Residential mortgages	11,657	-	-	-	11,657
Commercial mortgages	79,846	-	-	-	79,846
Consumer loans	3,551	-	-	28	3,579
Other business loans	18,591	-	-	86	18,677
Other					
Residential mortgages	254	-	-	-	254
Commercial mortgages	500	-	-	-	500
Consumer loans	-	-	-	-	-
Other business loans	-	-	-	-	-
	114,399	-	-	114	114,513
Allowance for credit losses					
Mortgages loans	(963)	-	-	-	(963)
Other loans	(248)	-	-	(46)	(294)
	(1,211)	-	-	(46)	(1,257)
Total loans, net of allowance for credit losses					113,256

(in thousands of Canadian dollars, unless otherwise noted)

4. Loans (continued)

(b) The following table analyzes the Bank's loan portfolio by the contractual maturity dates. This analysis excludes loans classified as impaired having a gross value of $315 (2015 - $114).

						2016
	Immediately rate sensitive	**Within 3 months**	**3 months to 1 year**	**1 to 5 years**	**over 5 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Loans	**15,068**	**51,044**	**27,089**	**1,352**	**-**	**94,553**
Average effective yield	**3.90%**	**3.24%**	**3.27%**	**3.80%**	**-**	**3.35%**

						2015
	Immediately rate sensitive	**Within 3 months**	**3 months to 1 year**	**1 to 5 years**	**over 5 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Loans	**19,937**	**61,418**	**31,309**	**1,733**	**-**	**114,397**
Average effective yield	**4.09%**	**3.31%**	**3.48%**	**3.95%**	**-**	**3.51%**

Average effective yields are based on book values and contractual interest rates, adjusted for the amortization of any deferred income. Cash interest received during the year on interest bearing instruments including loans and deposits held by the Bank was $4,708 (2015 - $5,136).

5. Impaired loans

An analysis of impaired loans is as follows:

			2016
	Gross amount	**Individual allowance**	**Carrying amount**
	$	**$**	**$**
Canada			
Mortgage loans	**275**	**-**	**275**
Other loans	**40**	**40**	**-**
	315	**40**	**275**

			2015
	Gross amount	**Individual allowance**	**Carrying amount**
	$	**$**	**$**
Canada			
Mortgage loans	**-**	**-**	**-**
Other loans	**114**	**46**	**68**
	114	**46**	**68**

(in thousands of Canadian dollars, unless otherwise noted)

5. Impaired loans (continued)

In addition to an individual allowance, the Bank has a collective allowance for loans of $952 (2015 - $1,211).

The amount of interest accrued on impaired loans during the year was $nil (2015 - $nil).

6. Allowances for credit losses

An analysis of the individual and collective allowances for credit losses is as follows:

	Individual		Collective		2016
	Loan and advances	Loans and advances	Letters of credit and guarantees	Investments and deposits	Total
		$	$		$
Balance, beginning of year	46	1,211	63	94	1,414
Recoveries	-	-	-	-	-
Write-offs	-	-	-	-	-
Provision for credit losses	(6)	(259)	(10)	(2)	(277)
Balance, end of year	40	952	53	92	1,137

	Individual		Collective		2015
	Loan and advances	Loans and advances	Letters of credit and guarantees	Investments and deposits	Total
		$	$		$
Balance, beginning of year	32	1,589	52	64	1,737
Recoveries	-	-	-	-	-
Write-offs	-	-	-	-	-
Provision for credit losses	14	(378)	11	30	(323)
Balance, end of year	46	1,211	63	94	1,414

7. Property and equipment

	Cost				Accumulated depreciation				2016
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Additions	Disposals/ writedowns	Closing balance	Net book value
				$				$	$
Land	104	-	-	104	-	-	-	-	104
Buildings	399	-	-	399	191	8	-	199	200
Furniture and equipment	797	20	83	734	705	24	83	646	88
Leasehold improvements	616	-	274	342	616	-	274	342	-
	1,916	20	357	1,579	1,512	32	357	1,187	392

