

*Financial Statements of*

**ALTERNA BANK**

**December 31, 2013**

## **INDEPENDENT AUDITORS' REPORT**

To the Shareholder of CS Alterna Bank:

We have audited the accompanying financial statements of CS Alterna Bank ("Alterna Bank"), which comprise the balance sheet as at December 31, 2013 and 2012, and the statements of income, comprehensive income, changes in shareholder's equity and cash flows for the years then ended December 31, 2013 and 2012, 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**

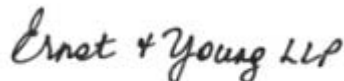
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 Alterna Bank as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended December 31, 2013 and 2012 in accordance with International Financial Reporting Standards.



Chartered Accountants  
Licensed Public Accountants

Ottawa, Canada  
March 19, 2014

**ALTERNA BANK****Balance Sheet** (in thousands of dollars)**December 31, 2013**

As of,	Note	31-Dec-13	31-Dec-12
<b>ASSETS</b>			
Cash and cash equivalents	23	\$ 3,436	\$ 10,647
Investments	3	20,179	11,523
Loans, net of allowance for impaired loans	4, 5	150,695	152,363
Property and equipment	6	235	331
Derivative financial instruments	20	64	44
Income tax receivable		32	27
Deferred income tax asset	17	39	51
Other assets	7	413	335
		<b>\$ 175,093</b>	<b>\$ 175,321</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
Liabilities:			
Deposits	8	\$ 148,683	\$ 150,479
Derivative financial instruments	20	64	43
Other liabilities	10	1,703	1,355
		<b>150,450</b>	<b>151,877</b>
Shareholder's equity:			
Share capital	12	15,000	15,000
Retained earnings		9,626	8,466
Accumulated other comprehensive income (loss)		17	(22)
		<b>24,643</b>	<b>23,444</b>
		<b>\$ 175,093</b>	<b>\$ 175,321</b>

*On behalf of the Board:*


Bill Mulvihill  
Director



Richard Neville  
Director

(See accompanying notes to the financial statements)

**ALTERNA BANK****Statement of Income** (in thousands of dollars)**December 31, 2013**

For the years ended,	Note	31-Dec-13	31-Dec-12
Interest income	13	\$ 5,693	\$ 6,422
Investment income	14	360	307
		6,053	6,729
Interest expense	13	2,479	2,611
Net interest income		3,574	4,118
Loan costs		18	47
		3,556	4,071
Other income	15	386	446
		3,942	4,517
Operating expenses	16	2,361	2,653
Income before income taxes		1,581	1,864
Provision for income taxes	17		
Current		408	475
Deferred		13	31
		421	506
Net income		\$ 1,160	\$ 1,358

(See accompanying notes to the financial statements)

**ALTERNA BANK**  
**Statement of Comprehensive Income** (in thousands of dollars)  
**December 31, 2013**

For the years ended,	31-Dec-13	31-Dec-12
Net income	\$ 1,160	\$ 1,358
Other comprehensive income		
<i>Other comprehensive income to be reclassified to income in subsequent periods:</i>		
<u>Available-for-sale securities:</u>		
Net unrealized gain/ (loss) on available-for-sale securities <sup>(1)</sup>	39	51
	39	51
<b>Comprehensive income</b>	<b>\$ 1,199</b>	<b>\$ 1,409</b>

<sup>(1)</sup> Net of income tax expense of \$14 (2012 - expense of \$7).

(See accompanying notes to the financial statements)

**ALTERNA BANK****Statement of Changes in Shareholder's Equity** (in thousands of dollars)**December 31, 2013**

For the years ended,	31-Dec-13	31-Dec-12
Share capital:		
Balance, beginning and end of year	\$ 15,000	\$ 15,000
Retained earnings, net of tax:		
Balance at beginning of year	8,466	7,108
Net income	1,160	1,358
Balance, end of year	9,626	8,466
Accumulated other comprehensive income (loss), net of tax:		
Balance at beginning of year	(22)	(73)
Other comprehensive income/(loss)	39	51
Balance, end of year	17	(22)
Shareholder's equity	\$ 24,643	\$ 23,444

(See accompanying notes to the financial statements)

**ALTERNA BANK****Statement of Cash Flows** (in thousands of dollars)**December 31, 2013**

For the years ended,	31-Dec-13	31-Dec-12
Operating activities:		
Net income before taxes	\$ 1,581	\$ 1,864
Add (deduct) non-cash items:		
Allowance for impaired loans	(36)	-
Depreciation and amortization of		
Property and equipment	88	95
Deferred charges	100	100
Loss on		
Disposal of property and equipment	8	-
Sale of investments	11	-
Decrease (increase) in assets		
Fair value of investments	(51)	(48)
Interest receivable	(45)	20
Loans, net of allowance for impaired loans	1,627	1,386
Assets relating to derivative financial instruments	(20)	(7)
Increase (decrease) in liabilities		
Interest payable	(52)	2
Deposits	(1,819)	(4,997)
Liabilities relating to derivative financial instruments	21	7
Other items, net	379	93
Income tax paid	(440)	(330)
Cash provided by (used in) operating activities	1,352	(1,815)
Investing activities:		
Proceeds from maturity and sale of investments	9,564	12,650
Purchase of investments	(18,127)	(11,523)
Acquisition of property and equipment	-	(2)
Cash provided by (used in) investing activities	(8,563)	1,125
Decrease in cash and cash equivalents during the period	(7,211)	(690)
Cash and cash equivalents, beginning of year	10,647	11,337
Cash and cash equivalents, end of year	\$ 3,436	\$ 10,647
Supplemental information:		
Interest paid	\$ 2,531	\$ 2,609
Interest received	\$ 5,738	\$ 6,402

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**1. CORPORATE INFORMATION**

CS Alterna Bank, a member of the Canada Deposit Insurance Corporation (“CDIC”), operates under the name “Alterna Bank”. It is a Schedule 1 Bank and received letters patent from the Minister of Finance of Canada to operate under the Bank Act on October 2, 2000.

