MMG BANK & TRUST LTD.

Financial Statements For The Year Ended September 30, 2019 And Independent Auditors' Report

MMG BANK & TRUST LTD.

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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. (the "Bank"), which comprise the statement of financial position as at September 30, 2019, 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, 2019, 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.

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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

January 16, 2020

MMG BANK & TRUST LTD.

STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019
(Expressed in United States dollars)

ASSETS	**Notes**	**2019**	**2018**
Due from banks	5, 13		
Non-interest earning deposits		$ 14,116,895	$ 11,362,246
Interest earning deposits		6,277,676	4,440,155
Total due from banks		20,394,571	15,802,401
Securities	6, 13	55,373,637	60,581,776
Loans receivable, net	7, 13	163,389,229	180,551,078
Intangible assets	9	159,333	211,655
Other assets	10, 13	900,942	735,525
TOTAL ASSETS		$ 240,217,712	$ 257,882,435
LIABILITIES AND EQUITY			
LIABILITIES:			
Customers' non-interest bearing deposits	11, 13	$ 81,085,627	$ 84,171,313
Customers' interest bearing deposits	11, 13	107,750,901	129,281,660
Other liabilities	12, 13	1,277,034	1,501,418
Total liabilities		190,113,562	214,954,391
EQUITY:			
Common stock, with a par value of $1 per share; authorized, issued and outstanding: 5,000,000	14	5,000,000	5,000,000
Regulatory reserves	8, 22	2,239,953	2,154,497
Net changes in fair valur of securities		22,783	(326,561)
Accumulated earnings		42,841,414	36,100,108
Total equity		50,104,150	42,928,044
TOTAL LIABILITIES AND EQUITY		$ 240,217,712	$ 257,882,435

See notes to financial statements

These financial statements are approved by the Board of Directors on January 16, 2020 and are signed on its behalf by:

Director

Director

MMG BANK & TRUST LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Expressed in United States dollars)

	Notes	2019	2018
Interest income	15	$ 10,681,749	$ 10,696,079
Interest expense		(5,749,224)	(5,712,888)
Net interest income		4,932,525	4,983,191
Reversal (Allowance for loan losses)	7	32,467	(2,435)
Net interest income, after allowance for loan losses		4,964,992	4,980,756
Commission income		3,789,679	3,532,151
Commission expenses		(762,266)	(939,511)
Net commission income	16	3,027,413	2,592,640
Net interest and commission income		7,992,405	7,573,396
OTHER INCOME			
Profit from securities measured at FVTOCI		240,403	-
Profit from securities available for sale		-	364,793
Loss from securities measured at FVTPL		(3,894)	-
Other income		29,622	56,408
		266,131	421,201
EXPENSES			
Personnel expenses	18	(448,246)	(431,618)
Professional fees		(186,771)	(85,862)
Amortization	9	(139,469)	(141,664)
Other	19	(677,400)	(584,104)
		(1,451,886)	(1,243,248)
PROFIT FOR THE YEAR		6,806,650	6,751,349
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Gain (loss) on changes in valuation of secutities		261,270	(387,889)
TOTAL COMPREHENSIVE INCOME		$ 7,067,920	$ 6,363,460

See notes to financial statements

MMG BANK & TRUST LTD.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Expressed in United States dollars)

		Regulatory reserves			Net changes	Net changes in		
	Common shares	Generic loan reserve	Dynamic loan reserve	Total Regulatory reserve	in securities available for sale	debt and equity securities	Retained earnings	Total
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
Transition adjustment to IFRS 9	-	-	-	-	326,561	(310,656) -	15,905	-
Impact of adopting IFRS 9 at October 1, 2018	-	-	-	-	-	69,928	(127,252)	-57,324
	5,000,000	638,016	1,516,481	2,154,497	-	(240,728)	35,956,951	42,870,720
Reserve for doubtful loans	-	70,141	15,315	85,456	-	-	(15,315)	70,141
IFRS 9 provision movement	-	-	-	-	-	2,241	93,128	95,369
Net change in fair value reserve	-	-	-	-	-	261,270	-	261,270
Profit for the year	-	-	-	-	-	-	6,806,650	6,806,650
Balance at September 30, 2019	5,000,000	708,157	1,531,796	2,239,953	-	22,783	42,841,414	50,104,150

See notes to financial statements

MMG BANK & TRUST LTD.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Expressed in United States dollars)

	Notes	2019	2018
Cash flows from operating activities:			
Profit for the year		$ 6,806,650	$ 6,751,349
Adjustments for non-cash items			
Amortization	9	139,469	141,664
Allowance for loan losses	7	(32,467)	2,435
Realized gain on sale of securities measured as FVTOCI		(240,403)	-
Realized gain on sale of securities available for sale		-	(364,793)
Loss from securities measuered as FVTPL		3,894	-
Interest income	15	(10,681,749)	(10,696,079)
Interest expense		5,749,224	5,712,888
		1,744,618	1,547,464
Changes in:			
Decrease in due from banks		-	10,117,156
Decrease (increase) in loans receivable		17,175,270	(4,595,783)
Increase in other assets		(165,417)	(131,200)
Decrease in customers' non-interest bearing deposits		(3,085,686)	(24,855,029)
(Decrease) increase in customers' interest bearing deposits		(21,596,687)	2,226,643
(Decrease) increase in other liabilities		(177,454)	1,196,520
Interest received		11,021,665	10,508,322
Interest paid		(5,683,296)	(5,214,524)
Net cash used by operating activities		(766,987)	(9,200,431)
Cash flows from investing activities:			
Purchase of securities available for sale	6	(294,511,422)	(257,641,870)
Disposal of investments available for sale	6	299,957,731	247,307,705
Acquisition of intangible assets	9	(87,152)	(111,086)
Net cash generated by (used in) investing activities		5,359,157	(10,445,251)
Cash flows from financing activities:			
Purchase of repurchase agreements		-	(1,476,580)
Net increase (decrease) in cash and cash equivalents		4,592,170	(21,122,262)
Cash and cash equivalents at beginning of year		15,802,401	36,924,663
End of year	5	$ 20,394,571	$ 15,802,401

See notes to 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 on the financial statements

In the current year, the Bank has implemented the amendments to the IFRS issued by the International Accounting Standards Board (IASB) that are mandatory for the accounting period beginning on January 1, 2018.

