MMG BANK & TRUST LTD.

Financial Statements For The Year Ended September 30, 2018 And Independent Auditors' Report

Deloitte.

MMG BANK & TRUST LTD.

TABLE OF CONTENTS

Deloitte & Touche
Chartered Accountants
and Management Consultants
2nd Terrace, Centreville,
P.O. Box N-7120
Nassau, Bahamas

Tel: +1 (242) 302 4800
Fax: +1 (242) 322 3101
http://www.deloitte.com/bs

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
MMG Bank & Trust Ltd.:

Opinion

We have audited the financial statements of MMG Bank & Trust Ltd, and its subsidiaries (the "Bank"), which comprise the statement of financial position as at September 30, 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at September 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte & Touche

December 20, 2018

MMG BANK & TRUST LTD.

STATEMENT OF FINANCIAL POSITIONS
AS AT SEPTEMBER 30, 2018
(Expressed in United States dollars)

ASSETS	Notes		2018		2017
Due from banks	5, 14				
Non-interest earning deposits		$	11,362,246	$	31,522,055
Interest earning deposits			4,440,155		15,519,764
Total due from banks			15,802,401		47,041,819
Securities available-for-sale	6, 14		60,581,776		50,635,500
Loans receivable, net	7, 14		180,551,078		175,661,669
Intangible assets	9, 14		211,655		242,233
Other assets	10, 14		735,525		604,325
TOTAL ASSETS		$	257,882,435	$	274,185,546
LIABILITIES AND EQUITY					
LIABILITIES:					
Customers' non-interest bearing deposits	11, 14	$	84,171,313	$	109,026,342
Customers' interest bearing deposits	11, 14		129,281,660		126,813,142
Securities sold under repurchase agreements	12		-		1,476,580
Other liabilities	13, 14		1,501,418		304,898
Total liabilities			214,954,391		237,620,962
EQUITY:					
Common stock, with a par value of $1 per share; authorized, issued and outstanding: 5,000,000	15		5,000,000		5,000,000
Regulatory reserves	8, 23		2,154,497		2,154,497
Net changes in securities available for sale			(326,561)		61,328
Accumulated earnings			36,100,108		29,348,759
Total equity			42,928,044		36,564,584
TOTAL LIABILITIES AND EQUITY		$	257,882,435	$	274,185,546

See notes to financial statements

These financial statements are approved by the Board of Directors on December 20, 2018, and are signed on its behalf by:

Director

Director

MMG BANK & TRUST LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30. 2018
(Expressed in United States dollars)

	Notes	2018	2017
Interest income	16	$ 10,696,079	$ 7,778,437
Interest expense		(5,712,888)	(3,624,944)
Net interest income		4,983,191	4,153,493
Commission income		3,532,151	3,730,964
Commission expenses		(939,511)	(964,599)
Net commission income	17	2,592,640	2,766,365
Net interest and commission income		7,575,831	6,919,858
OTHER INCOME			
Profit from securities available for sale		364,793	148,687
Other income		56,408	88,110
		421,201	236,797
EXPENSES			
Personnel expenses	19	(431,618)	(426,822)
Professional fees		(85,862)	(432,127)
Amortization	9	(141,664)	(199,103)
Allowance for loan losses	7	(2,435)	(9,936)
Other	20	(584,104)	(556,426)
		(1,245,683)	(1,624,414)
PROFIT FOR THE YEAR		6,751,349	5,532,241
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
(Loss) gain on changes in valuation of secutities		(387,889)	868,897
TOTAL COMPREHENSIVE INCOME		$ 6,363,460	$ 6,401,138

See notes to financial statements

MMG BANK & TRUST LTD.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(Expressed in United States dollars)

	Common shares	Regulatory reserves: Generic loan reserve	Regulatory reserves: Dynamic loan reserve	Regulatory reserves: Total Regulatory reserve	Net changes in securities available for sale	Retained earnings	Total
Balance at September 30, 2016	5,000,000	459,279	1,071,884	1,531,163	(807,569)	24,439,852	30,163,446
Reserve for doubtful loans	-	163,422	459,912	623,334	-	(623,334)	-
Net change in fair value reserve	-	-	-	-	1,017,584	-	1,017,584
Realized gain recognized in net income	-	-	-	-	(148,687)	-	(148,687)
Profit for the year	-	-	-	-	-	5,532,241	5,532,241
Balance at September 30, 2017	5,000,000	622,701	1,531,796	2,154,497	61,328	29,348,759	36,564,584
Reserve for doubtful loans	-	15,315	(15,315)	-	-	-	-
Net change in fair value reserve	-	-	-	-	(23,096)	-	(23,096)
Realized gain recognized in net income	-	-	-	-	(364,793)	-	(364,793)
Profit for the year	-	-	-	-	-	6,751,349	6,751,349
Balance at September 30, 2018	5,000,000	638,016	1,516,481	2,154,497	(326,561)	36,100,108	42,928,044

See notes to financial statements

MMG BANK & TRUST LTD.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(Expressed in United States dollars)

	Notes	2018	2017
Cash flows from operating activities:			
Profit for the year		6,751,349	5,532,241
Adjustments for non-cash items			
Amortization	9	141,664	199,103
Allowance for loan losses	7	2,435	9,936
Realized gain on sale of securities available for sale		(364,793)	(148,687)
Interest income	16	(10,696,079)	(7,778,437)
Interest expense		5,712,888	3,624,944
		1,547,464	1,439,100
Changes in:			
Decrease (increase) in due from banks		10,117,156	(7,107,097)
Increase in loans receivable		(4,595,783)	(64,064,583)
Increase in other assets		(131,200)	(30,999)
Decrease in customers' non-interest bearing deposits		(24,855,029)	(2,026,604)
Increase in customers' interest bearing deposits		2,226,643	40,349,592
Increase in other liabilities		1,196,520	318
Interest received		10,508,322	7,600,840
Interest paid		(5,214,524)	(3,338,311)
Net cash used by operating activities		(9,200,431)	(27,177,744)
Cash flows from investing activities:			
Purchase of securities available for sale	6	(257,641,870)	(377,222,681)
Disposal of investments available for sale	6	247,307,705	406,457,165
Acquisition of intangible assets	9	(111,086)	(170,735)
Net cash generated by investing activities		(10,445,251)	29,063,749
Cash flows from financing activities:			
Purchase of repurchase agreements		(1,476,580)	(163,170)
Net (decrease) increase in cash and cash equivalents		(21,122,262)	1,722,835
Cash and cash equivalents at beginning of year		36,924,663	35,201,828
End of year	5	15,802,401	36,924,663

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

1. GENERAL

MMG Bank & Trust Ltd. (the "Bank") is a limited liability company established under The Companies Act, 1992 of The Commonwealth of The Bahamas and is licensed under the Banks and Trust Companies Regulation Act, 2000 to carry on trust and banking services. The Bank's objective is to promote and participate in all kinds of banking, financing and investing activities from The Commonwealth of The Bahamas.

The Bank is a wholly-owned subsidiary of MMG Bank Corporation (the Parent company) which is incorporated in the Republic of Panama and in turn is a wholly-owned subsidiary of MMG Capital Holdings Inc. (the ultimate Parent company) which is incorporated in The Commonwealth of The Bahamas.

The Bank's registered office is located at Saffrey Square, 1st Floor, Nassau, Bahamas.

2. NEW AND REVISED INTERNATIONAL ACCOUNTING STANDARDS AND INTERPRETATIONS

2.1 Standards and Interpretations adopted without effects on the financial statements

There were no IFRS or IFRIC interpretations, effective for the year beginning on or after October 1, 2017, which had a significant effect on the financial statements.

2.2 New and revised IFRSs issued but are not yet effective

The Bank has not adopted the following new and revised standards and interpretations that have been issued but are not yet effective and is in the process of assessing the possible impact of these amendments on the financial statements.

<u>IFRS 9 - Financial Instruments</u>

IFRS 9 Financial Instruments (as revised in 2014):

• Phase 1: Classification and measurement of financial assets and financial liabilities;
• Phase 2: Impairment methodology; and
• Phase 3: Hedge accounting.

On July 2014, the IASB finalized the reform and issued IFRS 9 - Accounting of Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement.

It includes limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

It also adds the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

The completed IFRS 9 contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting.

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement under IFRS 9, all recognized financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortized cost or fair value. Specifically:

- A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.

