Consolidated Financial Statement of

FIRST OVERSEAS BANK LIMITED

December 31, 2018

bakertilly

FIRST OVERSEAS BANK LIMITED
Consolidated Financial Statements

December 31, 2018

C O N T E N T S

bakertilly

The Deanery
#28 Cumberland Street
P.O. Box N-1991
Nassau, The Bahamas

T: +1 (242) 356-4114
F: +1 (242) 356-4125

info@bakertilly.bs
www.bakertilly.bs

INDEPENDENT AUDITORS' REPORT

To the Shareholders of:
First Overseas Bank Limited

Opinion

We have audited the consolidated financial statements of First Overseas Bank Limited and its subsidiaries collectively known as (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in The Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

BakerTilly Gomez trading as BakerTilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

INDEPENDENT AUDITORS' REPORT *(Continued)*

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

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

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

Baker Tilly

Baker Tilly
Chartered Accountants
Nassau, The Bahamas

February 27, 2019

FIRST OVERSEAS BANK LIMITED
Consolidated Statement of Financial Position

As at December 31, 2018
(Expressed in United States dollars)

	Notes	2018	2017
ASSETS			
Cash and due from banks	7,20	$ 7,173,415	$ 10,893,143
Settlement balances	8,20	9,093,865	20,614,759
Financial instruments at fair value through profit or loss	9(a)	41,176,938	66,963,524
Financial instruments at amortized cost	10	5,445,795	479,616
Derivative financial instruments	11	2,145,910	43,857
Repurchase agreements	12	8,908,418	-
Other assets	13	1,732,209	2,199,254
Loans and advances	14	6,748,909	2,441,991
Long-term investments	15,20	3,649,686	4,018,940
Intangible assets	16	40,752	38,982
Investment properties	17	1,320,000	1,560,000
Property and equipment	18	2,293,497	2,363,391
TOTAL ASSETS		$ 89,729,394	$ 111,617,457
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	19,20	$ 14,093,806	$ 18,499,988
Settlement balances	8,20	17,693,387	44,621,769
Financial instruments at fair value through profit or loss	9(b)	20,241,624	7,059,367
Repurchase agreements	12	3,216,731	-
Guarantees		5,043,000	-
Other liabilities		630,332	655,205
Total liabilities		60,918,880	70,836,329
Equity			
Equity attributable to owners of the parent:			
Share capital	21	10,000,000	10,000,000
Currency translation reserve		(1,496,340)	(860,686)
Retained earnings		20,246,884	31,558,893
		28,750,544	40,698,207
Non-controlling interest		59,970	82,921
Total equity		28,810,514	40,781,128
TOTAL LIABILITIES AND EQUITY		$ 89,729,394	$ 111,617,457
Memoranda items	20,23	$ 100,246,782	$ 120,822,722

The accompanying notes form an integral these consolidated financial statements.

Approved by the Board of Directors on February 27, 2019 and signed on its behalf by:

Director **Director**

FIRST OVERSEAS BANK LIMITED
Consolidated Statement of Profit or Loss

For the year ended December 31, 2018
(Expressed in United States dollars)

	Notes	2018	2017
NET INTEREST AND COMMISSION INCOME			
Interest income			
Loans		$ 291,827	$ 256,071
Banking		13,766	4,476
Securities		10,728	410
		316,321	260,957
Interest expense			
Deposits		(278,116)	(114,787)
Banking		(277,838)	(486,200)
		(555,954)	(600,987)
Net interest expense		(239,633)	(340,030)
Commission income/(expense)			
Commissions received		88,166	602,745
Commissions paid		(38,976)	(120,580)
Net commission income		49,190	482,165
NET INTEREST AND COMMISSION (EXPENSE)/INCOME		(190,443)	142,135
NON-INTEREST INCOME/(EXPENSE)			
Net result from securities trading		(8,843,909)	3,973,421
Change in fair value of long-term investments	***15***	(369,254)	(420,114)
Net exchange difference		525,191	267,368
Gain on change in fair value of investment properties	***17***	237,387	177,210
(Increase)/decrease in provision for credit losses	***24***	(15,865)	30,935
Total non-interest income		(8,466,450)	4,028,820
OPERATING (LOSS)/INCOME		(8,656,893)	4,170,955
OPERATING EXPENSES			
Administration expenses	***28***	1,408,584	1,951,246
Other operating expenses		65,663	764,200
Directors' fees		881,350	720,983
Depreciation and amortization	***16,18***	86,298	93,266
Total operating expenses		2,441,895	3,529,695
(LOSS)/PROFIT FOR THE YEAR		$ (11,098,788)	$ 641,260
Profit attributable to:			
Owners of the Parent		$ (11,109,857)	$ 637,605
Non-controlling interests		11,069	3,655
(Loss)/profit for the year		$ (11,098,788)	$ 641,260

The accompanying notes form an integral these consolidated financial statements.