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

The Bank has adopted IFRS 9 - Financial instruments issued in July 2014 with an initial application date for the Bank on October 1, 2018. The requirements of IFRS 9 represent a significant change with respect to IAS 39 - Financial instruments: recognition and measurement.

The key changes in the Bank's accounting policies resulting from its adoption of IFRS 9 are summarized below:

IFRS 9 contains three main classification categories for financial assets: measured at amortized cost (AC), at fair value with changes through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL). The classification of IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows. The IFRS 9 eliminates the existing categories of IAS 39 held to maturity, loans and receivable and available for sale.

IFRS 9 largely retains the requirements in IAS 39 for the classification of financial liabilities. Although according to IAS 39 all changes in the fair value of the liabilities designated under the fair value option were recognized in profit or loss, according to IFRS 9, changes in fair value are generally presented as follows:

• The amount of change in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and

• The remaining amount of change in fair value is presented in profit or loss.

See Note 3, for an explanation of how the Bank classifies financial instruments according to IFRS 9.

<u>Impairment of financial assets</u>

IFRS 9 replaces the "loss incurred" model in IAS 39 with an "expected credit loss" model. The new impairment model also applies to certain loan commitments and financial guarantee contracts, but not to equity investments. Under IFRS 9, credit losses are recognized earlier that under IAS 39.

<u>Transition</u>

- Comparative periods have not been restated. Differences in the values of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and other comprehensive income as of October 1, 2018, in accordance with the option indicated in IFRS. Consequently, the information presented for September 30, 2018 does not reflect the requirements of IFRS 9 and, therefore, is not comparable to the information presented as of September 30, 2019 under IFRS 9. These figures may vary mainly by:

    - Estimates of expected credit loss models (ECL) which are being calibrated.

- The following evaluations have been carried out based on the facts and circumstances that existed on the date of the initial application:

    - The determination of the business model within which a financial asset is maintained.
    - The designation of certain investments in equity instruments not held for trading as in FVTOCI.

    We evaluate the contractual terms of the different financial instruments in order to determine the reasonableness of cash flows that are only payments of principal and interest (“SPPI”).

• If an investment value had a low credit risk on the date of initial application of IFRS 9, the Bank has assumed that the credit risk on the asset has not increased significantly since its initial recognition.

The adoption of IFRS 9 has resulted in changes in accounting policies for the recognition, classification and measurement of financial assets and liabilities and the impairment of financial assets. IFRS 9 also significantly modifies IFRS 7 “Financial Instruments - Disclosure”. Consequently, for the disclosures to IFRS 7 they have also been applied only for the notes of the current period. The notes disclosed for the comparative period are the same as those made in the previous year.

The details of the changes and the implications resulting from the adoption of IFRS 9 are shown below:

Classification of financial assets and liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 as of September 30, 2018 and the new measurement categories according to IFRS 9 for the Bank's financial assets and liabilities as of October 1, 2018:

	Original classificaction under IAS 39	New classification under IFRS 9	Balance at September 30, 2018 under IAS 39	Reclassification	Re-measurements	Balance at October 1, 2018 under IFRS 9
Assets						
Due from banks	LR	AC	15,802,401	-	-	15,802,401
Securities available for sales	AFS	FVTOCI	60,581,776	(60,581,776)	-	-
Securities measured a fair value through profit or loss	FVTPL	FVTPL	-	2,658,030	-	2,658,030
Securities measured a fair value through other comprhensive incomes	AFS	FVTOCI	-	57,923,746	-	57,923,746
Loan receivable	LR	AC	180,587,243	-	-	180,587,243
Loan provision	LR	AC	(36,165)	-	(57,324)	(93,489)
Intangible assets	NA	NA	211,655	-	-	211,655
Other assets	LR	AC	735,525	-	-	735,525
Total Assets			**257,882,435**	**-**	**(57,324)**	**257,825,111**
Liabilities						
Customer´s deposits	AC	AC	213,452,973	-	-	213,452,973
Other liabilities	NA	NA	1,501,418	-	-	1,501,418
Total Liabilities			214,954,391	-	-	214,954,391
Equity						
Common Stock	NA	NA	5,000,000	-	-	5,000,000
Net changees in securities available for sale	AFS	FVTOCI	(326,561)	326,561	-	-
Net changes in other comprhensive income	NA	NA	-	(310,656)	69,928	(240,728)
Regulatory reserves	NA	NA	2,154,497	-	-	2,154,497
Accumulated earnings	NA	NA	36,100,108	(15,905)	(127,252)	35,956,951
Total Equity			42,928,044	-	(57,324)	42,870,720
Total liabilities and equity			**257,882,435**	**-**	**(57,324)**	**257,825,111**

(* NA: Not applicable under IFRS 9)

The following table shows the impact of the transition to IFRS 9 on accumulated earnings and other comprehensive income:

Accumulated earnings	**Impact of adoption of IFRS 9**
Balance at September 30, 2018 (IAS 39)	36,100,108
Reclassification of unrealized loss of investments available for sale to FVTPL	(15,905)
Recognition of expected credit loss in instruments measured in FVTOCI	(69,928)
Recognition of expected credit loss in loans and advances to customers at amortized cost	(57,324)
Balance at October 1, 2018 (IFRS 9)	**35,956,951**

Other comprehensive income	**Impact of adoption of IFRS 9**
Balance at September 30, 2018 (IAS 39)	**(326,561)**
Reclassification of unrealized loss of investments available for sale to accumulated earnings	15,905
Re-measurements of instruments with changes in other comprehensive incomes	69,928
Balance at October 1, 2018 (IFRS 9)	**(240,728)**

The classification of the assets subject to expected losses and the provisions established in accordance with the accounting policies adopted for compliance with IFRS 9 on October 1, 2018.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at September 30, 2018 (IAS - 39)	-	-	-	180,551,078
Loans	180,587,243	-	-	180,587,243
Expected credit loss	(93,489)	-	-	(93,489)
Loans and advances to customers at amortized cost	180,493,754	-	-	180,493,754

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at September 30, 2018 (IAS - 39)	-	-	-	60,581,776
Debt instruments at fair value with changes through other comprehensive incomes	57,923,746	-	-	57,923,746
Expected loss reserve	(69,928)	-	-	(69,928)

IFRS 15 - Revenue from contracts with customers

In May 2014, IFRS15 was issued, which establishes an extensive and detailed model that entities will use in accounting for revenue from contracts with customers. IFRS15 will replace the revenue recognition guidelines, including IAS18 - Revenue, IAS11- Construction contracts and relative interpretations on the effective date.