- A debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at (FVTOCI), unless the asset is designated at (FVTPL) under the fair value option.

- All other debt instruments must be measured at (FVTPL).

- All equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at (FVTOCI), with dividend income recognized in profit or loss.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment methodology

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses.
The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms included in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The standard is effective for periods beginning on or after January 1, 2018; early adoption is permitted subject to local requirements.

The Bank is evaluating the possible impact on the financial statements resulting from the application of the amendments made in July 2014 to IFRS 9.

Due to the nature of the Bank's financial operations, the adoption of this standard could have an impact on the financial statements, an aspect that is under evaluation by the Administration

IFRS 15 - Revenue from Contracts with Customers

The Standard provides to the entities with a single model for the accounting of the revenue from contracts with customers, and replaces all industries income recognition guidance. The fundamental principle model is to recognize the income when the control of goods and services are transferred to the customers instead of to recognize the income when the related risks and rewards are transferred to the customers, as required by the current standard. The new standard provides a single, five-step model based on principles to be applied to all contracts with customers. IFRS 15 applies to an annual reporting period beginning on or after January 1, 2018.

Due to the nature of the Bank's financial operations, the adoption of this standard could have an impact on the financial statements, an aspect that is under evaluation by the Administration.

IFRS 16 - Leases

IFRS 16 eliminates the classification of leases, either as operating leases or financial leases for the lessee. Instead, all leases are recognized similarly to finance leases under IAS 17. Leases are measured at the present value of future lease payments and are presented as either leased assets (right-of-use assets) or together with real estate, furniture and equipment.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that also adopt IFRS 15 - Revenue from contracts with customers.

As of the date of the financial statements, the impact that the adoption of this standard will have on the financial statements has not been evaluated.

IAS 7 - Disclosure initiatives

The amendments require that an entity provide disclosure that allows users of the financial statements to evaluate changes in liabilities arising from financing activities, including as many changes in cash and as those that do not involve cash.

Effective for annual periods beginning on or after January 1, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below, and have been consistently applied to all years presented, unless otherwise noted.

a. ***Basis of presentation*** - These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention, except for the investments available-for-sale which are stated at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

b. ***Due from banks*** - Due from banks includes unrestricted balances held with central banks and highly liquid financial assets that are subject to an insignificant risk of changes in their fair value and used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

c. ***Interest income and expense*** - Interest income and expense are recognized in the statement of comprehensive income for all interest bearing instruments under the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

d. ***Commission income*** - Generally, commissions on short-term loans, letters of credit and other banking services are recognized as income at the time of its collection due to being short-term transactions. The revenue recognized at the time of its collection is not significantly different from that recognized under the cumulative or accrual method.

Fees from commissions and other fees, including those related to the account service, investment management fees, underwriting fees, custody of funds, paying agent and transfers are recognized when the related services are rendered.

Other commission expenses relate mainly to service transactions and fees; these are recognized when the services are received.

e. ***Financial assets*** - Financial assets are classified in the following two categories: securities available for sale; loans receivable. Management determines the classification of its investments at their initial recognition.

Purchase and sales of financial assets available-for-sale are recognized at the settlement date which is the date the Bank purchase or sell the asset.

Financial assets are initially recognized at fair value plus transactions cost for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to received cash flows from the financial assets have expired or when the bank has transferred substantially all risks and rewards of ownership.

i. ***Loans and receivables*** - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivable, bank balances and cash are maintained at amortized cost during the effective interest method less any impairment.

ii. ***Available-for-sale*** - Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Financial assets available-for-sale financial assets are subsequently carried at fair value. Gain and losses arising from changes in the fair value of available-for-sale investments are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. At that time, the cumulative gain or loss previously derecognized in the other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

Interest calculated using the effective interest method is recognized in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income when the Bank's rights to receive payment is established.

The fair value of quoted investments in active markets is based on current bid prices. If the market for a financial asset is not active or as for unlisted securities, the Bank establishes the fair value by using valuation techniques, that include the use of recent arm's-length transactions, discounted cash flows analysis and other valuation techniques commonly used by market participants. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment.

f. ***Impairment of financial assets***

i. ***Assets carried at amortized cost*** - At each reporting sheet date, the Bank assesses whether there is objective evidence that a financial asset or group of financial assets carried at amortized cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, such as a "loss event", and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss event:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization measures;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease is the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bank.

The Bank assesses whether objective evidence of impairment exists individually for financial assets that are significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

When a loan is uncollectible, it is written-off against the related provision for loan impairment. Such loans are written-off when all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent year, the amount of the impairment loss can be related objectively to an event occurring after the impairment loss is accounted for, it can be reversed by adjusting the reserve account. The amount of the reversal is recognized in the statement of comprehensive income.

ii. ***Assets carried at fair value*** - On each statement of financial position date, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If, in a subsequent year, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

g. ***Intangible assets***- Intangible assets consist of program costs, consulting costs and other costs related to the implementation of the information system. The Company's plan is to amortize the cost over a period of 3 years under the straight-line method. Subsequent to their initial recognition, these intangible assets are accounted for at cost less accumulated amortization and the amount of impairment losses (if any).

h. ***Customer deposits and other liabilities***- These instruments are the result of the resources that the Bank receives and these are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest rate method.

<u>Financial liabilities</u>

Financial liabilities are classified as either “at FVTPL” or other financial liabilities.

<u>Other financial liabilities</u>

Other financial liabilities, are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on the effective rate basis.

<u>Derecognition of financial liabilities</u>

The Bank writes-off financial liabilities when, and only when, the Bank’s obligations are settled, canceled or expired.

<u>Amortized cost</u>

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected impairment allowance.

i. ***Translation of foreign currencies*** - Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in United States dollars, which is the Bank's functional and presentation currency. Monetary assets and liabilities in currencies other than the United States dollar are translated at rates of exchange prevailing at the year-end. Income and expenses in currencies other than the United States dollar are translated at rates of exchange existing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

j. ***Repurchase agreements*** – Securities sold under agreements to repurchase ("repurchase agreements") are treated as collateralized financings and are recognized initially at fair value, being the amount of cash disbursed and received, respectively. The party disbursing the cash takes possession of the securities serving as collateral for the financing and having a market value equal to, or in excess of, the principal amount loaned. The securities delivered under repurchase agreements are not derecognized from the statement of financial positions, because the risks and rewards of ownership are not relinquished.

The Bank has chosen to apply the fair value option to repurchase agreement.

Interest incurred on repurchase agreements is reported as interest expense.

k. ***Fiduciary account and assets under administration*** - Assets held in trust or in trust function are not considered part of the Bank, and accordingly, such assets and related income are not included in the accompanying financial statements. The commission income generated from the administrative of trusts and custody is recorded under the accrual method in the statement of profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. ***Fair value of financial instruments*** - Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction. The best evidence of fair value is quoted price in an active market. In some cases, however, the financial instruments are not typically exchangeable or exchanged and therefore it is difficult to determine their fair value. In these cases, the Bank considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

IFRS 7 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three- level hierarchy:

Level 1 Quoted Prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from the prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Bank measures the fair value using hierarchy levels that reflect the significance of the data inputs used in making the measurements. The Bank has established a process and a documented policy for determining the fair value in which responsibilities and segregation of duties are defined among different responsible areas involved in this process that have been approved by the Assets and Liabilities Committee (ALCO), Risk Committee and the Board of Directors.

Since the calculation of fair value is based on management's estimates, which involve uncertainties, the actual fair value realized in a sale or immediate settlement of the instruments may differ from the estimated amount. The use of the above hierarchy acts as an indicator of the potential variance of the actual amount realized to the estimated amount in each group of financial instruments.

b. ***Impairment loss on loan receivable*** - The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a loan portfolio before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Once the deterioration in the value of a loan is known, the Bank creates a provision and makes the verification.

c. ***Impairment of available-for-sale investments*** - The Bank determines that available-for-sale investments are impaired when there has been a significant and prolonged decline in the fair value below its cost. This determination of what is significant and prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the issuer, industry and sector performance, changes in technology and operating and financing cash flows.

d. ***Fair value of investments available for sale that do not have an active market price*** - The fair value of investments that have no active market price is determined using valuation techniques. In these cases, the fair value is estimated using observable data regarding similar financial instruments or valuation models. When unable to obtain observable market data for valuation, estimation is performed on key assumptions and by applying valuation models according to the Bank's business model. All models are approved by (ALCO) prior to use and are calibrated to ensure that the output values estimate the fair value adequately

5. DUE FROM BANKS

Due from banks is detailed as follows:

		2018		2017
Due on demand	$	11,362,246	$	31,522,055
Interest earning deposits		4,440,155		15,519,764
Total due from banks		15,802,401		47,041,819
Less: Interest earning deposits, with original contractual maturity of more than three months		-		(10,117,156)
Cash and cash equivalents	$	15,802,401	$	36,924,663

As at September 30, 2018, the bank has no time deposits in books. The interest rates earned by time deposits ranged from 1.5% to 2.45% (2017: 1.35% and 2.55%).