(in thousands of Canadian dollars, unless otherwise noted)

7. Property and equipment (continued)

									2015
	Cost				Accumulated depreciation				
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Additions	Disposals/ writedowns	Closing balance	Net book value
				$				$	$
Land	104	-	-	104	-	-	-	-	104
Buildings	399	-	-	399	183	8	-	191	208
Furniture and equipment	931	73	207	797	885	27	207	705	92
Leasehold improvements	697	-	81	616	697	-	81	616	-
	2,131	73	288	1,916	1,765	35	288	1,512	404

8. Other assets

	2016	2015
	$	$
Accrued interest receivable	381	342
Outward documentary bills	577	5,616
Customers' liability under acceptances	-	1,378
Other	427	839
	1,385	8,175
Due in less than one year	1,385	8,175
Due in more than one year	-	-

(in thousands of Canadian dollars, unless otherwise noted)

9. Deposits

a) The following is an analysis of the Bank's deposits by category:

	Payable on demand		Payable after notice		Payable	2016
	Interest bearing	Non-interest bearing	Interest bearing	Non-interest bearing	on a fixed date	Total
	$	$	$	$	$	$
Canada						
Individuals	-	-	9,839	76	52,314	62,229
Businesses and deposit-taking institutions	10,362	17,623	2,000	-	-	29,985
	10,362	17,623	11,839	76	52,314	92,214
Average effective interest rate	0.13%		0.03%		0.77%	0.45%
United States						
Individuals	-	-	113	-	1,270	1,383
Businesses and deposit-taking institutions	-	199	-	-	-	199
	-	199	113	-	1,270	1,582
Average effective Interest rate			0.03%		0.65%	0.52%
Other countries	-	6,211	9,276	7	65,992	81,486
Average effective Interest rate			0.06%		0.69%	0.56%
Total deposits	10,362	24,033	21,228	83	119,576	175,282
Average effective Interest rate	0.13%		0.04%		0.72%	0.51%

(in thousands of Canadian dollars, unless otherwise noted)

9. Deposits (continued)

2015

	Payable on demand		Payable after notice		Payable	
	Interest bearing	Non-interest bearing	Interest bearing	Non-interest bearing	on a fixed date	Total
	$	$	$	$	$	$
Canada						
Individuals	-	-	14,396	75	70,179	84,650
Businesses and deposit-taking institutions	9,777	16,056	-	-		25,833
	9,777	16,056	14,396	75	70,179	110,483
Average effective Interest rate	0.12%		0.07%		0.80%	0.53%
United States						
Individuals	-	-	10	-	265	275
Businesses and deposit-taking institutions		176	-	-	-	176
	-	176	10	-	265	451
Average effective Interest rate			0.06%		0.84%	0.49%
Other countries	-	8,635	21,720	5	73,445	103,805
Average effective Interest rate			0.10%		0.76%	0.56%
Total deposits	9,777	24,867	36,126	80	143,889	214,739
Average effective Interest rate	0.12%		0.09%		0.78%	0.54%

Total cash interest paid during the year by the Bank on interest bearing liabilities was $1,082 (2015 - $1,197).

Deposits payable on demand are interest bearing and non-interest bearing deposits, generally chequing accounts, where the Bank does not have the right to require notice of withdrawal. Deposits payable after notice are interest bearing deposits, generally savings accounts, where the Bank can legally require notice prior to withdrawal. Deposits payable on a fixed date are interest bearing deposits, typically term deposits, guaranteed investment certificates and similar instruments with terms ranging from one day to five years, which mature on a specified date.

Total deposits include amounts denominated in foreign currencies of $79,408 (2015 - $89,865).