The core principle of IFRS15 is that an entity should recognize the revenue to depict the transfer of promised goods or services to customers, reflecting the amount of consideration to which the entity expects to be entitled in exchange for those goods and services. Especially, the rule adds a five (5) step model to recognize the income:

- Step 1: Identify the contract with customers.
- Step 2: Identify performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Distribute the transaction price to performance obligations in the contract.
- Step 5: Recognize income when (or whenever) the entity satisfies the obligation.

Under IFRS 15, an entity will recognize an income when (or whenever) a performance obligation is satisfied; that is, when the "Control" of the goods or services based on a particular performance obligation is transferred to the customer. Many more prescriptive guidelines have been added in IFRS 15 to address specific situations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption allowed.

The evaluation carried out by the Bank focused on the review of commissions and other income, since revenues from financial instruments are outside the scope of this standard. The results of this review indicate that the application of IFRS15 has no significant impact on the recognition or measurement of the revenues mentioned as of September 30, 2019.

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.

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.

As of October 1, 2019, the Bank plans to apply this standard using the modified retrospective approach. Therefore, the cumulative effect of the adoption of IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings as of October 1, 2019, without re-expression of comparative information. Based on the current contracts, the Bank is evaluating the possible impact of the implementation, it is estimated that the initial application of IFRS 16 does not have a significant effect on its financial statements.

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 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.

   Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Other fee and commission income is recognized as the related services are performed. Other fee and commission expenses relate mainly to transaction and service fees, which are expenses as the services are received.

d. Financial instruments

Accounting policies used as of October 1, 2018

Debt instruments that are maintained within a commercial model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are only payments of principal and interest on the outstanding principal amount (SPPI), are subsequently measured at amortized cost; Debt instruments that remain within a commercial model whose objective is both to collect contractual cash flows and to sell debt instruments, and which have contractual cash flows that are SPPI, are subsequently measured at fair value with changes in other comprehensive incomes (FVTOCI); all other debt instruments (for example, debt instruments managed on a fair value basis, or held for sale) and capital investments are subsequently measured in FVTPL.

However, the following irrevocable choice or designation may be made in the initial recognition of a financial asset on an asset-by-asset basis:

- It is possible to irrevocably choose to present subsequent changes in the fair value of a capital investment that is not held for trading, nor a contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies - "Combinations of Business ", in other comprehensive results; and
- A debt instrument that meets the amortized cost or the FVOCI criteria measured at FVTPL can be irrevocably designated if doing so eliminates or significantly reduces causing an accounting asymmetry.

Classification

The Bank classifies its financial assets according to its subsequent measurement at amortized cost, at fair value through other comprehensive income or at fair value with changes in profit or loss, based on the Bank's business model for the management of financial assets and contractual cash flow characteristics of financial assets.

The Bank classifies all financial liabilities according to their subsequent measurement at amortized cost, except for those liabilities measured as a result of hedge accounting, as well as liabilities measured at fair value corresponding to non-derivative designated.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

An evaluation of business models to manage financial assets is essential for the classification of a financial asset. The Bank determines the business model at a level that reflects how financial asset groups are managed together to achieve a particular business objective. The business model does not depend on the administration's intentions for an individual instrument, therefore, the evaluation of the business model is carried out at a higher level of aggregation rather than instrument by instrument.

In the initial recognition of a financial asset, it is determined whether the newly recognized financial assets are part of an existing business model or if they reflect the beginning of a new business model. The Bank reassesses its business model in each reporting period to determine if business models have changed since the previous period. For the current, the Bank has not identified a change in its business model.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. nonrecourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Unrealized gains and losses are reported as net increases or decreases through other comprehensive income ("OCI") in the statement of changes in shareholders' equity until they are realized. Gains and losses made on the sale of securities that are included in the net gain on the sale of securities are determined using the specific identification method.

For an equity instrument designated as FVTOCI, the accumulated gain or loss without recyclin previously recognized in other comprehensive income is not subsequently reclassified to profit and loss.

Financial assets at amortized cost

Financial assets at amortized cost represent securities and loans whose objective is to maintain them in order to obtain contractual cash flows during the life of the instrument. These securities and loans are valued at amortized cost if the following two conditions apply:

- The financial asset remains within the business model whose objective is to maintain the financial asset to obtain contractual cash flows, and

- The contractual conditions of the financial asset give rise, on the specified dates, to cash flows that are only payments of the principal and interest on the amount of the outstanding principal.

Financial assets and liabilities at fair value through profit or loss (FVTPL)

Financial assets and liabilities at fair value throught profit or loss include:
a) assets and liabilities with contractual cash flows that are not SPPI; and / or
b) assets and liabilities designated in FVTPL using the fair value option; and accounts receivable (unrealized gains) and accounts payable (unrealized losses) related to derivative financial instruments that are not designated as hedging or that do not qualify for hedge accounting.

Unrealized gains and losses made on these assets and liabilities are recorded in the statement of comprehensive income at fair value.

Reclassification

If the business model, under which the Bank maintains financial assets changes, the affected financial assets are reclassified. The classification and measurement requirements related to the new category are applied prospectively from the first day of the first reporting period after the change in the business model that results in the reclassification of the Bank's financial assets.

During the current fiscal year there were no changes in the business model under which the Bank owns financial assets and, therefore, no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy of modification and derecognition of financial assets and liabilities described next.

Derecognition of financial assets

Financial assets

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

- The contractual rights to receive cash flows from the financial asset have expired; or
- The Bank has transferred its rights to receive the contractual cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either:
  - The Bank has transferred substantially all the risks and rewards of ownership of the financial asset, or
  - The Bank has neither transferred nor retained substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit and loss.