6. SECURITIES AVAILABLE-FOR-SALE

Securities available-for-sale are described as follows:

		2018		2017
Institutional cash funds rating AAA by International Agencies	$	23,314,295	$	6,295,746
Debt securities with rating "BBB-" or better		26,642,500		36,736,357
Debt securities with rating below "BBB-"		6,611,880		7,092,870
Debt securities and equity securities - no rating		4,013,101		510,527
	$	60,581,776	$	50,635,500

Investments in institutional cash funds are highly liquid, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

The movement in securities available-for-sale is summarized as follows:

		2018		2017
Balance at beginning of year	$	50,635,500	$	79,001,087
Purchases		257,641,870		377,222,681
Sales and Redemptions		(247,307,705)		(406,457,165)
Net change in fair value reserve		(23,096)		1,017,584
Realized gain on sale of securities		(364,793)		(148,687)
	$	60,581,776	$	50,635,500

7. LOANS RECEIVABLE, NET

Loans receivable are summarized as follows:

		2018		2017
Commercial	$	125,311,070	$	115,746,401
Personal		27,530,142		35,500,623
Margin loans		25,646,964		22,293,437
Mortgate		2,062,902		2,121,208
	$	180,551,078	$	175,661,669

The Bank offers its clients to use their investment portfolio as collateral which is normally called margin loans. Based on the characteristics of each type of instrument, the Bank determines the maximum amount that can be borrowed.

The range of annual interest rates on loans granted during the year ranged between 2% and 10.75%% (2017: 2% to 10.75 %).

As of September 30, 2018, 65% (2017: 65%) of the loans receivable were fully collateralized by customers' deposits placed with the Bank.

As of September 30, 2018, the Bank recognized an impairment provision for the amount of $36,165 for doubtful loans. (2017: $33,730).

The movement in this impairment provision for loan receivables is as follows:

		2018		2017
Balance at beginning of year	$	33,730	$	23,794
Increase in provision		2,435		9,936
	$	36,165	$	33,730

8. STATUTORY LOAN LOSS RESERVE

The statutory loan reserves are summarized as follows:

	2018	2017
Generic loan allowance on loans without collateral cash	$ 638,016	$ 622,701
Dynamic loan reserve	1,516,481	1,531,796
	$ 2,154,497	$ 2,154,497

The Bank maintains a 1% generic loan allowance on loans without collateral cash through a combination of provision for doubtful loans receivable or loan reserve as per requirement of the Central Bank of the Bahamas ("CBB"). The movement in this provision for loan receivables is as follows:

	2018	2017
Balance at beginning of year	$ 622,701	$ 459,279
Increase in provision	15,315	163,422
	$ 638,016	$ 622,701

The Bank also maintains a statutory loan reserve in accordance with the requirements of the Republic of Panama. Those requirements stipulate to recognize a dynamic reserve which is greater than the 1% generic loan allowance of CBB.

	2018	2017
Balance at beginning of year	$ 1,531,796	$ 1,071,884
(Decrease) increase in provision	(15,315)	459,912
	$ 1,516,481	$ 1,531,796

9. INTANGIBLE ASSETS

Intangible assets are summarized as follows:

		2018		2017
Cost				
Balance at beginning of year	$	2,469,399	$	2,298,664
Additions		111,086		170,735
At end of year	$	2,580,485	$	2,469,399
Accumulated Amortisation				
Balance at beginning of year	$	2,227,166	$	2,028,063
Amortization expense		141,664		199,103
At end of year	$	2,368,830	$	2,227,166
Net balance	$	211,655	$	242,233

10. OTHER ASSETS

Other assets are summarized below:

		2018		2017
Accounts receivable	$	601,019	$	465,023
Expense paid in advance		134,506		139,302
Total	$	735,525	$	604,325

11. CUSTOMER DEPOSITS

Customer deposits are summarized below:

		Demand		Time Deposit
2018				
Deposit from clients	$	73,578,316	$	128,218,104
Deposit from banks		10,592,997		1,063,556
Total	$	84,171,313	$	129,281,660

		Demand		Time Deposit
2017				
Deposit from clients	$	102,246,407	$	124,278,599
Deposit from banks		6,779,935		2,534,543
Total	$	109,026,342	$	126,813,142

12. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

At September 30, 2018 liabilities from securities acquired under repurchase agreements were held for USD 0.00 (2017: USD1,476,580) with maturity at the option of the parties or at the maturity of the securities until the year 2044. These securities maintained an annual interest rate of 3.125%.

13. OTHER LIABILITIES

Details of other liabilities are summarized below:

		2018		2017
Account payable	$	1,327,903	$	26,849
Expenses payable		92,417		58,777
Commissions payable		79,405		211,354
Other		1,693		7,918
Total	$	1,501,418	$	304,898

14. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

As of September 30 and for the year then ended, the Bank had the following significant balances and transactions with related parties:

2018		Directors and managerial personnel		Related companies		Total 2018
Assets						
Due from bank	$	-	$	9,375,888	$	9,375,888
Securities available-for-sale		-		19,354		19,354
Loans		1,172,376		1,348,699		2,521,075
Total assets	$	1,172,376	$	10,743,941	$	11,916,317
Liabilities						
Customers' non-interest bearing deposits	$	1,637,107	$	29,614,318	$	31,251,425
Customers' interest bearing deposits		10,072		3,716,224		3,726,296
Other liabilities		18,012		1,230,489		1,248,501
Total liabilities	$	1,665,191	$	34,561,031	$	36,226,222
Income						
Interest income	$	47,110	$	8,018	$	55,128
Interest expenses		-		(43,950)		(43,950)
Commissions		2,789		97,040		99,829
Total income	$	49,899	$	61,108	$	111,007
Other expenses						
Personnel expenses	$	162,612	$	-	$	162,612
Professional fees		8,000		-		8,000
Others		-		18,694		18,694
Total other expenses	$	170,612	$	18,694	$	189,306

(Continued)

2017	Directors and Managerial Personnel	Related Companies	Total 2017
Assets			
Due from bank	$ -	$ 10,830,769	$ 10,830,769
Securities available-for-sale	-	20,164	20,164
Loans	1,723,868	-	1,723,868
Other assets	52	-	52
Total assets	$ 1,723,920	$ 10,850,933	$ 12,574,853
Liabilities			
Customer's non-interest bearing deposits	$ 11,381,337	$ 22,933,400	$ 34,314,737
Customer's interest bearing deposits	1,104,576	8,036,084	9,140,660
Other liabilities	21,500	973	22,473
Total liabilities	$ 12,507,413	$ 30,970,457	$ 43,477,870
Income			
Interest income	$ 163,709	$ 39,783	$ 203,492
Interest expenses	(64,939)	(24,070)	(89,009)
Commissions	80,917	28,256	109,173
Total income	$ 179,687	$ 43,969	$ 223,656
Other expenses			
Personnel expenses	$ 171,368	$ -	$ 171,368
Professional fees	-	161,604	161,604
Total other expense	$ 171,368	$ 161,604	$ 332,972

Loans granted to directors and key management personnel have various maturities ranging from 2018 to 2029 (2017: 2017 to 2029) and bear an annual interest rate between 2% and 6% in 2017 (2017: 2% and 6.5%).

At September 30, 2018, term deposits with affiliates companies earned an annual interest rate between 1% and 4% (2017: 1% and 3.5%).

(Concluded)

15. SHARE CAPITAL

At September 30, 2018, the authorized issued and outstanding share capital consisted of 5,000,000 (2017: 5,000,000) common and registered shares with a nominal value of USD1 each.