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

The financial statements for the year ended December 31, 2013 were authorized for issue in accordance with a resolution of the Board of Directors on March 19, 2014. The Board of Directors has the power to amend the financial statements after issuance only in the case of a discovery of an error.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**STATEMENT OF COMPLIANCE**

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

Alterna Bank presents its balance sheet broadly in order of liquidity.

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

**BASIS OF PREPARATION**

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

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

**a) CHANGES IN ACCOUNTING POLICIES:**

The following accounting pronouncement which is relevant to Alterna Bank has been adopted during 2013 in the preparation of these financial statements.

**Fair Value Measurements**

IFRS 13, “Fair Value measurements” applies to IFRS Standards that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value. It also requires disclosures about fair value measurement. The Standard defines fair value on the basis of an “exit price”. This standard is applicable for periods beginning on or after January 1, 2013 and has been applied prospectively. The adoption of this standard did not have a significant impact on the fair value measurements of Alterna Bank. Additional disclosures where required, are provided in the individual notes of the assets and liabilities where fair value is reported. The fair value hierarchy is provided in note 18.



**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**Presentation and Disclosure – Offsetting Financial Assets and Financial Liabilities**

The IASB issued the following amendments related to the offsetting of financial instruments:

- IAS 32, “Financial Instruments” and
- IFRS 7, “Financial Instruments, Disclosure”

The IAS 32 amendments are effective for the year ending December 31, 2014 and the IFRS 7 amendments were effective for the year ending December 31, 2013. Both amendments are to be applied retrospectively. IAS 32 has not yet been adopted and the impact of the amendment on Alterna Bank’s financial position and performance has not yet been assessed. The impact of the disclosure requirements under IFRS 7 was minimal.

**b) CASH AND CASH EQUIVALENTS:**

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

**c) DETERMINATION OF FAIR VALUE:**

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

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

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

**d) FINANCIAL INSTRUMENTS:**

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

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

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

**(i) Fair value through profit or loss (FVTPL)**

Financial instruments classified as FVTPL are financial assets and liabilities held for trading activities and are measured at fair value at the balance sheet date. Gains and losses realized on disposition are reported in investment income while unrealized gains and losses from market fluctuations are disclosed separately.

Alterna Bank has not designated any financial assets or liabilities as FVTPL.

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**(ii) Available-for-sale (AFS)**

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

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

**(iii) Held-to-maturity (HTM)**

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

Alterna Bank has not designated any financial assets as HTM.

**(iv) Loans and receivables**

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

**(v) Other financial liabilities**

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

**(vi) Day 1 profit or loss**

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

**e) IMPAIRMENT OF FINANCIAL ASSETS:**

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

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

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

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**(i) Loans and loan impairment**

Personal loans, residential mortgage loans and commercial loans are recorded at principal amounts less an allowance for impaired loans.

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

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

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

**Collective allowance** - The collective assessment of impairment is principally to establish an allowance amount relating to loans that are either individually significant but for which there is no objective evidence of impairment, or are not individually significant, but for which there is, on a portfolio basis, a loss amount that is probable of having occurred and is reasonably estimable. The loans are grouped according to similar credit risk characteristics and the allowance for each group is determined using statistical models based on historical experience. Loans that were found not to be impaired when evaluated on an individual basis are included in the scope of this component of the allowance.

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

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

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

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

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

**Restructured loans** - Restructured loans are loans where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties experienced by the member or group of members. Alterna Bank restructures loans, where circumstances are deemed appropriate, rather than taking possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management regularly reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

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loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

**(ii) Impairment of financial assets classified as available-for-sale**

For financial assets classified as AFS, Alterna Bank assesses at each balance sheet date whether there is objective evidence that asset or group of assets is impaired.

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

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

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

**f) DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES:**

**(i) Financial assets**

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

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

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

**(ii) Financial liabilities**

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

**g) DERIVATIVES:**

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

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

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Gains and losses arising from changes in the fair value of a derivative are recognized as they arise in the statement of income.

**Embedded derivatives**

Derivatives may be embedded in other financial instruments. Derivatives embedded in other financial instruments are valued as separate derivatives when their economic characteristics and risks are not considered to be closely related to the host contract. These embedded derivatives are classified as derivative financial instruments and measured at fair value with changes therein recognized in the statement of income. The only embedded derivatives are the options embedded in Alterna Bank's indexed term deposits offered to clients (note 20a) which are carried at amortized cost.

**h) FOREIGN CURRENCY:**

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

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

**i) PROPERTY AND EQUIPMENT:**

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is generally recognized using the straight-line basis over the estimated useful lives of the assets. The range of estimated useful lives of the assets is as follows:

Furniture and equipment	5 to 10 years
Leasehold improvements	Term of lease plus one option period

Depreciation of property and equipment is included in administration and occupancy costs. Maintenance and repairs are also charged to administration and occupancy costs. Gains and losses on disposals are included in other income.

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

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

**j) INCOME TAXES:**

**(i) Current tax**

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

**(ii) Deferred tax**

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income; and

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

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- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

**k) LEASING:**

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

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

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

**l) RECOGNITION OF INCOME AND EXPENSES:**

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

**(i) Interest income and interest expense**

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

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

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

**(ii) Other income**

Service charges, commissions and other revenues are recognized as revenue when the related services are performed or are provided.

**m) SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES:**

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

**(i) Going concern**

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

**(ii) Fair value of financial instruments**

Alterna Bank measures financial instruments such as cash and cash equivalents, investments classified as AFS or designated as FVTPL and derivatives at fair value at each balance sheet date. Alterna Bank also discloses the fair value of financial instruments measured at amortized cost in note 18.