(in thousands of Canadian dollars, unless otherwise noted)

9. Deposits (continued)

b) The following table provides an analysis of deposits payable on a fixed date by contractual maturity dates:

				2016
	Within 3 months	**3 months to 1 year**	**1 to 5 years**	**Total**
	$	**$**	**$**	**$**
Deposits payable on a fixed date	**41,396**	**78,124**	**56**	**119,576**
Average effective interest rate	**0.55%**	**0.81%**	**0.97%**	**0.72%**

				2015
	Within 3 months	3 months to 1 year	1 to 5 years	Total
	$	$	$	$
Deposits payable on a fixed date	52,655	91,234	-	143,889
Average effective interest rate	0.73%	0.81%		0.78%

Average effective interest rates are based on book values and contractual interest rates.

10. Other liabilities

	2016	2015
	$	$
Accrued interest payable	**399**	558
Accounts payable and other liabilities	**1,062**	1,111
Acceptances	**-**	1,383
	1,461	3,052
Due in less than one year	**1,461**	3,052
Due in more than one year	-	-

(in thousands of Canadian dollars, unless otherwise noted)

11. Operating segments

a) Operating segment

The Bank operates in one operating segment.

b) An analysis of the Bank's gross aggregate outstanding deposits with regulated financial institutions, securities, loans, and customers' liability under acceptances, by geographic location, on the basis of the location of ultimate risk, is as follows:

	2016	2015
	$	$
Canada	**214,699**	249,726
United States	**1,603**	287
Other	**450**	969
	216,752	250,982

c) Total interest income, based on country of residence of the borrower, is as follows:

	2016	2015
	$	$
Canada	**4,758**	5,225
United States	**12**	1
Other	**7**	15
	4,777	5,241

There was no interest income generated in the year from cash deposits.

12. Other income

	2016	2015
	$	$
Commission income	**574**	554
Gain (loss) on foreign exchange	**212**	231
Other	**55**	66
	841	851

(in thousands of Canadian dollars, unless otherwise noted)

13. Income taxes

Income tax expense for the year consists of:

	2016	2015
	$	$
Current		
Current year tax expense (recovered)	74	134
Adjustment for prior year	(1)	1
	73	135
Deferred		
Origination/reversal of temporary differences	79	96
Total income tax expense (recovered)	152	231

The aggregate tax effect of available-for-sale investments accounted for in Other Comprehensive Income is $nil (2015 – ($nil).

Income tax expense differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.26% (2015– 26.25%) to pretax income as a result of the following:

Net income before income taxes	582	867
Combined Canadian federal and provincial income tax rate applied to net income before income taxes	153	228
Income taxes adjusted for the effect of:		
Differences between actual and estimated income taxes	-	3
Other	(1)	-
Provision for income taxes	152	231

(in thousands of Canadian dollars, unless otherwise noted)

13. Income taxes (continued)

The tax effects of temporary differences that give rise to significant portions of the deferred income taxes are presented below:

	2016	2015
	$	$
Deferred income tax asset (liability)		
Allowance for credit losses	277	346
Other	(58)	(48)
Total deferred income taxes	219	298
Change in deferred income taxes recognized in the statement of operations		
Allowance for credit losses	(69)	(90)
Other	(10)	(7)
	(79)	(97)

The deferred tax asset that is expected to be realized within one year of the statement of financial position date is $276 (2015 - $354) and the remaining balance expected to be realized is ($57) (2015 – ($56)).

14. Guarantees and credit-related commitments

a) *Guarantees*

In the normal course of business, the Bank enters into numerous guarantee agreements. The table below summarizes the maximum potential amount of future payments for significant guarantees the Bank has provided that are in effect on December 31, 2016 and 2015:

	2016	2015
	$	$
Guarantees and financial standby letters of credit	3,283	3,435
Performance guarantees	9	9
	3,292	3,444

The maximum potential amount of future payments represents the maximum risk of loss if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions, insurance policies or from collateral held or pledged.