16. INTEREST INCOME

At September 30,2018, interest income is detailed below:

	2018	2017
Loans	$ 9,066,084	$ 6,156,984
Investments	1,388,209	1,390,055
Deposits	241,786	231,398
Total	$ 10,696,079	$ 7,778,437

17. NET COMMISSION INCOME

Commission earned by the Bank totaled USD 2,592,640 (2017: USD 2,766,365). Ninety-five (84%) (2017: 95%) of these commissions are generated by the main business areas: wealth management, investment banking and banking services.

18. ASSETS UNDER MANAGEMENT

The Bank holds assets outside the statement of financial position at the risk of clients for a total of USD 809,859,255 (2017: USD 767,074,730). These assets consist of financial portfolios in custody for a total of USD 745,213,217 (2017: USD 705,230,513) of which USD 60,014,784 (2017: USD 54,257,289) are managed under discretionary mandates. The Bank does not anticipate any loss as a result of the services provided.

19. PERSONNEL EXPENSES

At September 30, 2018, the personnel expenses are detailed below:

	2018	2017
Salaries and other compensations	$ 384,415	$ 361,144
Employee benefits	47,203	65,678
Total	$ 431,618	$ 426,822

20. OTHER EXPENSES

At September 30, the other expenses are detailed below:

	2018	2017
Taxes and licenses	$ 91,000	$ 84,275
Repairs and maintenance	273,417	258,780
Subscription fee	147,187	129,880
Advertising and public relations	19,673	19,409
Communications	20,264	21,574
Office rent	20,181	20,888
Insurance	938	888
Travel and lodging	2,987	2,515
Stationery and office supplies	1,506	3,749
Water and electricity	6,777	6,707
Others	174	7,761
Total	$ 584,104	$ 556,426

21. INCOME TAXES

The Bank is not subject to income tax in The Bahamas.

22. FINANCIAL RISK MANAGEMENT

Objectives of the administration of financial risks

By the nature of its operations, the Bank is exposed to various financial risks that could threaten their business objectives, so that proactive identification and understanding of the significant risks faced by the Bank are critical to achieve an appropriate balance between the risk and return and minimize potential adverse effects on its financial achievement.

The Bank's management and risk control falls mainly on the Board of Directors, which is initially responsible for establishing and determining the strategic direction of the organization, the focus of the business and corporate values.

The Board has established the Risk Committee, with specific roles and responsibilities for the proper supervision of the Bank's risks. This committee consists of members of the Board of Directors separate from Management and assists the Board of Directors in fulfilling its monitoring responsibilities relating to the administration and control of the risks inherent to the Bank.

Additionally, the Board of Directors has the support of the Audit Committee in which issues related to the audit areas fall, such as the integrity of the financial statements, quality and performance of internal and external auditors, and compliance of the Bank with the legal and regulatory requirements as well as policies and ethical behavior established by the Board of Directors.

It is worth mentioning that the Audit Committee has outsourced internal audit services from the firm of auditors and accountants, RSM Panama, S.A. (previously Moore Stephens). Internal audit supports the monitoring of the Audit Committee by evaluating the processes of risk management and internal control of the Bank.

The Board of Directors has established the Compliance Committee, whose primary function of the Committee is to assist the Board of Directors of the Bank as supporting agency to monitor that the Bank has a strong process for preventing money laundering and terrorist financing, as well as monitoring compliance with the laws and regulations that apply to the Bank and the Standards related to Corporate Governance.

The Board of Directors delegates responsibility for the Bank's day to day management, however, the Risk Committee oversees the management of identification, assessment and mitigation of the risks inherent to the Bank.

Management on its part has established other committees through which it evaluates and monitors different operational issues. Among these are the following:

Assets and Liabilities Committee (ALCO): Its purpose is to optimize and manage the Bank's financial resources, maintaining exposure to the inherent risks of the business within the policies established by the Board of Directors. In addition, this Committee reviews economic trends, interest rate expectations, and establishes active and passive rates.

Credit Management Committee: Its main objective is to establish policies for the management and control of credit risk, to establish credit risk measurement systems, to evaluate and classify the loan portfolio, to supervise the provisions established by the Bank to mitigate the risk Losses, evaluation of guarantees and compliance with internal policies and regulations.

The Bank is subject to the regulations of The Central Bank of The Bahamas and The Securities Commission of The Bahamas, in regard to risk concentrations, liquidity and capitalization, among others. Therefore, Management must deliver a series of reports to achieve an appropriate flow of information both internally and externally to ensure the transparency of Administration and Corporate Governance.

The main financial risks identified by the Bank are credit risk, liquidity, market and operational risks, which are described below:

<u>Credit risk</u>

Credit risk is the risk of a financial loss as a consequence from a borrower who does not pay on time or the totality of its obligation or the counterparty of a financial instrument who fails to meet its contractual obligations before settling a contract and the effect of having to replace the transaction to balance the position.

Financial assets that potentially present credit risk to the Bank are loans that are not collateralized with cash, portfolio investments and placed bank deposits.

Credit risk is the most important risk for the Bank, so the Administration carefully manages its exposure to credit risk through a strict policy for the management of credit risk.

Settlement Risk

The Bank's activities may create a risk at the time of settlement of transactions and negotiations with a counterparty. The settlement risk, is the risk of loss due to the Bank's failure to deliver cash, securities or other assets as agreed by contract.

For certain types of transactions, the Bank mitigates risk by making settlements through a settlement agent to ensure that a settlement is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits are part of the process of monitoring credit limits / approvals described above.

Credit risk management

The Bank performs a qualitative and quantitative analysis of the customer. The qualitative analysis takes into account the industry in which the customer performs, the competence of the debtor or counterparty, its references, management, products, customers, suppliers and operating performance of the company. In the quantitative analysis, the financial ratios are evaluated, depending on the industry in which the client operates.

The Bank structures acceptable levels of credit risk through the establishment of policies and procedures for a single borrower, group of borrowers, and geographical segment. Exposure to risk is covered mainly by obtaining guarantees.

As of September 30, 2018, 65% (2017: 65%) of the loan portfolio was backed by cash deposits. The rest of the portfolio is guaranteed by financial assets, real and personal property, bonds or guarantees and other guarantees.

Credit quality analysis

The following table shows information related to the credit quality of financial assets.

	Maximun exposure	
	2018	**2017**
Due from banks	$ 15,802,401	$ 47,041,819
Securities available for sale	60,581,776	50,635,500
Loans receivable	180,551,078	175,661,669
Total	$ 256,935,255	$ 273,338,988

The table above represents the Bank's most critical exposure to credit risk as of September 30, 2018, without taking into account credit guarantees or another increase in exposure to credit risk.

The guarantees issued and promissory notes are exposed to credit losses in the event that the customer does not comply with their obligation to pay. The Bank's policies and procedures in approving credit commitments, financial guarantees and promises of payment are the same as those used for the granting of loans recorded in the statement of financial position.

Guarantees issued and promissory notes from customers relate to outstanding facilities to be disbursed, which are not shown in the statement of financial position, but are recorded in the Bank's memorandum accounts.

For the assets of the statement of financial position, the exposures described above are based on the net book balances reported in the statement of financial position.

	Loan		Securities available for sale	
	2018	2017	2018	2017
Maximun expousure				
Book value	$ 180,551,078	$ 175,661,669	$ 60,581,776	$ 50,635,500
At amortized cost				
Risk Level				
Level 1 - normal	180,587,243	175,695,399	-	-
Doubtful loans reserve	(36,165)	(33,730)	-	-
Book Value, net	180,551,078	175,661,669	-	-
Securities available for sale				
Low risk				
Books Value, net	-	-	60,581,776	50,635,500
Not overdue, neither impaired				
Level 1 - normal	180,587,243	175,695,399	-	-
Overdue, but not impaired				
30 a 60 days	-	-	-	-
61 a 90 days	-	-	-	-
91 a 120 days	-	-	-	-
121 a 180 days	-	-	-	-
181 days and more	-	-	-	-
Sub-total	-	-		
Individually impaired				
Level 2 - special mention	-	-	-	-
Level 3 - sub-normal	-	-	-	-
Level 4 - doubtful	-	-	-	-
Level 5 - unrecoverable	-	-	-	-
Sub-total	-	-	-	-
Impairment reserve				
Individually	(29,011)	(26,226)	-	-
Collective	(7,154)	(7,504)	-	-
Total impairment reserve	(36,165)	(33,730)	-	-
Total	$ 180,551,078	$ 175,661,669	$ 60,581,776	$ 50,635,500

Through the Asset and Liability Committee, the Bank analyzes the repayment capacity of the different issuers and banks in international markets and recommends to the Board of Directors the limits (based on capital) that can be placed on each by using as reference, international credit ratings from recognized rating agencies such as Standard & Poors, Moody's Investor Services and Fitch Ratings.