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

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

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, Alterna Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There are no assets or liabilities measured at fair value that have been categorized within Level 3 of the fair value hierarchy.

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

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

---

**(iii) Impairment losses on loans and advances**

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

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

The impairment loss on loans and advances is disclosed in more detail in note 5.

**(iv) Impairment of available-for-sale investments**

Alterna Bank reviews its securities designated as AFS investments at each balance sheet date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

**(v) Deferred tax assets**

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

**NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2013 and have not been applied in preparing the financial statements. Alterna Bank does not intend to adopt any of these standards early.

**IAS 32 Financial Instruments**

As disclosed in note 2 (a), the IAS 32 amendments are effective for the year ending December 31, 2014 and are to be applied retrospectively. The impact of IAS 32 on Alterna Bank's financial position and performance has not yet been assessed.

**IFRS 9 "Financial Instruments (replacement of IAS 39)**

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The mandatory effective date of IFRS 9 is yet to be determined because IFRS 9 is not yet complete. Management will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

**3. INVESTMENTS**

<b>(000s)</b>	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Designated as available-for-sale:		
Money market instruments	<b>\$20,179</b>	\$11,523

All of Alterna Bank's investments were classified as AFS and measured and recorded at fair value. No impairments were recognized during 2013 or 2012.



**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**4. LOANS**

(000s)	31 Dec 2013	31 Dec 2012
Personal loans	\$18,387	\$17,573
Residential mortgage loans	118,757	117,917
Commercial loans	13,614	16,972
	<b>150,758</b>	152,462
Less allowance for impaired loans (note 5)	(63)	(99)
	<b>\$150,695</b>	\$152,363

**5. ALLOWANCE FOR IMPAIRED LOANS AND IMPAIRED LOANS**

**a) ALLOWANCE FOR IMPAIRED LOANS:**

(000s)	31 Dec 2013			
	Personal Loans	Residential Mortgage Loans	Commercial Loans	Total
Balance, beginning of year	\$98	\$1	\$-	\$99
Less: Loans written off	(25)	-	-	(25)
Add: Recoveries on loans previously written off	25	-	-	25
Add: Allowance charged to operations	(36)	-	-	(36)
Balance, end of year	<b>\$62</b>	<b>\$1</b>	<b>\$-</b>	<b>\$63</b>
Individual impairment				16
Collective impairment				47
				<b>\$63</b>

(000s)	31 Dec 2012			
	Personal Loans	Residential Mortgage Loans	Commercial Loans	Total
Balance, beginning of year	\$210	\$1	\$-	\$211
Less: Loans written off	(138)	-	-	(138)
Add: Recoveries on loans previously written off	26	-	-	26
Add: Allowance charged to operations	-	-	-	-
Balance, end of year	<b>\$98</b>	<b>\$1</b>	<b>\$-</b>	<b>\$99</b>
Individual impairment				23
Collective impairment				76
				<b>\$99</b>

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

---

**b) IMPAIRED LOANS:**

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

(000s)	31 Dec 2013	31 Dec 2012
Personal loans	\$17	\$23
Residential mortgage loans	-	-
Commercial loans	-	-
	<b>\$17</b>	<b>\$23</b>

**c) LOANS PAST DUE BUT NOT IMPAIRED:**

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

(000s)	31 Dec 2013			
	1-29 days	30-89 days	90 days and greater	Total
Personal loans	\$725	\$189	\$17	\$931
Residential mortgage loans	3,722	1,139	254	5,115
Commercial loans	3	-	-	3
	<b>\$4,450</b>	<b>\$1,328</b>	<b>\$271</b>	<b>\$6,049</b>

(000s)	31 Dec 2012			
	1-29 days	30-89 days	90 days and greater	Total
Personal loans	\$862	\$389	\$28	\$1,279
Residential mortgage loans	3,163	1,179	-	4,342
Commercial loans	323	-	-	323
	<b>\$4,348</b>	<b>\$1,568</b>	<b>\$28</b>	<b>\$5,944</b>

**d) COLLATERAL:**

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

	31 Dec 2013	31 Dec 2012
Loans neither past due nor impaired as a percentage of total loans	96%	96%
Amounts of loans restructured during the period that would otherwise have been past due or impaired (000s)	\$-	\$-
Collateral repossession: carrying value at balance sheet date of collateral properties possessed during the period (000s)	\$-	\$-

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

**6. PROPERTY AND EQUIPMENT**

(000s)	Furniture and equipment	Leasehold Improvements	Total
<b>Cost:</b>			
Balance as of January 1, 2013	\$253	\$616	\$869
Additions	-	-	-
Disposals	(73)	-	(73)
<b>Balance as of December 31, 2013</b>	<b>180</b>	<b>616</b>	<b>796</b>
<b>Depreciation and impairment:</b>			
Balance as of January 1, 2013	161	377	538
Depreciation	25	63	88
Impairment losses	(8)	-	(8)
Disposals	(57)	-	(57)
<b>Balance as of December 31, 2013</b>	<b>121</b>	<b>440</b>	<b>561</b>
<b>Net book value:</b>			
Balance as of January 1, 2013	92	239	331
<b>Balance as of December 31, 2013</b>	<b>\$59</b>	<b>\$176</b>	<b>\$235</b>

(000s)	Furniture and equipment	Leasehold Improvements	Total
<b>Cost:</b>			
Balance as of January 1, 2012	\$382	\$694	\$1,076
Additions	-	2	2
Disposals	(129)	(80)	(209)
Balance as of December 31, 2012	253	616	869
<b>Depreciation and impairment:</b>			
Balance as of January 1, 2012	259	393	652
Depreciation	31	64	95
Impairment losses	-	-	-
Disposals	(129)	(80)	(209)
Balance as of December 31, 2012	161	377	538
<b>Net book value:</b>			
Balance as of January 1, 2012	123	301	424
Balance as of December 31, 2012	\$92	\$239	\$331

Total depreciation charged to income in 2013 was \$88,000 (2012 - \$95,000) and is included in administration and occupancy expenses under operating expenses on the statement of income.