Impairment of financial assets

The Bank recognises loss allowance for ECL on financial assets measured at amortised cost and measures impairment losses at amount equal to 12-month ECL or lifetime ECL depending on the stage in which the asset is classified. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial asset. 12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

Impairment of financial assets is recognised in three stages:

Stage 1 – When a financial asset is originated, ECLs resulting from default events that are possible within the next 12 months are recognised and a loss allowance is established. On subsequent reporting dates, 12-month ECL also applies to existing financial assets with no significant increase in credit risk since their initial recognition.

Stage 2 - If the credit quality subsequently significantly deteriorates for a particular portfolio or transaction, the Bank recognises the full lifetime expected credit losses.

Stage 3 - At a later date, once one or more default events have occurred on the transaction or on a counterparty resulting in an adverse effect on the estimated future cash flows, the Bank recognises the full lifetime expected credit losses. At this stage, the financial asset is credit-impaired.

In determining whether a significant increase in credit risk has occurred since initial recognition, and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and forward-looking information.

The assessment of whether an asset is in stage 1 or 2 considers the relative change in the probability of default occurring over the expected life of the instrument and is not assessed based on the change in the amount of the expected credit losses. This involves setting quantitative tests combined with additional indicators such as credit risk classification and other observable inputs. Assets that are more than 30 days past due, but not credit-impaired, are classed as stage 2.

Changes in credit loss, including the impact of movements between the first stage (12 month expected credit losses) and the second stage (lifetime expected credit losses), are recorded in the statement of profit or loss.

IFRS 9 requires the use of more forward-looking information including reasonable and supportable forecasts of future economic conditions. The requirement to consider a range of economic scenarios and their possible impact on impairment allowances is a subjective feature of the IFRS 9 ECL model. The Bank continues to develop its capability to model a number of economic scenarios and capture the impact on credit losses to ensure the overall ECL represents a reasonable distribution of economic outcomes.

The application of IFRS 9 does not alter the current definition of default currently used to determine whether or not there is objective evidence of impairment of a financial asset.

The Bank considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank through actions such as realising security (if any held);
- The financial asset is more than 90 days past due; or
- The borrower is on principal only repayment terms.

Impairment losses for financial assets measured at amortised cost are deducted from the gross carrying amount of assets.

Write-off of loans and advances

A loan (and the related impairment allowance account) is normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised loan, when the proceeds from realising the security have been received. Consumer installment and credit card loans are written-off after principal and/or interest payments become 270 days and 180 days contractually in arrears, respectively.

Recovery of previously written-off loans

Recoveries of principal and/or interest on previously written off loans are recognised in provisions for credit losses, net in the consolidated statement of profit or loss and other comprehensive income on a cash basis or when the loan is rewritten on normal terms prevailing at the time of the rewrite.

Renegotiated loans

Loans subject to impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired or should be considered past due. The carrying amount of loans that have been classified as renegotiated retain this classification until maturity or derecognition

Accounting policies used before of October 1, 2018

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.

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.

e. ***Intangible assets***- Intangible assets consist of program costs, consulting costs and other costs related to the implementation of the information system. The Bank'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).

f. ***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.

Financial liabilities

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

Other financial liabilities

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.

Derecognition of financial liabilities

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

Amortized cost

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.

g. ***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.

h. ***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.

i. ***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 when the service has been provided.

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 and provisioning policies**

The internal and external classification systems are more centralized in the projection of credit quality from the beginning of the loan and from the investment activities. On the contrary, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the date of the consolidated statement of financial position with objective evidence of impairment. Due to the different methodologies applied, the amount of credit losses foreseen in the consolidated financial statements is, overall, lower than the determined amount in the estimated loss model used for internal operational management and banking regulation purposes.

ECL measurement

The key inputs used for ECL measurement are:

• Probability of Default (PD);
• Loss Given Default (LGD); and
• Exposure at Default (EAD).

For the assets of the consolidated statement of financial position, the exposures described above are based on the net carrying values reported in the consolidated statement of financial position.

The Bank's Management trusts itself in the ability to continue control and maintain a minimum credit risk exposure for the Bank as a result of the loan portfolio and the securities available for sale.

The following table analyzes the Bank's loan portfolios that are exposed to credit risk and its corresponding evaluation:

2019	**ECLs during the next 12 months**	**ECLs during lifetime (not impaired and collectively evaluated)**	**ECLs during lifetime (impaired - individually evaluated)**	**Total**
Classification				
Indicators 1-3: Normal or low risk	163,557,460			163,557,460
Indicators 4-6: Special mention				-
Indicator 7: Subnormal				-
Indicator 8: Doubtful				-
Indicator 9: Unrecoverable				-
Total	163,557,460	-	-	163,557,460
Less:				
Provision for possible uncollectible loans				(61,022)
Unearned discounted commissions				(107,209)
Loans and advances, net				163,389,229

2018	Condition	Impairtment reserve Collective	Individual	Total
Classification				
Indicators 1-3: Normal or low risk	Low risk	127,554,196	53,068,603	180,622,799
Total		127,554,196	53,068,603	180,622,799
Less:				
Provision for possible uncollectible loans				(36,168)
Unearned discounted commissions				(35,556)
Loans and advances, net				180,551,075

In the previous table, the factors of greater risk exposure and information of impaired assets have been detailed, and the premises used for these disclosures are the following:

Impairment in loans – Impairment of loans is determined considering the amount of principal and interest, based on the contractual terms.

Write-off policy – Loans are charged to losses when it is determined that they are uncollectible for a period not exceeding one year. This determination is made after considering a series of factors such as: the debtor's inability to pay; when the guarantee is insufficient or not properly constituted; or it is established that all the resources for the recovery of the credit in the management of collections made were exhausted.