FIRST OVERSEAS BANK LIMITED
Consolidated Statement of Other Comprehensive Income

For the year ended December 31, 2018
(Expressed in United States dollars)

	2018	2017
(LOSS)/PROFIT FOR THE YEAR	$ (11,098,788)	$ 641,260
Items that may be subsequently reclassified to profit or loss		
Movement in translation reserve:		
Exchange differences on translation of foreign operations	(669,673)	(298,123)
Total other compresensive loss for the year	(669,673)	(298,123)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	$ (11,768,461)	$ 343,137
Attributable to:		
Owners of the Parent	$ (11,745,511)	$ 354,626
Non-controlling interests	(22,951)	(11,489)
Total comprehensive (loss)/income for the year	$ (11,768,462)	$ 343,137

The accompanying notes form an integral these consolidated financial statements.

FIRST OVERSEAS BANK LIMITED
Consolidated Statement of Changes in Equity

For the year ended December 31, 2018
(Expressed in United States dollars)

	Attributable to owners of the Parent					
	Share Capital	Currency Translation Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
Balance as at December 31, 2016	**$ 10,000,000**	**$ (577,707)**	**$ 35,921,288**	**$ 45,343,581**	**$ 94,410**	**$ 45,437,991**
Comprehensive income for the year						
Profit for the year	-	-	637,605	637,605	3,655	641,260
Foreign currency translation	-	(282,979)	-	(282,979)	(15,144)	(298,123)
Total comprehensive income for the year	-	(282,979)	637,605	354,626	(11,489)	343,137
Transactions with owners						
Dividends paid (Note 22)	-	-	(5,000,000)	(5,000,000)	-	(5,000,000)
Total transactions with owners	-	-	(5,000,000)	(5,000,000)	-	(5,000,000)
Balance as at December 31, 2017	**10,000,000**	**(860,686)**	**31,558,893**	**40,698,207**	**82,921**	**40,781,128**
Impact of adopting IFRS 9 (Note 5.2)	-	-	(202,152)	(202,152)	-	(202,152)
Restated total equity at January 1, 2018	10,000,000	(860,686)	31,356,741	40,496,055	82,921	40,578,976
Comprehensive loss for the year						
Loss for the year	-	-	(11,109,857)	(11,109,857)	11,069	(11,098,788)
Foreign currency translation	-	(635,654)	-	(635,654)	(34,020)	(669,674)
Total comprehensive loss for the year	-	(635,654)	(11,109,857)	(11,745,511)	(22,951)	(11,768,462)
Balance as at December 31, 2018	**$ 10,000,000**	**$ (1,496,340)**	**$ 20,246,884**	**$ 28,750,544**	**$ 59,970**	**$ 28,810,514**

The accompanying notes form an integral these consolidated financial statements.

FIRST OVERSEAS BANK LIMITED
Consolidated Statement of Cash Flows

For the year ended December 31, 2018
(Expressed in United States dollars)

	2018	2017
Cash flows from operating activities:		
(Loss)/profit for the year	$ (11,098,788)	$ 641,260
Add items not affecting cash:		
Change in fair value of long-term investments	369,254	420,114
Depreciation and amortization	86,298	93,266
Gain in change in fair value of investment properties	(237,387)	(177,210)
	(10,880,623)	977,430
Changes in operating assets and liabilities:		
Net (decrease)/increase in settlement balances	(15,407,488)	49,596,229
Net decrease/(increase) in financial instruments at fair value through profit or loss	38,968,843	(32,704,144)
Net (increase)/decrease in financial instruments at amortized cost	(4,966,179)	2,410,800
Net (increase)/decrease in derivatives financial instruments	(2,102,053)	734,254
Net increase in repurchase agreements	(5,691,687)	-
Net (increase)/decrease in loans and advances	(4,509,070)	3,004,352
Net decrease in other accounts	274,758	1,470,947
Net decrease in customers' deposits	(4,406,182)	(52,903,611)
Increase in Guarantees	5,043,000	-
Net decrease in other liabilities	(24,873)	(306,182)
Net cash used in operating activities	(3,701,554)	(27,719,925)
Cash flows from investing activities:		
Purchase of intangible assets	(15,632)	(12,542)
Purchase of property and equipment	(25,406)	(43,719)
Proceeds from disposal of property and equipment	22,864	-
Net cash used in investing activities	(18,174)	(56,261)
Cash flows from financing activity:		
Dividends paid	-	(5,000,000)
Net cash used in financing activity	-	(5,000,000)
Net decrease in cash and cash equivalents	(3,719,728)	(32,776,186)
Cash and cash equivalents, beginning of year	10,893,143	43,669,329
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 7,173,415	$ 10,893,143

The accompanying notes form an integral these consolidated financial statements.

1. GENERAL

First Overseas Bank Limited (the "Bank") was incorporated under the laws of the Commonwealth of The Bahamas on November 23, 1981. The Bank is licensed under the Banks and Trust Companies Regulation Act 1965 (as amended) to conduct banking business. The Bank is also licensed with the Securities Commission of the Bahamas for Dealing in Securities as Principal and Agent.

The Bank's principal activity is the provision of offshore banking services, which includes buying and selling securities issued by the Argentine government and private Argentine companies.

The Group's principal place of business is located at Office #2, in Building #8, Caves Village, West Bay Street, Nassau, The Bahamas.

The Bank is a wholly owned subsidiary of Mariva International Co. Ltd., a company incorporated and domiciled in the Commonwealth of the Bahamas.