Guarantees and financial standby letters of credit are direct credit substitutes and represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its financial obligations to third parties. Generally, the term of these instruments does not exceed one year.

Performance guarantees are transaction-related contingencies which back particular performance obligations rather than customers' financial obligations. Performance guarantees represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its performance obligations to third parties. Generally, the term of these instruments does not exceed one year.

(in thousands of Canadian dollars, unless otherwise noted)

Guarantees, financial standby letters of credit and performance guarantees carry the same credit risk, recourse and collateral security requirements as loans extended to customers.

b) Credit-related commitments

In the normal course of business, the Bank enters into various off-balance sheet commitments. The primary purpose of these commitments is to ensure that funds are available to customers as required and to facilitate international trade. The table below summarizes significant credit-related commitments of the Bank and the maximum amount of additional credit the Bank could be obligated to extend should contracts be fully utilized:

	2016	**2015**
	$	**$**
Commitments to extend credit		
Original term of one year or less	**51,920**	**61,059**
Total	**51,920**	**61,059**

Documentary and commercial letters of credit are trade-related contingencies and are written undertakings by the Bank on behalf of a customer authorizing a third party, such as an exporter, to draw drafts on the Bank up to a stipulated amount under specific terms and conditions. The Bank is at risk for any drafts drawn that are not ultimately settled by the customer, however the amounts drawn are collateralized by the related goods.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, bankers' acceptances, guarantees or letters of credit. The Bank is required at all times to make the unused portion of the authorization available, subject to certain conditions.

As many of these guarantees and commitments will expire or terminate without being drawn upon, the contract amounts are not necessarily indicative of future cash requirements or credit risk.

c) Operating lease commitments

Future obligations for leased premises are as follows:

	2016	2015
One year or less	**202**	327
Between one and five years	**479**	253
After five years	**-**	-
	681	580

The total rental expense charged in respect of buildings and equipment was $640 (2015 - $759).

(in thousands of Canadian dollars, unless otherwise noted)

15. Related party transactions

In the normal course of business, the Bank enters into transactions with its parent and affiliated companies. Such transactions are measured at fair value, which is normally the exchange amount agreed to by the related parties. Related party transactions included in the financial statements are on unsecured basis and are listed as follows:

	Parent	**Group Subsidiaries**	**Key Management**	**2016**
	$	**$**	**$**	**$**
Deposits with regulated financial institutions	**-**	**1,809**	**-**	**1,809**
Deposits	**2,354**	**2,479**	**2,150**	**6,983**
Interest income	**-**	**12**	**-**	**12**
Interest expense	**3**	**-**	**2**	**5**

	Parent	Group Subsidiaries	Key Management	2015
	$	$	$	$
Deposits with regulated financial institutions	-	502	-	502
Deposits	16,440	2,728	1,764	20,932
Interest income	-	1	-	1
Interest expense	18	-	4	22

The Bank had extended credit facilities to certain customers against letters of credit issued by Mega International Commercial Bank Co. Ltd.'s branches in Taiwan. The value of these letters of credit amounted to $1,245 (2015- $1,317).

15. Related party transactions (continued)

Key management personnel compensation

The following table indicates the compensation paid to the key management personnel of the Bank in exchange for services rendered.

	2016	2015
	$	$
Salaries and short-term employee benefits	481	463
Total	481	463

16. Derivative financial instruments

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity or commodity instrument or index.

The Bank uses foreign exchange swaps primarily to manage its exposures to currency fluctuations as part of the Bank's ALM program. Such derivatives are used to manage the Bank's own exposures.

Foreign exchange swap contracts are transactions in which two parties exchange currencies for a predetermined period. The currencies are exchanged at inception and re-exchanged at the end of the predetermined period.

The Bank does not apply hedge accounting to any of its derivatives. All of the Bank’s derivatives are recorded at fair value on the statement of financial position. Gains and loss of derivatives are recognized in Non-interest income/expenses.