Impairment losses on property and equipment are recorded within administration and occupancy expenses under operating expenses on the statement of income.

The gross carrying amount of fully depreciated property and equipment that are still in use is \$288,000 as of December 31, 2013 (December 31, 2012 - \$277,000).

**7. OTHER ASSETS**

(000s)	31 Dec 2013	31 Dec 2012
Accrued interest receivable	\$308	\$263
Other	105	72
	<b>\$413</b>	<b>\$335</b>

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

---

**8. DEPOSITS**

<b>(000s)</b>	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Demand deposits	<b>\$48,329</b>	\$48,057
Term deposits	<b>83,450</b>	86,271
Registered plans	<b>16,904</b>	16,151
	<b>\$148,683</b>	\$150,479

As at December 31, 2013, Alterna Bank held US dollar deposits from clients of US\$347,000 (December 31, 2012 – US\$629,000) with a carrying amount of \$369,000 (December 31, 2012 - \$626,000).

**9. BORROWINGS**

Alterna Bank has access to a \$30,500,000 credit facility with Central 1 Credit Union, consisting of operating lines of credit of CDN \$3,490,000 and US \$10,000 and a term loan of CDN \$27,000,000.

The lines of credit are renewable every 12 months, bear interest at prime rate and term loan advance bear an annual rate of interest equal to the Central 1's cost of funds plus an applicable margin at the time of borrowing. The credit facility is guaranteed by Alterna Bank's parent company, Alterna Savings and Credit Union Limited ("Alterna Savings"). There was no outstanding balance against these facilities at the end of the year (December 31, 2012 - \$nil).

Alterna Bank did not have any defaults of principal, interest or other breaches with respect to borrowing facilities in 2013 and 2012.

**10. OTHER LIABILITIES**

<b>(000s)</b>	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Accrued interest payable	<b>\$930</b>	\$982
Trade payables and accrued expenses	<b>231</b>	238
Due to parent company	<b>542</b>	135
	<b>\$1,703</b>	\$1,355

**11. LEASES**

**OPERATING LEASE OBLIGATIONS:**

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

<b>(000s)</b>	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
<b>Future minimum lease payments</b>		
Within one year	<b>\$63</b>	<b>\$32</b>
From one to five years	<b>32</b>	<b>29</b>
Later than five years	-	-
<b>Total future minimum lease payments</b>	<b>\$95</b>	<b>\$61</b>

During 2013, \$95,000 was recognized as an expense, under occupancy costs in the statement of income in respect of operating leases (2012 - \$89,000).

All operating leases have options for renewal, at which time all terms are renegotiated.

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

---

**12. SHARE CAPITAL**

The authorized share capital of Alterna Bank consists of an unlimited number of common shares, which have standard voting rights.

As at December 31, 2013 and December 31, 2012, there were 1,500,001 common shares issued and outstanding: 1,500,000 with a stated value of \$10 per share and one common share with a stated value of \$1 per share. There are no issued shares that have not been fully paid.

**13. INTEREST INCOME AND INTEREST EXPENSE**

(000s)	31 Dec 2013	31 Dec 2012
Interest Income:		
Personal loans	\$742	\$774
Residential mortgage loans	4,186	4,673
Commercial loans	765	975
	<b>\$5,693</b>	<b>\$6,422</b>
Interest Expense:		
Demand deposits	\$457	\$477
Term deposits	1,745	1,820
Registered plans	277	314
	<b>\$2,479</b>	<b>\$2,611</b>

No interest income was recorded on impaired loans for the years ended December 31, 2013 and 2012 as they were 100% provisioned.

**14. INVESTMENT INCOME**

(000s)	31 Dec 2013	31 Dec 2012
Interest on financial assets available-for-sale	\$360	\$307
	<b>\$360</b>	<b>\$307</b>

**15. OTHER INCOME**

(000s)	31 Dec 2013	31 Dec 2012
Service charges	\$183	\$205
Commissions	172	187
Other	28	32
Foreign currency exchange gains	3	22
	<b>\$386</b>	<b>\$446</b>

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**16. OPERATING EXPENSES**

(000s)	31 Dec 2013	31 Dec 2012
Salaries and benefits	\$1,255	\$1,400
Administration	846	984
Marketing and community relations	47	62
Occupancy	213	207
	<b>\$2,361</b>	<b>\$2,653</b>

**17. INCOME TAXES**

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

(000s)	31 Dec 2013	31 Dec 2012
Derivatives	\$12	\$18
Property and equipment	14	12
Allowance for impaired loans	13	21
	<b>\$39</b>	<b>\$51</b>

On Balance Sheet:

Deferred Tax Asset	\$44	\$68
Deferred Tax Liability	(5)	(17)
Net Deferred Tax	<b>\$39</b>	<b>\$51</b>

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

(000s)	31 Dec 2013		31 Dec 2012	
	Amount	Percent	Amount	Percent
Expected tax provision at combined federal and provincial rates	\$421	27%	\$497	27%
Other - net	-	0%	9	0%
	<b>\$421</b>	<b>27%</b>	<b>\$506</b>	<b>27%</b>

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

---

The components of income tax expense for the years ended December 31, 2013 and 2012 are:

<b>(000s)</b>	<b>31 Dec 2013</b>	31 Dec 2012
	<b>Amount</b>	Amount
Current tax		
Current income tax	<b>\$401</b>	\$464
Adjustment in respect of current income tax of prior years	<b>7</b>	11
Deferred tax		
Relating to the origination and reversal of timing differences	<b>13</b>	31
<b>Income tax expense reported in statement of income</b>	<b>\$421</b>	\$506

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

<b>(000s)</b>	<b>31 Dec 2013</b>	31 Dec 2012
Change in unrealized gains and losses on available-for-sale financial assets	<b>\$14</b>	\$7
	<b>\$14</b>	\$7

There are no tax related contingent liabilities and contingent assets as of December 31, 2013 in accordance with IAS 37, "Provisions, contingent liabilities and contingent assets".