Due to very conservative asset management policies, the deposits and investments portfolio is highly diversified and mostly placed in institutions rated with international investment grade.

As at September 30, 2018, 91% (2017: 69%) of demand deposits and time deposits are placed in financial institutions rated between A+ and BBB-, based on the rating agencies mentioned above.

The information in the table below shows the investment assets composition of the Bank. As of September 30, 2018 the Bank had placed 83% (September 30, 2017: 85%) of their investment assets in deposits in banks of investment-grade and debt issuers and assets secured by cash deposits.

The information in the table below shows the assessment composition of the Bank's securities.

		2018			2017	
Grading investments						
AAA	$	23,314,295	39%	$	9,290,781	18%
AA+, AA, AA-		2,008,967	3%		7,855,302	16%
A+, A, A-		16,686,715	28%		18,843,423	37%
BBB+, BBB, BBB-		7,946,818	13%		7,042,597	14%
Total with international investment grade		**49,956,795**	83%		**43,032,103**	85%
Local BBB- or better - Corporate		461,784	1%		461,290	1%
International BB+ to BB-		6,611,880	11%		7,092,870	14%
Local corporates not classified		3,551,317	5%		49,237	0%
Total	**$**	**60,581,776**	**100%**	**$**	**50,635,500**	**100%**

The following table details the analysis of the Bank´s financial assets portfolio, under the category of investments and accounting recognition.

		2018			2017	
	$	**Amount**	**Percentage**	**$**	**Amount**	**Percentage**
Loan secured by cash deposits		117,454,587	46%		113,425,309	29%
Cash in banks with investment grade rating		14,325,791	6%		32,385,872	14%
Securities with investment grade rating		49,956,795	19%		43,032,103	29%
Sub-total		181,737,173	71%		188,843,284	72%
Loans with other guarantees than cash		63,096,491	24%		62,236,360	18%
Cash in banks without investment grade rating		1,476,610	1%		14,655,947	6%
Securities without investment grade rating		6,611,880	3%		7,092,870	3%
Securities without rating		4,013,101	1%		510,527	1%
Other assets		947,180	0%		846,558	0%
Total other	-	76,145,262	29%	-	85,342,262	28%
Total assets	$	257,882,435	100%	$	274,185,546	100%

Collateral and other guarantees against credit exposure:

The Bank holds collateral and other guarantees against credit exposures. The following table shows the main types of guarantees received against different types of loans.

Types of loan	Main type of guarantee	Maximum exposure 2018	Maximum exposure 2017	Guarantees 2018	Guarantees 2017
Consumer loans					
Personal		**$ 27,530,142**	**$ 24,712,777**	**$ 35,751,355**	**$ 31,243,437**
	Deposits	18,188,992	16,282,562	18,188,992	16,295,000
	Transfer of promissory notes	2,833,584	2,814,540	4,168,054	3,892,054
	Investments	941,309	801,205	6,890,919	5,261,757
	Bonds and guarantees	5,566,257	4,814,470	6,503,390	5,794,626
Mortgages	Property	**1,892,845**	**1,925,874**	**2,749,252**	**2,749,252**
Margin loans	Investments	**23,645,616**	**22,293,161**	**84,515,585**	**72,988,285**
Sub-total		$ 53,068,603	$ 48,931,812	$ 123,016,192	$ 106,980,974
Types of loan					
Corporate loans					
Commercial		**$ 125,311,070**	**$ 126,534,247**	**$ 169,247,761**	**$ 149,867,177**
	Deposits	98,877,139	97,165,226	98,877,139	97,230,000
	Assignments of promissory notes	553,697	516,524	570,000	570,000
	Bonds, guarantees and others	25,880,234	28,852,497	69,800,622	52,067,177
Mortgages	Properties	**170,057**	**195,334**	**518,452**	**518,452**
Margin loans	Bonds, guarantees and others	**2,001,208**	**26**	**14,783,692**	**-**
Others	Bonds, guarantees and others	**140**	**250**	**-**	**251**
Sub-total		127,482,475	126,729,857	184,549,905	150,385,880
Total		**$ 180,551,078**	**$ 175,661,669**	**$ 307,566,097**	**$ 257,366,854**

	2018	**2017**	**Collateral type**
Loans portfolio	65%	65%	Cash deposits
	24%	24%	Investments
	8%	4%	Promissory notes
	2%	1%	Properties
	1%	6%	Bonds, guarantees & others

Credit risk concentration

The Bank monitors the concentration of credit risk by sector and geographic location. The analysis of the credit risk concentration at the date of the financial statements is as follows:

	Loans		**Securities**	
	2018	**2017**	**2018**	**2017**
Concentration by sector:				
Corporate	127,482,475	126,729,857	7,962,984	7,638,825
Consumer	53,068,603	48,931,812	-	-
Other	-	-	52,618,792	42,996,675
	180,551,078	175,661,669	60,581,776	50,635,500

	Assets		**Liabilities**	
	2018	**2017**	**2018**	**2017**
Geographic concentration				
United States of America	38,834,942	38,510,100	1,898,936	2,665,447
Panama	127,859,518	125,929,765	115,007,494	119,062,526
Europe	8,202,819	12,950,257	4,602,914	5,994,416
South America	69,699,231	70,313,223	22,133,034	22,615,487
Bahamas	29,242	31,589	12,616,915	16,134,603
Others	-	11,128,441	6,168,130	34,193,625
Central America and Caribbean	13,256,683	15,322,171	52,526,968	36,954,857
	257,882,435	274,185,546	214,954,391	237,620,961

Exposure to credit risk is managed by the Credit Management Committee and the Assets and Liabilities Committee (ALCO), through periodic analysis of the ability of current and potential borrowers to meet their obligations. Both committees are duly authorized to evaluate and recommend to the Board changes in credit limits where appropriate.

Liquidity risk

Liquidity risk is the risk that the Bank will not be able to meet commitments and financial obligations due to a shortage of liquid resources to cover them. This contingency may force the Bank to resort to the sale of assets or the collection of liabilities under unfavorable conditions, such as unusual discounts, higher financial costs, or foreclosure on equity losses.

Liquidity risk management

Liquidity risk is monitored by measuring the concentration of depositors, measuring the volatility of the different products, the portion of the liabilities that are hedged by the liquid assets and the maturity between assets and liabilities.

(Continued)

To manage this risk, the Bank maintains strict liquidity policies to support the management of its customers' deposits. Internal policies require maintaining primary liquidity reserves that largely cover withdrawals of liquid liabilities projected under stress scenarios. Primary liquidity is defined as cash, deposits with banks maturing up to 14 days, units in AAA-rated institutional liquidity funds, US Treasury Bills and Letters of the Bundesbank. Net liabilities refer to overnight deposits, overnight deposits and time deposits that mature within the next 7 days. In addition, most of the maturity mismatch between assets and liabilities must be covered at all times by secondary liquidity and contingent funding lines. Secondary liquidity is defined as net investments of debtors with international investment grade and with a maximum maturity of 12 months. Contingent funding lines are defined as contractually established bank facilities to which the bank has access and whose financing terms have been previously defined.

It should be noted that compliance with liquidity policies is monitored by the Assets and Liabilities Committee and the Board of Directors through the Risk Committee.

It should be noted that compliance with the liquidity policies is monitored by the Assets and Liabilities Committee and the Board of Directors through the Audit and Risk Management Committee.

Exposure to liquidity risk

The key measure used by the Bank for the management of liquidity risk is the index of net liquid assets on deposits received from customers. A similar but not identical calculation is used to measure the liquidity limits established by the Bank.