Derivative-related credit risk

Credit risk from derivative transactions is generated by the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to the Bank. Therefore, derivative-related credit risk is represented by the positive fair value of the instrument and is normally a small fraction of the contract’s notional amount. The Bank established lines for each derivative products and counterparties to control the risks.

Replacement cost represents the total fair value of all outstanding contracts in a gain position. The credit equivalent amount is defined as the sum of the positive replacement cost plus an add-on amount for potential future credit exposure as defined by the Office of the Superintendent of Financial Institutions (“OSFI”). The risk-adjusted amount is determined by applying the standard OSFI-defined measures of counterparty risk to the credit equivalent amount.

(in thousands of Canadian dollars, unless otherwise noted)

17. Financial instruments and risk management

Risk management

Management has developed policies and procedures to enable it to respond to various business risks of the Bank. The Board of Directors reviews and approves the Bank's overall risk management policies. The Audit Committee reviews overall internal controls and recommends approval of the financial statements to the Board of Directors.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party a financial loss. The objective of the Bank's credit risk policy is to minimize credit risk by assuming calculated risks with profitable returns. Management of this risk is performed by regular monitoring of its credit assets quality. The Bank made provision for credit loss based on its assessment of credit quality. The maximum credit risk exposure of the bank is equal to the carrying amount of the respective financial assets.

Measuring credit risk - loans

The Bank establishes a default risk rating for each counterparty for the credit facility. The default risk rating for the counterparty is determined using an internal system by the Bank and is based on a scale of grades (1~10). As each grade corresponds to a counterparty's probability of default.

With respect to diversification, the credit policy sets the guidelines intended to limit credit concentration by counterparty and sector of activity. The policies are periodically reviewed and approved by the Board of Directors. The following table provides additional information on the Bank's loan portfolios.

Portfolio of industry sector:

	2016		2015	
	Authorized	**Total loans**	**Authorized**	**Total loans**
		$		**$**
Industry Sector				
Financial institutions	**10,000**	**-**	**10,000**	**-**
Merchandising	**40,000**	**7,783**	**40,000**	**6,949**
Manufacturing	**40,000**	**-**	**40,000**	**-**
Construction/Real Estate	**40,000**	**8,429**	**40,000**	**7,881**
Logging and Forestry	**15,000**	**2,068**	**15,000**	**2,513**
Mining	**25,000**	**-**	**25,000**	**-**
Transportation	**5,000**	**29**	**5,000**	**108**
Oil/Energy	**25,000**	**-**	**25,000**	**-**
Mortgages	**150,000**	**72,483**	**150,000**	**92,256**
Others	**20,000**	**4,075**	**20,000**	**4,805**
	370,000	**94,867**	**370,000**	**114,512**

Refer to Note 16 for credit risk on derivative contracts.

Concentration of credit risk for other financial assets is reflected by the relative groupings presented in notes 4, 5 and 6. The likelihood of impairment of other financial assets is considered low because the bank only deposits monies and invests with institutions having an investment grade credit rating.

(in thousands of Canadian dollars, unless otherwise noted)

17. Financial instruments and risk management (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The objective of the Bank's policy on interest rate risk is to minimize exposure to interest rate risk while maintaining profitable lending practices. To manage and control the interest rate risk, the Bank maintains an appropriate matching policy for its assets and liabilities. The Bank maintained its exposure to interest rate risk within an appropriate level according to its policy.

The following table provides the potential before-tax impact of an immediate and sustained 200-basis-point increase in interest rates on net interest income and the impact on net interest income will be negative, if there is a 200-basis-point decrease in interest rates. The sensitivity analysis assumes the impact on interest income and shareholder's equity of a 200 basis point rise across all interest bearing instruments assuming all other factors are held constant.