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

**18. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

(000s)	31 Dec 2013		31 Dec 2012	
	Carrying value	Fair value	Carrying value	Fair value
Available-for-sale:				
Cash and cash equivalents	<b>\$3,436</b>	<b>\$3,436</b>	\$10,647	\$10,647
Investments	<b>20,179</b>	<b>20,179</b>	11,523	11,523
Designated as FVTPL:				
Derivative financial instruments				
- purchased options	<b>64</b>	<b>64</b>	44	44
Loans and receivables:				
Loans				
- personal loans	<b>18,387</b>	<b>18,405</b>	17,573	17,608
- residential mortgage loans	<b>118,757</b>	<b>121,733</b>	117,917	117,886
- commercial loans	<b>13,614</b>	<b>14,218</b>	16,972	17,872
<b>TOTAL ASSETS</b>	<b>\$174,437</b>	<b>\$178,035</b>	\$174,676	\$175,580
Other liabilities:				
Deposits				
- demand deposits	<b>\$48,329</b>	<b>\$48,329</b>	\$48,057	\$48,057
- term deposits	<b>83,450</b>	<b>84,074</b>	86,271	87,067
- registered plans	<b>16,904</b>	<b>16,770</b>	16,151	15,665
Designated as FVTPL:				
Derivative financial instruments				
-embedded options	<b>64</b>	<b>64</b>	43	43
<b>TOTAL LIABILITIES</b>	<b>\$148,747</b>	<b>\$149,237</b>	\$150,522	\$150,832

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

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

Fair value of available-for-sale investments are derived from quoted market prices in active markets.

Alterna Bank enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques include purchased and embedded options. The most frequently applied valuation technique includes present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate curves. As at December 31, 2013, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect other financial instruments recognized at fair value. Alterna Bank also takes into account the counterparties' non-performance risks (for the purchased options) or its own non-performance risk (for the embedded derivative liabilities). As at December 31, 2013, Alterna Bank assessed these risks to be insignificant.



**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

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

**Fair Value Hierarchy**

The following tables show the hierarchical classification of financial assets and liabilities measured or disclosed at fair value as at December 31, 2013 and December 31, 2012:

<b>December 31, 2013</b> <b>(000s)</b>	<b>Date of valuation</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets measured at fair value:</b>					
Financial investments AFS	31 Dec 2013	\$-	\$20,179	\$-	\$20,179
Derivative financial instruments					
- purchased options	31 Dec 2013	-	64	-	64
<b>Assets for which fair values are disclosed:</b>					
Loans					
- personal loans	31 Dec 2013	-	-	18,405	18,405
- residential mortgage loans	31 Dec 2013	-	-	121,733	121,733
- commercial loans	31 Dec 2013	-	-	14,218	14,218
<b>Liabilities measured at fair value:</b>					
Derivative financial instruments					
- embedded options	31 Dec 2013	\$-	\$64	\$-	\$64
<b>Liabilities for which fair values are disclosed:</b>					
Deposits					
- demand deposits	31 Dec 2013	-	48,329	-	48,329
- term deposits	31 Dec 2013	-	84,074	-	84,074
- registered plans	31 Dec 2013	-	16,770	-	16,770
<hr/>					
<b>December 31, 2012</b> <b>(000s)</b>	<b>Date of valuation</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets measured at fair value:</b>					
Financial investments AFS	31 Dec 2012	\$-	\$11,523	\$-	\$11,523
Derivative financial instruments					
- purchased options	31 Dec 2012	-	44	-	44
<b>Assets for which fair values are disclosed:</b>					
Loans					
- personal loans	31 Dec 2012	-	-	17,608	17,608
- residential mortgage loans	31 Dec 2012	-	-	117,886	117,886
- commercial loans	31 Dec 2012	-	-	17,872	17,872
<b>Liabilities measured at fair value:</b>					
Derivative financial instruments					
- embedded options	31 Dec 2012	\$-	\$43	\$-	\$43
<b>Liabilities for which fair values are disclosed:</b>					
Deposits					
- demand deposits	31 Dec 2012	-	48,057	-	48,057
- term deposits	31 Dec 2012	-	87,067	-	87,067
- registered plans	31 Dec 2012	-	15,665	-	15,665

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2013 and 2012.

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**19. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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

**a) CREDIT RISK:**

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

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

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

- defining its target market area;
- limiting the principal amount of credit to a borrower at any given time: \$100,000 in unsecured personal loans per borrower, \$1,500,000 in residential mortgage loans per borrower, \$4,000,000 in commercial mortgage loans and collateral demand or term loans per borrower and \$4,000,000 in aggregate loans per borrower and connected persons;
- performing a credit analysis prior to the approval of a loan;
- obtaining collateral when appropriate;
- employing risk based pricing; and
- limiting the concentration by industry and geographic location for commercial loans.

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

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

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

Alterna Bank mitigates counterparty credit risk of investments by aggregating counterparty exposure for each issuer and adhering to the quality guidelines as noted in its Investment/Derivative policy. Investments are diversified by limiting investments in any one issuer to a maximum of 20% of the total portfolio.

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

Alterna Bank does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Alterna Bank defines counterparties as having similar characteristics if they are related entities or operate in similar industries.