The Group has performed a sensitivity analysis on how ECLs in the main portfolios will change if the key assumptions used to calculate ECLs change by 0.1%. The table below outlines the total ECLs by portfolio as at September 30, 2019, if the assumptions used to measure ECLs remain as expected (amount presented in the statement of financial position), as well as whether each of the key assumptions used are changed by plus or minus 0.1%. Changes are applied separately for illustrative purposes, and are applied to each of the weighted probability scenarios used to develop the estimate of the expected credit losses. Actually, there will be interdependencies between the various economic inputs and exposure to sensitivity will vary through economic scenarios

5. DUE FROM BANKS

Due from banks is detailed as follows:

		2019		2018
Due on demand	$	14,116,895	$	11,362,246
Interest earning deposits		6,277,676		4,440,155
Total due from banks	$	20,394,571	$	15,802,401

As at September 30, 2019, the bank has no time deposits in its books. The interest rates earned by time deposits ranged from 1.5% to 2.3% (2018: 1.5% to 2.45%).

6. SECURITIES

		2019		2018
Securities at Fair Value Through Other Comprehensive Income	$	17,519,462	$	-
Securities at Fair Value Through Profit or Loss		37,854,175		-
Securities Available for Sale		-		60,581,776
	$	55,373,637	$	60,581,776

6.1 Securities at fair value through other comprehensive incomes are described as follows:

Securities as of September 30, 2019		2019
Debt securities with rating "BBB-" or better	$	16,475,292
Debt securities with rating below "BBB-"		1,044,170
	$	17,519,462

Securities available-for-sale are described as follows:

Securities as of September 30, 2018		2018
Institutional cash funds rating AAA by International Agencies	$	23,314,295
Debt securities with rating "BBB-" or better		26,642,500
Debt securities with rating below "BBB-"		6,611,880
Debt securities and equity securities - no rating		4,013,101
	$	60,581,776

	Stage 1	Stage 2	Stage 3	Total
Balance as of October 1, 2018	60,581,776	-	-	60,581,776
Reclassification of securities to fair value through profit or loss	(2,658,030)	-	-	(2,658,030)
Disposals (sales and redemptions)	(100,307,117)	-	-	(100,307,117)
Additions	59,641,563	-	-	59,641,563
Net realized loss	(240,403)	-	-	(240,403)
Changes in fair value	501,673	-	-	501,673
Balance as of September 30, 2019	17,519,462	-	-	17,519,462

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

	2018
Balance at beginning of year	$ 50,635,500
Purchases	257,641,870
Sales and Redemptions	(247,307,705)
Net change in fair value reserve	(23,096)
Realized gain on sale of securities	(364,793)
	$ 60,581,776

The reconciliation between the initial balance and the end balance of the expected expected credit loss (ECL) value correction by reserve model type is shown below:

	Stage 1	Stage 2	Stage 3	Total
Impact of adoption of IFRS 9 and reserve for net adjustment for initial adoption of IFRS 9	69,928	-	-	69,928
Adjustment to provision for expected credit loss on instruments reclassified to changes through profit or loss	(51,782)	-	-	(51,782)
Expected credit loss for the end September 30, 2019	18,146	-	-	18,146

6.2 Securities at fair value through profit or loss are described as follows:

Securities as of September 30, 2019		2019
Institutional cash funds rating AAA by International Agencies	$	37,815,034
Debt securities and equity securities - no rating		39,141
	$	37,854,175

7. LOANS RECEIVABLE, NET

Loans receivable are summarized as follows:

		2019		2018
Commercial	$	103,245,809	$	125,311,070
Personal		19,664,506		27,530,142
Margin loans		39,027,818		25,646,964
Mortgate		1,451,096		2,062,902
	$	163,389,229	$	180,551,078

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% (2018: 2% and 10.75%).

As of September 30, 2019, 57% (2018: 65%) of the loans receivable were fully collateralized by customers' deposits placed with the Bank.

As of September 30, 2019, the Bank recognized an impairment provision for the amount of $61,022 for doubtful loans (2018: $36,165).

Significant changes in the gross carrying value of loans during the period that contributed to changes in reserves for expected credit losses are as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross book value as of September 30, 2018 and as of October 1, 2018	180,587,243	-	-	180,587,243
Financial instruments that have been written off during the year and	-			-
changes due to the instruments recognized as of September 30, 2018	(49,997,488)	-	-	(49,997,488)
Changes due to financial instruments recognized as of September 30, 2019	(49,997,488)	-	-	(49,997,488)
Origination or purchase of new financial assets	32,860,496	-	-	32,860,496
Gross book value as of September 30, 2019	163,450,251	-	-	163,450,251

The reserve for expected credit losses related to amortized cost loans is as follows:

	Stage 1	Stage 2	Total
Balance at Septemer 30, 2018	-	-	36,165
Adjustment of IFRS 9 adoption	57,324	-	57,324
Net adjustment in the initial application of IFRS 9	57,324	-	93,489
Reversal for bad loans	(32,467)	-	(32,467)
Reserve for expected credit losses as of September 30, 2019	24,857	-	61,022

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

	2018
Balance at beginning of year	$ 33,730
Increase in provision	2,435
	$ 36,165

8. STATUTORY LOAN LOSS RESERVE

The statutory loan reserves are summarized as follows:

	2019	2018
Generic loan allowance on loans without collateral cash	$ 708,157	$ 638,016
Dynamic loan reserve	1,531,796	1,516,481
	$ 2,239,953	$ 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:

		2019		2018
Balance at beginning of year	$	638,016	$	622,701
Increase in provision		70,141		15,315
	$	708,157	$	638,016

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.

		2019		2018
Balance at beginning of year	$	1,516,481	$	1,531,796
(Decrease) increase in provision		15,315		(15,315)
	$	1,531,796	$	1,516,481

9. INTANGLIBLE ASSETS

Intangible assets are summarized as follows:

		2019		2018
Cost				
Balance at beginning of year	$	2,580,485	$	2,469,399
Additions		87,147		111,086
At end of year		2,667,632		2,580,485
Accumulated Amortisation				
Balance at beginning of year		2,368,830		2,227,166
Amortization expense		139,469		141,664
At end of year		2,508,299		2,368,830
Net balance	$	159,333	$	211,655

10. OTHER ASSETS

Other assets are summarized below:

	2019	2018
Commissions receivable	$ 640,600	$ 601,019
Expense paid in advance	160,342	134,506
Accounts receivable related	100,000	-
Total	$ 900,942	$ 735,525

11. CUSTOMER DEPOSITS

Customer deposits are summarized below:

	Demand	Time Deposit
2019		
Deposit from clients	$ 71,428,602	$ 103,526,573
Deposit from banks	9,657,025	4,224,328
Total	$ 81,085,627	$ 107,750,901

	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

12. OTHER LIABILITIES

Details of other liabilities are summarized below:

	2019	2018
Account payable	**$** 210,302	**$** 1,327,903
Expenses payable	989,833	92,417
Commissions payable	73,357	79,405
Other	3,542	1,693
Total	$ 1,277,034	$ 1,501,418

13. 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:

2019	Directors and managerial personnel	Related companies	Total 2019
Assets			
Due from bank	$ -	$ 11,884,381	$ 11,884,381
Securities available-for-sale	-	19,508	19,508
Loans	1,784,234	1,101,991	2,886,225
Other assets	-	100,000	100,000
Total assets	$ 1,784,234	$ 13,105,880	$ 14,890,114
Liabilities			
Customers' non-interest bearing deposits	$ 1,685,591	$ 25,678,845	$ 27,364,436
Customers' interest bearing deposits	15,642,686	5,097,747	20,740,433
Other liabilities	-	1,013,261	1,013,261
Total liabilities	$ 17,328,277	$ 31,789,853	$ 49,118,130
Income			
Interest income	$ 221,512	$ 76,013	$ 297,525
Interest expenses	(11,590)	(99,613)	(111,203)
Commissions	28,940	612,138	641,078
Total income	$ 238,862	$ 588,538	$ 827,400
Other expenses			
Personnel expenses	$ 131,326	$ -	$ 131,326
Professional fees	6,727	7,487	14,214
Total other expenses	$ 138,053	$ 7,487	$ 145,540

(Continued)

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

Loans granted to directors and key management personnel have various maturities ranging from 2019 to 2029 (2019: 2018 to 2029) and bear an annual interest rate between 2% and 5.75% in 2019 (2018: 2% and 6%).

At September 30, 2019, term deposits with affiliates companies earned an annual interest rate between 1% and 4% (2018: 1% and 4%).

(Concluded)

14. SHARE CAPITAL

At September 30, 2019, the authorized issued and outstanding share capital consisted of 5,000,000 (2018: 5,000,000) common and registered shares with a nominal value of USD1 each.

15. INTEREST INCOME

At September 30, interest income is detailed below:

	2019	2018
Loans	$ 9,136,837	$ 9,066,084
Investments	1,386,041	1,388,209
Deposits	158,871	241,786
Total	$ 10,681,749	$ 10,696,079

16. NET COMMISSION INCOME

Commission earned by the Bank totaled USD 3,027,413 (2018: USD 2,592,640). Ninety percent 90% (2018: 84%) of these commissions are generated by the main business areas: wealth management, investment banking and banking services.

17. ASSETS UNDER MANAGEMENT

The Bank holds assets outside the statement of financial position at the risk of clients for a total of USD 1,080,657,545 (2018: USD 809,859,255). These assets consist of financial portfolios in custody for a total of USD 1,016,874,784 (2018: USD 745,213,217) of which USD 46,435,277 (2018: USD 60,014,784) are managed under discretionary mandates. The Bank does not anticipate any loss as a result of the services provided.

18. PERSONNEL EXPENSES

At September 30, the personnel expenses are detailed below:

	2019	2018
Salaries and other compensations	$ 397,821	$ 384,415
Employee benefits	50,425	47,203
Total	$ 448,246	$ 431,618

19. OTHER EXPENSES

At September 30, the other expenses are detailed below:

	2019	2018
Taxes and licenses	$ 75,305	$ 91,000
Repairs and maintenance	263,925	273,417
Subscription fee	154,483	147,187
Advertising and public relations	19,640	19,673
Communications	21,686	20,264
Office rent	20,815	20,181
Insurance	963	938
Travel and lodging	1,985	2,987
Stationery and office supplies	4,114	1,506
Water and electricity	6,987	6,777
Others	107,497	174
Total	$ 677,400	$ 584,104

20. INCOME TAXES

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

21. 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:

Credit risk

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, 2019, 57% (2018: 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	
	2019	**2018**
Due from banks	$ 20,394,571	$ 15,802,401
Securities	55,373,637	60,581,776
Loans receivable	163,389,229	180,551,078
Total	$ 239,157,437	$ 256,935,255

The table above represents the Bank's most critical exposure to credit risk as of September 30, 2019, 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	
	2019	2018	2019	2018
Maximun exposusure				
Book value	$ 163,389,229	$ 180,551,078	$ 55,373,637	$ 60,581,776
At amortized cost				
Risk Level				
Level 1 - normal	163,450,251	180,587,243	-	-
Doubtful loans reserve	(61,022)	(36,165)	-	-
Book Value, net	163,389,229	180,551,078	-	-
Securities available for sale				
Low risk				
Books Value, net	-	-	55,373,637	60,581,776
Not overdue, neither impaired				
Level 1 - normal	163,450,251	180,587,243	-	-
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	(61,022)	(29,011)	-	-
Collective		(7,154)	-	-
Total impairment reserve	(61,022)	(36,165)	-	-
Total	$ 163,389,229	$ 180,551,078	$ 55,373,637	$ 60,581,776

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, 2019, 94% (2018: 91%) 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, 2019 the Bank had placed 97% (September 30, 2018: 83%) of their investment assets in deposits in banks of investment-grade and debt issuers and assets securedx by cash deposits.