Interest rate sensitivity

	2016	2015
	$	$
200-basis-point increase in the interest rate		
impact on net interest income (for the next 12 months)	**1,058**	1,024
impact on shareholder's equity	**780**	755

These figures are less than 3% of shareholder's equity, which is the maximum amount allowed according to the Bank's Interest Rate Risk Policy.

Capital and liquidity risk

Maturity analysis for non-derivative and derivative financial liabilities as at December 31, 2016 and 2015 were:

	3 months or less	**3 months to 1 year**	**1year to 5 years**	**2016 Total**
	$	**$**	**$**	**$**
Deposit				
Demand and notice deposits	**55,706**	**-**	**-**	**55,706**
Fixed term deposits	**41,396**	**78,124**	**56**	**119,576**
Cheques and other items in transit	**441**	**-**	**-**	**441**
Guarantees	**1,336**	**1,016**	**940**	**3,292**
Undrawn commitments	**29,499**	**22,421**	**-**	**51,920**
	128,378	**101,561**	**996**	**230,935**

(in thousands of Canadian dollars, unless otherwise noted)

17. Financial instruments and risk management (continued)

	3 months or less	3 months to 1 year	1year to 5 years	2015 Total
	$	$	$	$
Deposit				
Demand and notice deposits	70,850	-	-	70,850
Fixed term deposits	52,655	91,234	-	143,889
Cheques and other items in transit	1,353	-	-	1,353
Guarantees	1,336	1,139	969	3,444
Undrawn commitments	27,189	33,870	-	61,059
	153,383	126,243	969	280,595

Capital and liquidity risk include not meeting the minimum capital requirements or its financial obligations as set out by the Bank and the OSFI. The Board and management regularly review various capital adequacy tests and cash flow requirements to ensure that sufficient funds are available to satisfy the capital requirements of the Board and its regulator. Refer to Note 18 for capital management.

The Bank manages its liquidity positions on a day to day basis in order to ensure it has sufficient cash and cash equivalents available to meet customer requirements and other obligations. This involves managing both liquid assets as well as diversifying sources of financing. Daily and monthly liquidity limits are set for different time periods. A daily liquidity report is prepared to cover the period 1 to 30 days and address wholesale funding needs. A monthly liquidity report is also prepared to address all asset and liability maturities. Refer to Note 9 for deposit maturity schedule.

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management of this risk is performed by maintaining an appropriate matching policy for its foreign currency denoted assets and liabilities. The Bank has maintained its exposure to foreign exchange risk within an appropriate level according to its policy. Refer to Note 16 for foreign exchange swaps used to manage the currency risk.

The following table indicates the Bank's foreign exchange risk exposure to $US dollars at the statement of financial position date (including foreign exchange swaps). The sensitivity analysis assumes all factors are held constant except for a 1% change in the $US exchange rate against $CAD.

Foreign Exchange risk

	2016	**2015**
In thousand of Canadian Dollars	**$**	**$**
Overall overnight/intraday $US position:Long/(Short)	**50**	**67**
Effect of a 1% change in $US - $CAD exchange rates on equity	-	-

(in thousands of Canadian dollars, unless otherwise noted)

18. Capital management

Common shareholder's equity

Common shareholder's equity consists of common shares, retained earnings and accumulated other comprehensive income (loss). The Bank maintains capital to support its activities while generating a return in relation to industry standards and the Bank's risks profile.