Below are detailed the indexes corresponding to the net liquid assets ratio on deposits received from clients at the date of the financial statements as follows:

	2018	**2017**
At end of year	21%	34%
Average of year	21%	30%
Maximum of year	23%	34%
Minimum of year	20%	26%

Analysis of maturities for financial liabilities and financial assets

The maturity analysis of assets and liabilities based on the remaining period to the date of the statement of financial position up to the contractual maturity date are as follows:

2018	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities						
Customer´s non-interest bearing deposits	84,171,313	-	-	-	-	84,171,313
Customer´s interest bearing deposits	2,894,718	11,343,060	103,030,590	12,013,292	-	129,281,660
Total liabilities	87,066,031	11,343,060	103,030,590	12,013,292	-	213,452,973
Assets						
Due from banks	15,802,401	-	-	-	-	15,802,401
Securities available for sale	23,383,699	2,545,731	13,945,414	14,514,434	6,192,498	60,581,776
Loans receivable, net	23,606,831	12,657,651	108,978,921	34,969,448	338,227	180,551,078
Total assets	62,792,931	15,203,382	122,924,335	49,483,882	6,530,725	256,935,255
Commitments and contingencies	-	-	-	-	-	-
Net position	(24,273,100)	3,860,322	19,893,745	37,470,590	6,530,725	43,482,282

2017	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities						
Customer´s non-interest bearing deposits	109,026,342	-	-	-	-	109,026,342
Customer´s interest bearing deposits	8,231,942	9,595,252	101,969,031	1,063,556	5,953,361	126,813,142
Repurchase agreements	-	-	-	-	1,476,580	1,476,580
Total liabilities	117,258,284	9,595,252	101,969,031	1,063,556	7,429,941	237,316,064
Assets						
Due from banks	36,924,663	-	10,117,156	-	-	47,041,819
Securities available for sale	9,340,018	3,851,626	17,787,612	10,207,535	9,448,709	50,635,500
Loans receivable, net	25,090,374	8,044,840	121,127,297	14,953,705	6,445,453	175,661,669
Total assets	71,355,055	11,896,466	149,032,065	25,161,240	15,894,162	273,338,988
Commitments and contingencies	-	-	-	-	-	-
Net position	(45,903,229)	2,301,214	47,063,034	24,097,684	8,464,221	36,022,924

It is noteworthy that compliance with liquidity policies is monitored by the Asset and Liability Committee and the Board of Directors through the Risk Committee. Liquidity risk is monitored by measuring the concentration of depositors, measuring the volatility of different products, the portion of the liabilities that are covered by liquid assets and the matching of maturities between assets and liabilities.

To manage the liquidity risk arising from financial liabilities, the Bank maintains liquid assets such as Due from banks and investment grade for which an active market exists.

These assets can be easily sold to meet liquidity requirements. Consequently, the Bank believes that it's not necessary to disclose the maturity analysis related to these assets to allow assessment of the nature and extent of liquidity risk.

The table below shows the undiscounted cash flows of the Bank's financial liabilities based on their nearest possible maturities. The expected cash flows of these instruments may vary significantly over time:

2018	Carrying value	inputs/ (outputs)	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Liabilities							
Customer´s non-interest bearing deposits	84,171,313	84,171,315	84,171,315	-	-	-	-
Customer´s interest bearing deposits	129,281,660	135,131,776	2,887,499	11,328,921	105,591,439	15,323,917	-
Total liabilities	213,452,973	219,303,091	87,058,814	11,328,921	105,591,439	15,323,917	-
Assets							
Due from banks	15,802,401	15,802,401	15,802,401	-	-	-	-
Securities available for sale	60,581,776	64,655,682	23,680,690	2,506,437	14,109,995	15,995,933	8,362,627
Loans receivable, net	180,551,078	191,384,280	23,541,996	12,645,629	112,030,795	42,618,711	547,149
Total assets	256,935,255	271,842,363	63,025,087	15,152,066	126,140,790	58,614,644	8,909,776
Net position	43,482,282	52,539,272	(24,033,727)	3,823,145	20,549,351	43,290,727	8,909,776
Accumulated position	43,482,282	52,539,272	(24,033,727)	(20,210,582)	338,769	43,629,496	52,539,272

2017	Carrying value	inputs/ (outputs)	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Liabilities							
Customer´s non-interest bearing deposits	109,026,342	109,026,342	109,026,342	-	-	-	-
Customer´s interest bearing deposits	126,813,142	133,323,806	8,235,531	9,624,532	104,812,522	1,089,461	9,561,760
Total liabilities	235,839,484	242,350,148	117,261,873	9,624,532	104,812,522	1,089,461	9,561,760
Assets							
Due from banks	47,041,819	47,112,256	36,925,883	-	10,186,373	-	-
Securities available for sale	50,635,500	55,380,757	9,340,018	3,861,384	18,016,291	11,918,234	12,244,830
Loans receivable, net	175,661,669	186,688,397	25,095,672	8,082,873	124,991,231	17,909,547	10,609,074
Total assets	273,338,988	289,181,410	71,361,573	11,944,257	153,193,895	29,827,781	22,853,904
Net position	37,499,504	46,831,262	(45,900,300)	2,319,725	48,381,373	28,738,320	13,292,144
Accumulated position	37,499,504	46,831,262	(45,900,300)	(43,580,575)	4,800,798	33,539,118	46,831,262

In Management's opinion, in the investment portfolio and other financial assets of the Bank, there are highly liquid investments (rated AAA to BBB-) for USD 49,956,795 (2017: USD 43,032,103), which may be converted into cash in a period less than one week.

Market risk

Market risk is that in which the value of a financial asset decreases because of changes in interest rates in the foreign exchange rates in stock prices and other financial variables as well as the reaction of market's participants to political and economic events.

Market risk management

The Bank establishes a high priority in corporate governance through the establishment and continuous strengthening of policies that establish parameters of exposure to different risk factors. Policies and limits are approved by the Assets and Liabilities Committee (ALCO) and ratified by the Board of Directors. The ALCO is furthermore responsible for ensuring compliance with these policies and recommending improvements as required.

Internal policies establish market risk limits of up to 15% of capital. This in turn has sub-limits by risk factors, which are quantified based on models developed internally in follow-up to the best practices of the industry.

Exchange rate risk

It is the risk that the value of a financial instrument will fluctuate because of changes in exchange rates of foreign currencies, and other financial variables, as well as the reaction of market participants to political and economic events. It is the financial risk (adverse impact) resulting from time differences for the re-definition of prices (rates) of assets and liabilities and changes in the level and shape of associated yield curves.

To mitigate this risk, the Board has limited a maximum open global exposure of up to 2% of the Bank's capital and only 1% of the capital in a single currency.

The table below summarizes the exposure to the foreign currency exchange rate at September 30, 2018.

	Exposure to currency exchange risk							
2018	**USD**	**EURO**	**GBP**	**CHF**	**CAD**	**JPY**	**Others**	**Total**
Financial assets								
Due from banks	9,997,967	3,039,483	636,311	1,893,292	179,462	45,432	10,454	15,802,401
Securities available for sale	58,496,570	2,085,206	-	-	-	-	-	60,581,776
Loans receivable, net	180,551,078	-	-	-	-	-	-	180,551,078
Total financial assets	249,045,615	5,124,689	636,311	1,893,292	179,462	45,432	10,454	256,935,255
Financial liabilities								
Customer´s non-interest bearing deposits	76,230,530	5,136,607	636,607	1,942,867	178,991	45,443	268	84,171,313
Customer´s interest bearing deposits	129,281,660	-	-	-	-	-	-	129,281,660
Total financial liabilities	205,512,190	5,136,607	636,607	1,942,867	178,991	45,443	268	213,452,973
Net position	43,533,425	(11,918)	(296)	(49,575)	471	(11)	10,186	43,482,282

	Exposure to currency exchange risk							
2017	**USD**	**EURO**	**GBP**	**CHF**	**CAD**	**JPY**	**Others**	**Total**
Financial assets								
Due from banks	33,473,395	11,812,127	378,740	535,344	785,794	45,911	10,508	47,041,819
Securities available for sale	50,008,215	627,285	-	-	-	-	-	50,635,500
Loans receivable, net	175,661,643	26	-	-	-	-	-	175,661,669
Total financial assets	259,143,253	12,439,438	378,740	535,344	785,794	45,911	10,508	273,338,988
Financial liabilities								
Customer´s non-interest bearing deposits	94,826,584	12,434,794	378,314	555,298	785,156	45,922	274	109,026,342
Customer´s interest bearing deposits	126,813,142	-	-	-	-	-	-	126,813,142
Total financial liabilities	221,639,726	12,434,794	378,314	555,298	785,156	45,922	274	235,839,484
Net position	37,503,527	4,644	426	(19,954)	638	(11)	10,234	37,499,504

Interest rate risk

It is the risk associated with a decrease in future cash flows and the value of a financial instrument due to changes in market interest rates.