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

	2019		2018	
	Amount	**Percentage**	**Amount**	**Percentage**
Grading investments				
AAA	$ 41,788,234	75%	$ 23,314,295	39%
AA+, AA, AA-	-	0%	2,008,967	3%
A+, A, A-	9,612,251	17%	16,686,715	28%
BBB+, BBB, BBB-	2,531,109	5%	7,946,818	13%
Total with international investment grade	**53,931,594**	97%	**49,956,795**	83%
Local BBB- or better - Corporate	358,559	1%	461,784	1%
International BB+ to BB-	1,043,999	2%	6,611,880	11%
Local corporates not classified	39,485	0%	3,551,317	5%
Total	**$ 55,373,637**	**100%**	**$ 60,581,776**	**100%**

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

	2019		2018	
	Amount	Percentage	Amount	Percentage
Loan secured by cash deposits	$ 92,578,311	39%	$ 117,454,587	46%
Cash in banks with investment grade rating	19,256,382	8%	14,325,791	6%
Securities with investment grade rating	53,931,594	23%	49,956,795	19%
Sub-total	165,766,287	70%	181,737,173	71%
Loans with other guarantees than cash	70,810,918	29%	63,096,491	24%
Cash in banks without investment grade rating	1,138,189	0%	1,476,610	1%
Securities without investment grade rating	1,442,043	1%	6,611,880	3%
Securities without rating	-	0%	4,013,101	1%
Other assets	1,060,275	0%	947,180	0%
Total other	74,451,425	30%	76,145,262	29%
Total assets	$ 240,217,712	100%	$ 257,882,435	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 2019	Maximum exposure 2018	Guarantees 2019	Guarantees 2018
Consumer loans					
Personal		**$ 19,664,506**	**$ 27,530,142**	**$ 56,841,963**	**$ 35,751,355**
	Deposits	513,393	18,188,992	522,705	18,188,992
	Transfer of promissory notes	2,187,106	2,833,584	2,987,054	4,168,054
	Investments	11,357,989	941,309	47,316,442	6,890,919
	Bonds and guarantees	5,606,018	5,566,257	6,015,762	6,503,390
Mortgages	Property	**1,451,096**	**1,892,845**	**2,717,704**	**2,749,252**
Margin loans	Investments	**2,197,181**	**23,645,616**	**7,243,856**	**84,515,585**
Overdrafts		**358**	**-**	**-**	**-**
Sub-total		$ 23,313,141	$ 53,068,603	$ 66,803,523	$ 123,016,192
Types of loan					
Corporate loans					
Commercial		**$ 103,245,206**	**$ 125,311,070**	**$ 130,065,238**	**$ 169,247,761**
	Deposits	91,743,481	98,877,139	100,070,799	98,877,139
	Assignments of promissory notes	437,604	553,697	641,000	570,000
	Bonds, guarantees and others	11,064,121	25,880,234	29,353,439	69,800,622
Mortgages	Properties	**-**	**170,057**	**-**	**518,452**
Margin loans	Bonds, guarantees and others	**36,830,637**	**2,001,208**	**110,798,821**	**14,783,692**
Others	Bonds, guarantees and others	**245**	**140**	**-**	**-**
Sub-total		140,076,088	127,482,475	240,864,059	184,549,905
Total		**$ 163,389,229**	**$ 180,551,078**	**$ 307,667,582**	**$ 291,530,879**

	2019	2018	Collateral type
Loans portfolio	56%	65%	Cash deposits
	32%	24%	Investments
	4%	8%	Promissory notes
	6%	2%	Properties
	2%	1%	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	
	2019	2018	2019	2018
Concentration by sector:				
Corporate	140,076,088	127,482,475	1,076,405	7,962,984
Consumer	23,313,141	53,068,603	-	-
Other	-	-	54,297,232	52,618,792
	163,389,229	180,551,078	55,373,637	60,581,776

	Assets		Liabilities	
	2019	2018	2019	2018
Geographic concentration				
United States of America	40,546,466	38,834,942	1,425,938	1,898,936
Panama	124,342,591	127,859,518	77,791,271	115,007,494
Europe	40,118,862	8,202,819	4,603,260	4,602,914
South America	15,542,558	69,699,231	21,293,363	22,133,034
Bahamas	25,000	29,242	13,889,263	12,616,915
Others	1,557,078	-	1,278,942	6,168,130
Central America and Caribbean	18,085,157	13,256,683	69,831,525	52,526,968
	240,217,712	257,882,435	190,113,562	214,954,391

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.

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:

	2019	**2018**
At end of year	49%	21%
Average of year	48%	21%
Maximum of year	44%	23%
Minimum of year	48%	20%

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:

2019	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities						
Customers' non-interest bearing deposits	81,085,627	-	-	-	-	81,085,627
Customers' interest bearing deposits	-	16,353,044	45,949,147	45,448,710	-	107,750,901
Total liabilities	81,085,627	16,353,044	45,949,147	45,448,710	-	188,836,528
Assets						
Due from banks	20,394,571	-	-	-	-	20,394,571
Securities	37,854,346	4,325,349	8,551,055	4,577,876	65,011	55,373,637
Loans receivable, net	29,152,732	11,121,953	52,073,279	70,880,380	160,885	163,389,229
Total assets	87,401,649	15,447,302	60,624,334	75,458,256	225,896	239,157,437
Commitments and contingencies	-	-	-	-	-	-
Net position	6,316,022	(905,742)	14,675,187	30,009,546	225,896	50,320,909

2018	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities						
Customers' non-interest bearing deposits	84,171,313	-	-	-	-	84,171,313
Customers' 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

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:

2019	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							
Customers' non-interest bearing deposits	81,085,627	81,085,611	81,085,611	-	-	-	-
Customers' interest bearing deposits	107,750,901	115,661,316	-	16,387,718	47,857,743	51,415,855	-
Total liabilities	188,836,528	196,746,927	81,085,611	16,387,718	47,857,743	51,415,855	-
Assets							
Due from banks	20,394,571	20,394,573	20,394,573	-	-	-	-
Securities	55,373,637	55,965,960	37,854,347	4,341,210	8,598,664	5,171,739	8,362,627
Loans receivable, net	163,389,229	175,728,484	29,152,732	11,172,174	54,357,872	81,045,706	547,149
Total assets	239,157,437	252,089,017	87,401,652	15,513,384	62,956,536	86,217,445	8,909,776
Net position	50,320,909	55,342,090	6,316,041	(874,334)	15,098,793	34,801,590	8,909,776
Accumulated position	50,320,909	55,342,090	6,316,041	5,441,707	20,540,500	55,342,090	64,251,866

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							
Customers' non-interest bearing deposits	84,171,313	84,171,315	84,171,315	-	-	-	-
Customers' 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

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 53,931,594 (2018: USD 49,956,795), 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, 2019.