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

---

Credit risk is limited for residential mortgages as 45% (2012 - 46%) of the residential mortgages are insured to a maximum of 95% by mortgage insurance companies. Alterna Bank monitors the concentration risk from commercial loans by setting maximum exposure limits for total loan balances for each industry. The carrying amount of financial assets recorded in the financial statements excluding the amount of the insured mortgages, net of impairment losses, represents Alterna Bank's maximum exposure to credit risk without taking account of the value of any collateral obtained. The maximum exposure to credit risk was \$97,833,000 at December 31, 2013 (2012 - \$97,570,000).

**b) MARKET RISK:**

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

**(i) Interest rate risk**

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

Alterna Bank's interest rate risk management objective is to maximize interest margin while complying with the approved interest rate risk policy limits.

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

Alterna Bank's maximum tolerable exposure to short term interest rate risk over twelve months is restricted to 5% of forecasted net interest income with a 95% confidence level. Its maximum tolerable exposure to interest rate risk on the entire balance sheet is restricted to a 4.5% decline in the market value of equity to mitigate long-term interest rate risk. As of December 31, 2013, the results for these measures were 2.05% (2012 - 1.27%) and 2.88% (2012 - 1.11%) , respectively. Alterna Bank was in compliance with the policy at December 31, 2013.

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

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

(000s)							31 Dec 2013	31 Dec 2012
	Non- interest rate sensitive	Variable rate demand	Under 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Total
Cash and cash equivalents	\$2,436	\$1,000	\$-	\$-	\$-	\$-	\$3,436	\$10,647
Interest Rates	-%	1.25%	-%	-%	-%	-%	0.36%	1.12%
Investments	\$-	\$-	\$-	\$5,266	\$14,913	\$-	\$20,179	\$11,523
Interest Rates	-%	-%	-%	1.20%	2.33%	-%	2.03%	1.46%
Personal loans	\$-	\$16,365	\$29	\$1,872	\$59	\$-	\$18,325	\$17,475
Interest Rates	-%	4.23%	9.58%	3.46%	8.42%	-%	4.18%	3.95%
Residential mortgage loans	\$-	\$2,954	\$5,729	\$19,400	\$90,673	\$-	\$118,756	\$117,916
Interest Rates	-%	3.08%	3.64%	3.72%	3.48%	-%	3.51%	3.73%
Commercial loans	\$-	\$370	\$487	\$2,551	\$9,620	\$586	\$13,614	\$16,972
Interest Rates	%	3.84%	4.35%	4.23%	4.26%	1.84%	4.14%	4.94%
Other	\$719	\$64	\$-	\$-	\$-	\$-	\$783	\$788
<b>TOTAL ASSETS</b>	<b>\$3,155</b>	<b>\$20,753</b>	<b>\$6,245</b>	<b>\$29,089</b>	<b>\$115,265</b>	<b>\$586</b>	<b>\$175,093</b>	<b>\$175,321</b>
Deposits	\$-	\$52,647	\$8,956	\$21,115	\$65,965	\$-	\$148,683	\$150,479
Interest Rates	-%	0.61%	1.90%	1.76%	2.12%	-%	1.62%	1.53%
Other	\$1,703	\$64	\$-	\$-	\$-	\$-	\$1,767	\$1,398
Shareholder's equity	\$24,643	\$-	\$-	\$-	\$-	\$-	\$24,643	\$23,444
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$26,346</b>	<b>\$52,711</b>	<b>\$8,956</b>	<b>\$21,115</b>	<b>\$65,965</b>	<b>\$-</b>	<b>\$175,093</b>	<b>\$175,321</b>
<b>MATCHING GAP</b>	<b>(\$23,191)</b>	<b>(\$31,958)</b>	<b>(\$2,711)</b>	<b>\$7,974</b>	<b>\$49,300</b>	<b>\$586</b>	<b>\$-</b>	<b>\$-</b>

(ii) **Sensitivity Analysis** - Based on Alterna Bank's interest rate positions as of December 31, 2013, an immediate and sustained 100 basis point increase in interest rates across all maturities would increase net interest income and decrease other comprehensive income by approximately \$165,000 and \$833,000 over the next 12 months, respectively. An immediate and sustained 100 basis point decrease in interest rates, sustained at a floor of zero would decrease net interest income and increase other comprehensive income by approximately \$172,000 and \$886,000, respectively.

**(iii) Currency risk**

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

Alterna Bank mitigates currency risk by holding equivalent US dollars. Currency risk is managed in accordance with the Structural Risk Management Policy. The policy is reviewed and approved annually by the Board.

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

Alterna Bank measures currency risk based on the percentage of foreign denominated financial assets against similar foreign denominated financial liabilities on a daily basis. As of December 31, 2013, the percentage of foreign denominated financial assets is within 90% - 110% of foreign denominated financial liabilities.

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

**c) LIQUIDITY RISK:**

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

Liquidity risk is managed in accordance with the Liquidity Management and Funding Policy. The policy is reviewed and approved annually by the Board. Alterna Bank manages liquidity risk by monitoring cash flows and cash forecasts, maintaining a pool of high quality liquid financial assets, maintaining a stable base of core and term deposits, monitoring concentration limits on single sources of deposits, and diversifying funding sources. Alterna Bank reports the liquidity risk against policy limits to ALCO and to the Board on a monthly basis.

Alterna Bank maintains the higher of 9% of total assets or the three month cumulative funding gap as measured by a maturity laddering model, in liquid assets. Alterna Bank invests these liquid assets in cash and securities such as term deposits, banker's acceptances, bearer deposit notes and fixed rate deposit notes. All short-term securities held had a rating of at least R1-L/A-3 or better and all long term securities held had a rating of at least A or better as determined by DBRS and S&P. As of December 31, 2013, the percentage of liquid assets to total assets was 13.49% (2012 – 12.69%). For the contractual maturities of assets and liabilities, please refer to the table under note 19 b) Interest Rate Risk.

The following table provides the maturity profile of financial liabilities based on the contractual repayment obligations, and excludes contractual cash flows related to derivatives liabilities which are disclosed in note 20.