Management uses robust methodologies for the measurement and monitoring of rate risk derived from the fluctuation in the fair value of a financial instrument and its respective effect on equity, the main market risk factor facing the Bank. Currently, different risk assessment scenarios are considered that consider an analysis under extreme conditions (stress testing) contemplating the sensitivity to the movements in the risk-free rates and credit premiums on the portfolio. The results of these simulations are monitored daily and presented monthly to the Assets and Liabilities Committee.

The sensitivity analysis below reflects the change in the fair value of investments given a sudden increase or decrease of 100 basis points based on the modified duration of the investment portfolio. This change in fair value could be due to changes in the discounted rates of credit, liquidity and / or macroeconomic factors or a combination of these:

	Increase of 100 bp	Decrease of 100 bp
2018		
Securities available-for-sale	(506,064)	506,064
Loans receivable, net	(1,533,682)	1,533,682
Customers' interest bearing deposits	1,264,257	(1,264,257)
Net impact	(775,489)	775,489
2017		
Securities available-for-sale	(506,064)	506,064
Loans receivable, net	(1,533,682)	1,533,682
Customers' interest bearing deposits	1,264,257	(1,264,257)
Net impact	(775,489)	775,489

	Sensitivity to equity in relation to rate movements			
	Increase of 50 bp	Decrease of 50 bp	Increase of 100 bp	Decrease of 100 bp
2018				
As of September 30th.	(359,622)	359,622	(719,244)	719,244
Annual Average	(481,706)	481,706	(963,412)	963,412
Annual maximun	(574,765)	574,765	(1,149,530)	1,149,530
Annual minimun	(359,622)	359,622	(719,244)	719,244
2017				
As of September 30th.	(359,622)	359,622	(719,244)	719,244
Annual Average	(481,706)	481,706	(963,412)	963,412
Annual maximun	(574,765)	574,765	(1,149,530)	1,149,530
Annual minimun	(359,622)	359,622	(719,244)	719,244

With respect to rate risk arising from fluctuations in the interest rates on assets or liabilities and their effect on net interest income, the Assets and Liabilities Committee periodically reviews asset and liability rates and establishes asset allocation and collection strategies And liabilities, and their respective rate profiles. Additionally, in the placement of loans not guaranteed by cash, the bank has ample contractual flexibility to vary the interest rates at its discretion.

The table below summarizes the Bank's exposure to fluctuations in interest rates on the financial margin. The Bank's assets and liabilities are included in the table at their carrying amount, classified by categories whichever occurs first between the repricing or expiration dates.

2018	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No Interest Bearing	Total
Assets							
Due from banks	4,440,155	-	-	-	-	11,362,246	15,802,401
Securities available for sale	19,399,064	2,545,731	13,945,414	18,475,412	6,192,498	23,657	60,581,776
Loans receivable, net	63,261,068	7,201,319	101,001,021	9,087,670	-	-	180,551,078
Total assets	87,100,287	9,747,050	114,946,435	27,563,082	6,192,498	11,385,903	256,935,255
Liabilities							
Customer´s non-interest bearing deposits	-	-	-	-	-	84,171,313	84,171,313
Customer´s interest bearing deposits	2,894,718	11,343,060	103,030,590	12,013,292	-	-	129,281,660
Total liabilities	2,894,718	11,343,060	103,030,590	12,013,292	-	84,171,313	213,452,973

2017	1 month	3 months	to 1 year	5 years	5 years	Bearing	Total
Assets							
Due from banks	5,402,608	-	10,117,156	-	-	31,522,055	47,041,819
Securities available for sale	6,316,081	6,846,490	17,787,612	10,207,535	9,448,709	29,073	50,635,500
Loans receivable, net	2,796,937	8,044,840	121,127,297	14,953,705	6,445,453	22,293,437	175,661,669
Total assets	14,515,626	14,891,330	149,032,065	25,161,240	15,894,162	53,844,565	273,338,988
Liabilities							
Customer´s non-interest bearing deposits	-	-	-	-	-	109,026,342	109,026,342
Customer´s interest bearing deposits	8,231,942	9,595,252	101,969,031	1,063,556	5,953,361	-	126,813,142
Repurchase agreement	-	-	-		1,476,580	-	1,476,580
Total liabilities	8,231,942	9,595,252	101,969,031	1,063,556	7,429,941	109,026,342	237,316,064
Net position	6,283,684	5,296,078	47,063,034	24,097,684	8,464,221	(55,181,777)	36,022,924
Accumulated position	6,283,684	11,579,762	58,642,796	82,740,480	91,204,701	36,022,924	

Operational risk

Operational risk is defined as the possibility of incurring losses due to deficiencies, failures or inadequacies of human resources, processes, technology, infrastructure or the occurrence of external events. This definition includes legal risk associated with these factors.

The Bank has an Operational Risk Manual, which represents the framework for operational risk management. Likewise, policies have been established for the evaluation of new products and services that are aimed mainly to assess the operational risks associated with the development of new products or services prior to their release or implementation.

To manage operational risk, the bank has established an organizational structure with clear roles and responsibilities of the board of directors, senior management, risk committee, risk management unit, form and frequency of reports, the acceptable level of operational risk and indicators of operational risk.

The operational risk management aims to:

- Prevent and minimize losses caused by incidents or operational risk events.
- Formalize the identification, measurement, mitigation, monitoring, and control of operational risk information.
- Focus resources and effort on the key operational risks.
- Continuous improvement of control and learning.

The bank has a separate management risk unit from other areas of the bank, which among its functions has the management of operational risk. This unit reports to the Risk Committee of the Board of Directors, who is in charge of approving the strategy of operational risk management, monitoring its management and evaluating the risk management unit.

The risk management unit enables the bank's staff on the methodology for operational risk management adopted by the Board of Directors in the key processes of the bank, considering key operational risk factors such as human resources, processes, technology and external events.

The events or incidents of operational risk occurring should be reported by all areas of the bank to the risk management unit which is responsible for maintaining a database that allows the evolution of operational risk at the organizational level, according to the levels of operational risk tolerance approved by the Board of Directors.

Business continuity plans for key bank processes were designed in order to ensure business continuity in the event of an outage, as well as information security policies that ensure the integrity, confidentiality and availability of information.

The Bank uses the basic indicator method to measure the impact of operational risk in the capitalization-weighted index of bank risks.

Capital management

Within the financial risks to which the Bank is exposed, there is the risk that the Bank's capital does not support its activities and growth.

The Bank manages its capital to ensure:

- Compliance with the requirements established by the Central Bank of The Bahamas.
- Maintain a base capital, strong enough to support the performance of its business.
- The continuation as a going concern while examining the return to shareholders through the optimization of the debt and equity balance.

Fair value of financial instruments

The estimated fair value is the amount by which financial instruments can be traded in a transaction between interested parties in different conditions to a forced sale or liquidation, and is best evidenced by quoted market prices, if any.

The fair value estimates are made at a given date, based on market estimates and information on financial instruments. These estimates do not reflect any premium or discount that could result from offering a particular financial instrument for sale at a given date. These estimates are subjective in nature, involve uncertainty and much judgment; therefore, they cannot be determined accurately. Any changes in assumptions or criteria can significantly affect the estimates.

Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the information included in these valuation techniques are observable or unobservable. The observable information reflects market data obtained from independent sources; unobservable information reflects the Bank's market assumptions. These two types of information have created the following fair value hierarchy:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Quoted prices in active markets for similar financial instruments or using a valuation technique where all the variables are derived from observable market data for assets or liabilities either directly or indirectly. In some cases, the Bank uses reference information from active markets for similar instruments and other, uses discounted cash flow techniques where all model variables and inputs are derived from observable market data.

Level 3: When the “inputs” are not available and it is required that the fair value be determined using a valuation model, the Bank is supported by entities engaged in the valuation of securities or instruments from the same managing institutions of the asset or liability concerned. The models used to determine fair value are usually through discounted cash flows or valuations employing historical market observations.