Regulatory capital

The Bank's policy is to maintain its regulatory capital ratios consistent with regulatory requirements as defined by the OSFI. Effective January 1, 2013, OSFI updated its Capital Adequacy Requirements ("CAR") guideline adopting Basel III requirements set out by the Basel Committee on Banking Supervision (BCBS), in particular 'Basel III: A global regulatory framework for more resilient banks and banking systems', dated December 2010. The adoption of Basel III is intended to promote financial stability as well as strengthen the quality of capital and required target ratios. The BCBS sets out the Basel III transitional requirements for Common Equity Tier 1 (CET1), Tier 1 and Total capital ratios at 4%, 5.5% and 8%, respectively for 2014, which will be fully phased-in to 7%, 8.5% and 10.5%, respectively by January 1, 2019. OSFI expects all institutions to attain "all-in" target capital ratios of 8.5% for Tier 1 and 10.5% for Total capital by the first quarter of 2014. The Bank's total capital consists of Tier 1 capital, comprising of common shares and retained earnings. The Bank does not hold any Additional Tier 1 capital or Tier 2 capital. The Bank has decided to use the Standard Approach for the credit risk and the Basic Indicator Approach for operational risk. Capital funds are managed in accordance with policies and plans that are regularly reviewed and approved by the Board of Directors and take into account forecasted capital needs and markets. The goal is to maintain adequate regulatory capital to be considered well capitalized, protect customer deposits and provide capacity for internally generated growth.

Capital structure

	2016	2015
	$	**$**
Common shares	**23,000**	**23,000**
Retained earnings	**17,913**	**17,483**
Total - Tier 1 capital	**40,913**	**40,483**
Total capital	**40,913**	**40,483**
Tier 1 capital ratio	**30.89%**	**24.84%**
Total capital ratio	**30.89%**	**24.84%**

Regulatory capital and capital ratios are calculated in accordance with the requirements of OSFI. Capital is managed and reported in accordance with Basel III. The Bank's issued shares each carry one vote.

19. Pension plan

The Bank contributes to the Canadian Pension Plan, a defined contribution pension plan. The total pension expense for the year was $62 (2015 - $62).

(in thousands of Canadian dollars, unless otherwise noted)

20. Interest-rate risk sensitivity

The following table summarizes the Bank's 2016 matching gap between assets, liabilities and shareholder's equity by the earlier of contractual re-pricing or maturity date.

	Floating rate	3 months or less	3 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Non-rate sensitive	2016 Total
	$	$	$	$	$	$	$	$
Assets								
Cash resources	1,603	57,966	45,141	-	-	-	17,508	122,218
Securities	-	-	-	-	-	-	-	-
Loans	15,069	51,044	14,185	12,903	1,352	-	(677)	93,876
Other assets	-	309	268	-	-	-	1,426	2,003
Total assets	16,672	109,319	59,594	12,903	1,352	-	18,257	218,097
Liabilities & Shareholder's Equity								
Deposits								
Payable on demand	10,362	-	-	-	-	-	24,038	34,400
Payable after notice	19,228	2,000	-	-	-	-	78	21,306
Payable on a fixed date		41,398	28,098	50,024	56	-	-	119,576
Other liabilities	-	-	-	-	-	-	1,902	1,902
Shareholder's equity	-	-	-	-	-	-	40,913	40,913
Total liabilities & shareholder's equity	29,590	43,398	28,098	50,024	56	-	66,931	218,097
Excess (deficiency) of assets over liabilities and shareholder's equity	(12,918)	65,921	31,496	(37,121)	1,296	-	(48,674)	-

(in thousands of Canadian dollars, unless otherwise noted)

20. Interest-rate risk sensitivity (continued)

The following table summarizes the Bank's 2015 matching gap between assets, liabilities and shareholder's equity by the earlier of contractual repricing or maturity date.

	Floating rate	3 months or less	3 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Non-rate sensitive	2015 Total
	$	$	$	$	$	$	$	$
Assets								
Cash resources	287	73,520	36,448	-	-	-	26,645	136,900
Securities	-	-	-	-	-	-	-	-
Loans	19,937	61,418	13,066	18,243	329	1,404	(1,141)	113,256
Other assets	-	3,657	1,959	-	-	-	3,855	9,471
Total assets	20,224	138,595	51,473	18,243	329	1,404	29,359	259,627
Liabilities & Shareholder's Equity								
Deposits								
Payable on demand	9,777	-	-	-	-	-	24,867	34,644
Payable after notice	36,121	-	-	-	-	-	85	36,206
Payable on a fixed date		52,658	29,307	61,924		-	-	143,889
Other liabilities	-	-	-	-	-	-	4,405	4,405
Shareholder's equity	-	-	-	-	-	-	40,483	40,483
Total liabilities & shareholder's equity	45,898	52,658	29,307	61,924	-	-	69,840	259,627
Excess (deficiency) of assets over liabilities and shareholder's equity	(25,674)	85,937	22,166	(43,681)	329	1,404	(40,481)	-