(000s)					31 Dec 2013	31 Dec 2012
	Less than 1 year	1 to 5 years	Over 5 years	No specified maturity	Total	Total
Deposits	\$30,071	\$65,965	\$-	\$52,647	\$148,683	\$150,479

**20. DERIVATIVE FINANCIAL INSTRUMENTS**

Alterna Bank uses derivative financial instruments such as call options to hedge the return on indexed term deposits. None of the derivative financial instruments are used for trading or speculative purposes. The following table summarizes the carrying values of the derivative financial instruments held by Alterna Bank:

(000s)	31 Dec 2013		31 Dec 2012	
	Carrying Value		Carrying Value	
	Assets	Liabilities	Assets	Liabilities
Call options	\$64	\$64	\$44	\$43
	\$64	\$64	\$44	\$43

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

**a) CALL OPTIONS:**

(000s)	31 Dec 2013				31 Dec 2012		
	<u>Residual Term to Maturity</u>			<b>Total Notional Principal</b>	<b>Fair Value</b>	Total	
	<b>Under 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>			Notional Principal	Fair Value
Purchased options (asset)	\$-	\$1,253	\$-	\$1,253	\$64	\$1,172	\$44
Embedded options (liabilities)	\$-	\$1,253	\$-	\$1,253	\$64	\$1,172	\$43

Alterna Bank has issued \$1,253,000 of indexed term deposits to its clients as of December 31, 2013 (December 31, 2012 - \$1,172,000). These term deposits have maturities of 5 years at issuance and pay interest to the depositors, at the end of the term, based on the performance of the S&P/TSX60 Index. Alterna Bank uses purchased call options on the above indices with equivalent maturities to offset the exposure associated with these products.

**b) CREDIT EXPOSURE:**

OSFI accounting guideline D-6 *Derivatives Disclosure* requires all federally regulated financial institutions including banks to disclose the positive replacement cost, credit equivalent amount and the risk-weighted equivalent by class of derivative instrument. Alterna Bank had the following derivatives bearing a positive replacement cost as at December 31:

<b>December 31, 2013</b>			
(000s)	<b>Replacement Cost</b>	<b>Credit Equivalent Amount</b>	<b>Risk-Weighted Amount</b>
Purchased options	\$65	\$165	\$33
	\$65	\$165	\$33

December 31, 2012			
(000s)	Replacement Cost	Credit Equivalent Amount	Risk-Weighted Amount
Purchased options	\$45	\$139	\$28
	\$45	\$139	\$28

Replacement cost represents the cost of replacing all contracts that have a positive fair value, using current market rates. It represents in effect the unrealized gains on Alterna Bank's derivative instruments.

Credit equivalent amount represents the total replacement cost plus an amount representing the potential future credit exposure, as outlined in OSFI's Capital Adequacy Guideline.

Risk-weighted amount represents the credit equivalent amount, weighted based on the creditworthiness of the counterparty, as prescribed by OSFI.

**21. CAPITAL MANAGEMENT**

Alterna Bank's capital management objective is to ensure the long term viability of the company and the security of client deposits by holding a level of capital deemed sufficient to protect against unanticipated losses and to comply with the capital requirements set out in the Bank Act (the "Act") and OSFI regulations. Alterna Bank defines capital to include share capital, retained earnings, and certain elements of accumulated other comprehensive income.

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

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

The policy requires Alterna Bank to hold capital subject to the following limits:

Asset to capital multiple	Maximum of 12.5
Capital to risk weighted assets	Minimum of 16%

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

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

Total capital includes Tier 1 and Tier 2 capital, net of certain deductions. Tier 1 capital represents more permanent forms of capital, and primarily includes common shareholders' equity and preferred shares less deductions required under Basel III. Tier 2 capital is typically comprised of subordinated debentures and the eligible portion of the general allowance for credit losses. The Tier 1 Capital Ratio and Total Capital Ratio are the primary capital measures monitored by Alterna Bank's regulator.

The Tier 1 Capital Ratio is defined as Tier 1 capital divided by risk-weighted assets. The Total Capital Ratio is defined as total capital divided by risk-weighted assets.

Basel III Regulatory Capital and Risk-Weighted Assets:

(000s)	31 Dec 2013	31 Dec 2012*
Tier 1 Capital	24,605	23,466
Tier 2 Capital	-	-
Total Capital	24,605	23,466
Total Risk-Weighted Assets	58,029	61,901
Tier 1 Capital Ratio	42.4%	37.9%
Total Capital Ratio	42.4%	37.9%

\* December 31, 2012 results are presented under Basel II regulations.

As at December 31, 2013, Alterna Bank's assets to capital multiple was 7.10 (2012 – 7.48). Alterna Bank was in compliance with policy, the Act and regulations regarding the asset to capital multiple and total capital as a percent of risk weighted assets. In addition, Alterna Bank complied with these requirements throughout the year.

**22. COMMITMENTS AND CONTINGENCIES**

**a) CREDIT INSTRUMENTS:**

As at December 31, 2013, the credit instruments approved but not yet disbursed were as follows:

(000s)	Total	Average term	Average rate
Residential mortgage loans	\$1,168	4.0 years	3.4%
Lines of credit unfunded	\$17,526	-	Prevailing rates on date disbursed

**b) CONTINGENCIES:**

In the normal course of operations, Alterna Bank becomes involved in various claims and legal proceedings. While the final outcome with respect of claims and legal proceedings pending at December 31, 2013 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on Alterna Bank's financial position or results of operations.