When the fair value measurements are determined for assets and liabilities required or permitted to be recorded at fair value, the Bank considers the principal or most advantageous market in which it would make the transaction and considers assumptions that a participant market would use when pricing the asset or liability. Where possible, the Bank uses the active markets and observable market prices for identical assets and liabilities.

When identical assets and liabilities are not traded in active markets, the Bank uses observable market data for similar assets and liabilities. However, certain assets and liabilities are not actively traded in observable markets and the Bank must use alternative valuation techniques to determine the fair value measurement. The frequency of transactions, the differential size between supply and demand and the size of the investment are factors considered in determining the liquidity of markets and the relevance of observed prices in these markets.

Investments available for sale are recorded at fair value based on quoted market prices when available, or if unavailable, based on discounted future cash flows using market rates corresponding to the credit quality and maturity of the investment.

When reference prices are available in an active market, securities available for sale are classified within Level 1 of the fair value hierarchy. If the market value prices are not available or are available in markets that are not active, fair value is estimated based on the quoted prices of other similar instruments, or if these prices are not available, internal valuation techniques will be used models, primarily discounted cash flows. These securities are classified within Level 2 of the fair value hierarchy.

Financial instruments measured at fair value - Fair value Hierarchy

The main valuation methods, assumptions and variables used in estimating the fair value of financial instruments classified in Level 1, Level 2 and Level 3 are presented below:

Financial assets / Financial liabilities	Fair value September 30, 2018	Fair value September 30, 2017	Fair value hirarchy	Valuation techniques and main data entry	Significant unobservable data input
Institutional funds of daily liquidity rated AAA	2,615,019	6,295,746	1	Market prices	Observable market prices in active markets
Bills issued by the US Government	20,699,276	2,994,864	1	Market prices	Observable market prices in active markets
Obligations of private issuers with investment grade	26,395,339	33,384,682	1	Market prices	Observable market prices in active markets
Obligations issued by the Republic of Panama	10,953	84,379	1	Market prices	Observable market prices in active markets
Obligations issued by Governments with investment grade	528,395	-	1	Market prices	Observable market prices in active markets
Obligations of private issuers without investment grade	9,604,106	7,092,870	1	Market prices	Observable market prices in active markets
Investments in mutual funds	-	20,164	1	Market prices	Observable market prices in active markets
Investments in shares	1,757	2,373	1	Market prices	Observable market prices in active markets
	59,854,845	49,875,078			

Financial assets / Financial liabilities	Fair value September 30, 2018	Fair value September 30, 2017	Fair value hierarchy	Valuation techniques and main data entry	Significant unobservable data input
Obligations of private issuers with investment grade	236,208	272,432	2	Discounted cash flows	Referral rates of markets, volumes, observable prices not over 90 days
Obligations of private issuers without investment grade	468,823	461,290	2	Discounted cahs flows	Referral rates of markets, volumes, observable prices not over 90 days
Investment in shares	21,900	26,700	2	Market price	Observable prices in active markets
	726,931	760,422			
Total investments available for sale	60,581,776	50,635,500			

Financial Instruments not measured at fair value

Fair value of financial assets and liabilities of the Bank that are not measured at fair value in the statement of financial position (but fair value disclosures are required). Below is a summary of the carrying value and estimated fair value of significant financial assets and liabilities not measured at fair value classified in level 3:

2018	Fair value Level 3	Carrying amount Level 3
Assets		
Interest earning deposits	44,440,155	44,440,155
Loans receivable, net	178,747,437	180,551,078
Total financial assets	223,187,592	224,991,233
Liabilities		
Customer´s non-interest bearing deposits	84,171,313	84,171,313
Customer´s interest bearing deposits	131,971,109	129,281,660
Total financial liabilities	216,142,422	213,452,973

2017	Fair value Level 3	Carrying amount Level 3
Assets		
Interest earning deposits	12,433,500	12,433,500
Loans receivable, net	174,024,258	175,661,669
Total financial assets	186,457,758	188,095,169
Liabilities		
Customer´s non-interest bearing deposits	109,026,342	109,026,342
Customer´s interest bearing deposits	125,654,680	126,813,142
Securities sold under repurchase agreements	1,476,580	1,639,750
Total financial liabilities	236,157,602	237,479,234

Management believes that the carrying amount of financial assets and financial liabilities recognized in the statement of financial position approximates their fair value.

Assumptions used to determine fair value of assets and liabilities

Below is a summary of the assumptions used in the estimation of fair value of the most significant financial instruments of the Bank:

Due from banks

The carrying value of cash and bank deposits approximates their fair value due to their liquidity and short-term maturity.

Loans receivable

The estimated fair value for loans represents the discounted amount of estimated future cash flows to be received. Portfolio flows were discounted to present value at a rate of 5.93% (2017 5.89%).

Customer deposits

The fair value of deposits with no specific maturity such as current accounts is the amount payable on demand, which is equal to the carrying value.

The fair value of time deposits was calculated based on the flow methodology discounted at a rate of 1.81% (2017: 1.67%).

23. APPLICABLE MAIN LAWS AND REGULATIONS

Capital adequacy
According to the Supervisory and Regulatory Guideline: 2005-03 of the Central Bank of The Bahamas, licensed banks must maintain a ratio of total regulatory capital to the risk-weighted asset (the "Basel ratio") at or above the internationally agreed minimum of 8%.

As of September 30, 2018, the Bank's capital adequacy ratio was 35% (2017: 26%).

Regulatory reserve
According to the Supervisory and Regulatory Guideline: 2003-05 of the Central Bank of The Bahamas, licensed banks must maintain a general provision to represent no less than 1.00 percent of a licensee´s on and off balance sheet credit risk portfolio.

Dynamic provision
Prudential provisions required by the banking regulation of the Republic of Panama ("Superintendence of Banks of Panama"), set out by the Agreement 4-2013, to address possible future needs for the establishment of specific provisions for credit facilities classified in the normal category are defined; their frequency is quarterly taking into account the data of the last day of the quarter.

The amount of dynamic reserves is obtained by multiplying the risk-weighted assets for loans classified in the normal category by 1.25%. This percentage increases by 25 basis points (0.25%) each quarter, and will be for 2.50% at December 31, 2015. After this date, the amount of dynamic provisions is obtained by calculating the following components:

a) Component 1: obtained by multiplying an Alfa coefficient (2.25%) times the amount of risk-weighted assets classified in the normal category.

b) Component 2: is the result from multiplying a Beta coefficient (5.00%) times the quarterly variation of risk-weighted assets classified in the normal category if it is positive. If the variation is negative, this component is zero.

c) Component 3: is the result from the variation of the balance of specific provisions in the quarter.

The dynamic provision amount to be maintained at the end of the quarter is the sum of Components 1 and 2 less Component 3. That is, if Component 3 is negative, it must be added.

Restrictions

- It cannot be greater than 2.5% of risk-weighted assets corresponding to credit facilities classified in the normal category.

- Cannot be less than 1.25% of risk-weighted assets corresponding to credit facilities classified in the normal category.

- The amount established in the previous quarter cannot be decreased, unless the decrease is attributed to the conversion in specific provisions. The Superintendence of Banks of Panama will establish the criteria for the mentioned conversion.

Accounting treatment

The dynamic reserve is an equity item that affects retained earnings. The credit balance of the dynamic provision is part of the regulatory capital, but cannot replace or compensate the capital adequacy requirements established by the Superintendence of Banks of Panama. This means that the dynamic reserve decreases the amount of retained earnings of each bank to meet the minimum amount required. If that is insufficient, banks will have to provide additional assets to comply with Agreement 4-2013.

At September 30, 2018, the amount of dynamic provision by component is as follows:

	2018	2017
Component 1		
Risk-weighted assets (credit facilities)	59,849,345	46,749,537
By Alfa coefficient (2.25%)		
	897,740	884,505
Component 2		
Quarterly variation of Beta coefficient (5.00%)	(37,149)	610,872
Component 3		
Quarterly change in specific reserves	-	-
Total dynamic provision	860,591	1,495,377
Restrictions:		
Total dynamic provision:		
Low (1.25% of risk-weighted assets - category to normal)	748,117	584,369
Maximum (2.50% of risk-weighted assets - category to normal)	1,496,234	1,168,738

24. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended September 30, 2018 were approved by the Bank's Auditing Committee on December 20, 2018.

* * * * *