21. Fair values of financial instruments

The amounts set out in the table below represent the fair values of the Bank's financial instruments using the valuation methods and assumptions described below.

The estimated fair value amounts are designed to approximate amounts at which instruments could be exchanged in a current transaction between knowledgeable willing parties in an arms length transaction. However, many of the Bank's financial instruments lack an available trading market. Therefore, fair values are based on estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk. Because of the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

(in thousands of Canadian dollars, unless otherwise noted)

21. Fair values of financial instruments (continued)

The following methods and assumptions were used to estimate the fair values of financial instruments:

	2016			2015		
	Fair value	Book value	Fair value over/ (under) book value	Fair value	Book value	Fair value over/ (under) book value
	$	$	$	$	$	$
Financial Instruments						
Assets						
Deposits with regulated financial institutions	**121,792**	**121,792**	**-**	**136,374**	**136,374**	**-**
Loans (note 4)	**93,864**	**93,876**	**(12)**	**113,228**	**113,256**	**(28)**
Customers' liability under acceptances	**-**	**-**	**-**	**-**	**-**	**-**
Other Assets (note 8)	**1,385**	**1,385**	**-**	**8,175**	**8,175**	**-**
Liabilities						
Deposits (note 9)	**119,576**	**119,576**	**-**	**143,889**	**143,889**	**-**
Acceptances	**-**	**-**	**-**	**-**	**-**	**-**
Cheques and other items in transit	**441**	**441**	**-**	**1,353**	**1,353**	**-**
Other liabilities (note 10)	**1,461**	**1,461**	**-**	**3,052**	**3,052**	**-**

Due to their short-term nature, the carrying values of certain financial instruments are assumed to approximate their fair values. These financial instruments include deposits with regulated financial institutions, customers' liability under acceptances, other assets, acceptances, cheques and other items in transit and other liabilities.

The estimated fair value of loans reflects changes in credit risk and general interest rates that have occurred since the loans were originated. The particular valuation methods used are as follows:

(a) For floating rate loans, fair value is assumed to be equal to book values as the interest rates on these loans automatically reprice to market.
(b) For fixed rate loans that matured within one year are assumed to be equal to their book value
(c) For all other loans, fair value is determined by discounting the expected future cash flows of the loans at market rates for loans with similar terms and credit risks.

The fair values of deposits payable on demand, payable after notice and fixed date deposit payable on a fixed date that matured within one year, are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits payable on a fixed date over one year are determined by discounting the contractual cash flow using market interest rates currently offered for deposits with similar terms and risks.

The fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments, such as land, buildings and equipment.

22. Fair value of assets and liabilities by category and level

The Bank uses a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring fair value and presents disclosures about fair value measurements. Market price observability is impacted by a number of factors, including the type of investment, the characteristics specific to the investment, and the state of the marketplace. Investments with readily-available actively quoted prices or for which fair value can be measured from actively-quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments recorded at fair value on the Bank's statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by IFRS 7 and directly related to the amount of subjectivity associated with inputs to fair valuation of these assets are as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). Fair value is determined with at least one significant model assumptions which is unobservable in the current market (i.e. limited trading volume) and therefore management exercises their judgment in determining their value.

23. Authorization of financial statements

The financial statements of the Bank were authorized by its Board of Directors for issue on March 9, 2017 and prepared in accordance with IFRS.