	Exposure to currency exchange risk							
2019	**USD**	**EURO**	**GBP**	**CHF**	**CAD**	**JPY**	**Others**	**Total**
Financial assets								
Due from banks	11,905,247	4,824,029	485,229	2,073,728	612,052	606	493,682	20,394,573
Securities	55,365,095	8,542	-	-	-	-	-	55,373,637
Loans receivable, net	163,388,951	278	-	-	-	-	-	163,389,229
Total financial assets	230,659,293	4,832,849	485,229	2,073,728	612,052	606	493,682	239,157,439
Financial liabilities								
Customers' non-interest bearing deposits	72,530,420	4,843,394	490,288	2,120,175	611,882	619	488,849	81,085,627
Customers' interest bearing deposits	107,750,901	-	-	-	-	-	-	107,750,901
Total financial liabilities	180,281,321	4,843,394	490,288	2,120,175	611,882	619	488,849	188,836,528
Net position	50,377,972	(10,545)	(5,059)	(46,447)	170	(13)	4,833	50,320,911

	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								
Customers' non-interest bearing deposits	76,230,530	5,136,607	636,607	1,942,867	178,991	45,443	268	84,171,313
Customers' 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

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**
2019		
Securities	(543,376)	543,376
Loans receivable, net	(1,491,351)	1,491,351
Customers' interest bearing deposits	1,599,675	(1,599,675)
Net impact	(435,052)	435,052
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

	Sensitivity to equity in relation to rate movements			
	Increase of 50 bp	Decrease of 50 bp	Increase of 100 bp	Decrease of 100 bp
2019				
As of September 30	(271,688)	271,688	(543,376)	543,376
Annual average	(202,831)	202,831	(405,662)	405,662
Annual maximun	(169,991)	169,991	(339,982)	339,982
Annual minimun	(271,688)	271,688	(543,376)	543,376
2018				
As of September 30	(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.

2019	1 month	3 months	to 1 year	5 years	5 years	Bearing	Total
Assets							
Due from banks	2,437,075	-	-	-	-	17,957,496	20,394,571
Securities	44,111,095	2,022,167	4,577,855	4,577,876	65,011	19,633	55,373,637
Loans receivable, net	31,684,815	8,589,870	52,073,279	70,880,380	160,885	-	163,389,229
Total assets	78,232,985	10,612,037	56,651,134	75,458,256	225,896	17,977,129	239,157,437
Liabilities							
Customers' non-interest bearing deposits	1,400,230	-	-	-	-	79,685,397	81,085,627
Customers' interest bearing deposits	6,641,696	9,711,348	45,949,147	45,448,710	-	-	107,750,901
Total liabilities	8,041,926	9,711,348	45,949,147	45,448,710	-	79,685,397	188,836,528
Net position	70,191,059	900,689	10,701,987	30,009,546	225,896	(61,708,268)	50,320,909
Accumulated position	70,191,059	71,091,748	81,793,735	111,803,281	112,029,177	50,320,909	

2018	1 month	3 months	to 1 year	5 years	5 years	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							
Customers' non-interest bearing deposits	-	-	-	-	-	84,171,313	84,171,313
Customers' 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
Net position	84,205,569	(1,596,010)	11,915,845	15,549,790	6,192,498	(72,785,410)	43,482,282
Accumulated position	84,205,569	82,609,559	94,525,404	110,075,194	116,267,692	43,482,282	

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, 2019	2018	Fair value hirarchy	Valuation techniques and main data entry	Significant unobservable data input
Institutional funds of daily liquidity rated AAA	37,815,034	2,615,019	1	Market prices	Observable market prices in active markets
Bills issued by the US Government	3,973,200	20,699,276	1	Market prices	Observable market prices in active markets
Obligations of private issuers with investment grade	11,915,262	26,395,339	1	Market prices	Observable market prices in active markets
Obligations issued by the Republic of Panama	10,913	10,953	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	1,044,343	9,604,106	1	Market prices	Observable market prices in active markets
Investments in mutual funds	-	-	1	Market prices	Observable market prices in active markets
Investments in shares	1,633	1,757	1	Market prices	Observable market prices in active markets
	54,760,385	59,854,845			

Financial assets / Financial liabilities	Fair value September 30, 2019	2018	Fair value hierarchy	Valuation techniques and main data entry	Significant unobservable data input
Obligations of private issuers with investment grade	217,185	236,208	2	Discounted cash flows	Referral rates of markets, volumes, observable prices not over 90 days
Obligations of private issuers without investment grade	378,067	468,823	2	Discounted cahs flows	Referral rates of markets, volumes, observable prices not over 90 days
Investment in shares	18,000	21,900	2	Market price	Observable prices in active markets
	613,252	726,931			
Total investments available for sale	55,373,637	60,581,776			

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:

2019	Fair value Level 3	Carrying amount Level 3
Assets		
Interest earning deposits	2,437,075	2,437,075
Loans receivable, net	165,061,034	163,389,229
Total financial assets	167,498,109	165,826,304
Liabilities		
Customers' non-interest bearing deposits	81,085,627	81,085,627
Customers' interest bearing deposits	105,555,697	107,750,901
Total financial liabilities	186,641,324	188,836,528

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		
Customers' non-interest bearing deposits	84,171,313	84,171,313
Customers' interest bearing deposits	131,971,109	129,281,660
Total financial liabilities	216,142,422	213,452,973

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 6.37% (2018 5.93%).

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 _2.4% (2018: 1.81%).

22. 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, 2019, the Bank's capital adequacy ratio was 36% (2018: 35%).

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, the amount of dynamic provision by component is as follows:

	2019	**2018**
Component 1		
Risk-weighted assets (credit facilities)	68,499,178	59,849,345
By Alfa coefficient (2.25%)		
	1,027,488	897,740
Component 2		
Quarterly variation of Beta coefficient (5.00%)	313,658	(37,149)
Component 3		
Quarterly change in specific reserves	-	-
Total dynamic provision	1,341,146	860,591
Restrictions:		
Total dynamic provision:		
Low (1.25% of risk-weighted assets - category to normal)	856,240	748,117
Maximum (2.50% of risk-weighted assets - category to normal)	1,712,479	1,496,234

23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended September 30, 2019 were approved by the Bank's Auditing Committee on January 16, 2020.