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**c) INDEMNIFICATION AGREEMENTS:**

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

**23. NOTES TO STATEMENT OF CASH FLOWS**

**a) COMPONENTS OF CASH AND CASH EQUIVALENTS:**

<b>(000s)</b>	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Cash on hand	<b>\$69</b>	\$973
Marketable securities (original maturities less than 90 days)	<b>3,367</b>	9,674
	<b>\$3,436</b>	\$10,647

**b) CASH FLOWS PRESENTED ON A NET BASIS:**

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

**24. RELATED PARTY TRANSACTIONS**

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

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

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



**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

**a) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL:**

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the bank, directly or indirectly, including any director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Alterna Bank considers the members of its Board of Directors and the members of the senior management team to constitute KMP for purposes of IAS 24, "Related party disclosures".

**(i) Key management personnel compensation**

The aggregate compensation of KMP directly charged to Alterna Bank during the year comprising amounts paid or payable or provided for was as follows:

(000s)	31 Dec 2013	31 Dec 2012
Short-term employee benefits	\$62	\$70
Post-employment benefits	-	-
Other long-term employee benefits	-	-
Termination benefits	-	-
<b>Total KMP compensation</b>	<b>\$62</b>	<b>\$70</b>

**(ii) Loans to KMP**

There are no loans which are impaired in relation to the loan balances with KMP. Loans to KMP consist mainly of residential mortgages offered at preferred rates as well as personal loans and personal lines of credit at market rates less a discount based on the type and risk of the loan.

(000s)	31 Dec 2013	31 Dec 2012
<b>(1) Aggregate value of loans outstanding as of balance sheet date</b>	<b>\$32</b>	<b>\$62</b>
<b>(2) Total value of personal lines of credit facilities as of balance sheet date</b>	<b>60</b>	<b>60</b>
Less: amounts drawn down and included in loan values and included in (1)	-	-
<b>Net balance available</b>	<b>\$92</b>	<b>\$122</b>
<b>The aggregate value of loans disbursed during the year:</b>		
Residential mortgages	\$-	\$-
Personal loans	-	-
<b>Total</b>	<b>\$-</b>	<b>\$-</b>

During 2013 and during 2012, KMP were not directly compensated by Alterna Bank as they are employees of the parent, Alterna Savings.

**(iii) Deposits from KMP**

(000s)	31 Dec 2013	31 Dec 2012
Total value of demand, term and registered plans deposits from KMP	\$151	\$238
Total amount of interest paid on deposits to KMP	2	2

**b) MANAGEMENT SERVICES AGREEMENT:**

Alterna Bank, by contract with its parent company, Alterna Savings, makes payments for costs incurred and services rendered relating to the management and administration of Alterna Bank. The management fee charged for 2013 was \$1,035,000 (2012 - \$1,157,000) and is included under salaries and benefits and administration expenses (note 16). Transactions are recorded in accordance with the agreement negotiated between both entities.

At the end of the year, Alterna Bank owed \$542,000 to Alterna Savings (2012 – \$135,000).

**ALTERNA BANK**  
**Notes to the Financial Statements**  
**December 31, 2013**

**c) DEPOSITS:**

As at December 31, 2013, deposits included term deposits issued to Alterna Savings in the amount of \$40,701,000 (2012 - \$50,105,000). Accrued interest payable as of December 31, 2013 was \$402,000 (2012 - \$482,000) and is included in other liabilities. The term deposits bear a weighted average interest rate of 2.15% (2012 - 1.89%) and mature between 2014 and 2017. The interest incurred on these deposits during the year totalled \$957,000 (2012 - \$996,000).

**25. SELECTED DISCLOSURES**

**a) CURRENT AND NON-CURRENT ASSETS AND LIABILITIES:**

The following table presents an analysis of each asset and liability line item by amounts expected to be recovered or settled within one year or after one year as at December 31, 2013 and December 31, 2012.

(000s)	As at December 31, 2013			As at December 31, 2012		
	Within 1 year	After 1 year	Total	Within 1 year	After 1 year	Total
<b>Assets</b>						
Cash and cash equivalents	\$3,436	\$-	\$3,436	\$10,647	\$-	\$10,647
Investments	5,266	14,913	20,179	5,284	6,239	11,523
Residential mortgages	28,083	90,674	118,757	27,590	90,327	117,917
Commercial loans	3,408	10,206	13,614	9,672	7,301	16,973
Personal loans	18,328	59	18,387	15,648	1,924	17,572
Allowance for impaired loans	(62)	(1)	(63)	(99)	-	(99)
Property and equipment	-	235	235	-	331	331
Derivative financial instruments	-	64	64	-	44	44
Income tax receivable	32	-	32	27	-	27
Deferred income tax asset	-	39	39	-	51	51
Other assets	413	-	413	335	-	335
<b>Total assets</b>	<b>\$58,904</b>	<b>\$116,189</b>	<b>\$175,093</b>	<b>\$69,104</b>	<b>\$106,217</b>	<b>\$175,321</b>
<b>Liabilities</b>						
Demand deposits	\$48,329	\$-	\$48,329	\$48,057	\$-	\$48,057
Term deposits	24,823	58,627	83,450	34,789	51,482	86,271
Registered plans	9,572	7,332	16,904	10,665	5,486	16,151
Derivative financial instruments	-	64	64	43	-	43
Other liabilities	1,703	-	1,703	1,355	-	1,355
<b>Total liabilities</b>	<b>\$84,427</b>	<b>\$66,023</b>	<b>\$150,450</b>	<b>\$94,909</b>	<b>\$56,968</b>	<b>\$151,877</b>
<b>Net</b>	<b>(\$25,523)</b>	<b>\$50,166</b>	<b>\$24,643</b>	<b>(\$25,805)</b>	<b>\$49,249</b>	<b>\$23,444</b>

**26. EVENTS AFTER THE BALANCE SHEET DATE**

There have been no events subsequent to balance sheet date which would have a material effect on the Alterna Bank financial statements as of December 31, 2013.

**27. COMPARATIVE AMOUNTS**

Certain 2012 comparative amounts have been reclassified to conform to the financial statement presentation adopted in 2013.