The Bank has two (2) subsidiaries (together the "Group") which are incorporated under the laws of the Republic of Argentina as follows:

Subsidiaries	Principal Activities	Holding	Acquisition Date
Islas Platanos S. A.	Land Holding	95%	September 27, 1999
Islas Casuarinas S. A.	Land Holding	95%	September 27, 1999

The operations of subsidiaries are limited to land holding for capital appreciation.

2. BASIS OF PREPARATION

a) ***Statement of compliance*** – The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB").

b) ***Basis of measurement*** – These consolidated financial statements have been prepared under the historical cost convention except for investment properties, and certain financial assets and financial liabilities that have been measured at fair value.

c) ***Basis of consolidation***

Subsidiaries – Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

2. BASIS OF PREPARATION *(Continued)*

c) ***Basis of consolidation*** *(Continued)*

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

d) ***Going concern*** – The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to sustain its operation for the foreseeable future. Furthermore, management is not aware of any material uncertainties relating to events or conditions that may cast doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

e) ***Functional and presentation currency*** – The consolidated financial statements are presented in the United States dollars ("US") which is the Group's functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

f) ***Use of estimates and judgements*** – The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 6.

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in Note 4 and 5, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise stated.

The Group's accounting policies for financial instruments up to December 31, 2017, were in accordance with IAS 39. The Group adopted IFRS 9 with a date of initial application of January 1, 2018. Accounting policies for financial instruments applicable from January 1, 2018, are disclosed in Notes 4 and 5.

a) ***Foreign currency translation***

Transactions and balances

Transactions in foreign currencies are translated at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign currency differences resulting from the translation of foreign currency transactions are recognized in the consolidated statement of other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

a) ***Foreign currency translation*** *(Continued)*

Foreign operations
The assets and liabilities of foreign operations are translated into the reporting currency of the Group at the reporting date. The income and expenses of foreign operations are translated into the reporting currency using the average rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions.

Foreign currency differences are recognized in Other Comprehensive Income (OCI), and accumulated in the currency translation reserve, except to the extent that the translation difference is allocated to Non-Controlling Interest (NCI).

b) ***Cash and due from banks*** – Cash due from banks are carried at cost in the consolidated statement of financial position. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise balances with less than three month's maturity from the date of acquisition, including cash in hand, amounts due from banks and securities with original maturities of 90 days or less.

c) ***Financial assets at fair value through profit or loss*** – Financial assets at fair value through profit or loss include the Republic of Argentina Government bonds, shares in Argentine companies, corporate bonds and foreign debt instruments. Debt and equity securities are stated at fair value.

d) ***Intangible assets*** – Acquired computer software licenses are capitalized on the basis of the costs incurred to use the specific software. These costs are amortized over their expected useful lives of five (5) years.

e) ***Property and equipment*** – Property and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Costs include expenditures that are directly related to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Subsequent cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognized in the statement of profit or loss.

Depreciation is recognized in profit or loss on the straight-line basis at rates estimated to write-off the relevant assets over their expected useful lives as follows:

Buildings	-	2%
Leasehold Improvements	-	20%
Furniture and Equipment	-	20%
Vehicles	-	20%

Property and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of profit or loss.

f) ***Customers' deposits*** – Customers' deposits are initially stated at the nominal amount when funds are received and subsequently stated at amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

g) ***Offsetting financial instruments*** – Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

h) ***Related parties*** – Parties are considered related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

i) ***Financial instruments*** – Policy applicable prior to January 1, 2018

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity of another enterprise.

The Group classifies its financial instruments into the following categories:

i) Financial assets at fair value through profit or loss (FVTPL);
ii) Loans and advances;
iii) Held-to-maturity investments; and
iv) Financial liabilities at fair value through profit or loss (FVTPL) and other liabilities.

Management determines the classification of its financial instruments at initial recognition.

i) Financial assets at fair value through profit or loss – This category comprises financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held-for-trading unless they are designated as hedges.

Unquoted equity instruments for which fair values cannot be measured reliably are recognized at cost less impairment.

Dividends are recorded on the accrual basis when declared.

ii) Loans and advances – Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are subject to provisions for credit losses that are established by charges against income. Management's periodic evaluation of the adequacy of the provision is based on the Group's past credit loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions.

iii) Held-to-maturity investments – Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the right to receive the cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

i) ***Financial instruments*** – Policy applicable prior to January 1, 2018 *(Continued)*

iv) Financial liabilities – Financial liabilities are classified as FVTPL where the financial liability is either held for trading or it is designated as FVTPL at initial recognition. Financial liabilities at FVTPL are stated at fair value with any resulting gain or loss recognized in the consolidated statement of comprehensive income.

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

Impairment of financial assets

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets 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 (a ‘loss event’) and that loss event (or events) has an impact on the 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 financial assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower’s competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

If there is objective evidence that an impairment loss on loans and advances or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the carrying amount and the recoverable amount, being the estimated present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate.

When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the provision for credit losses in the consolidated statement of comprehensive income. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to loan loss impairment in the consolidated statement of comprehensive income.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group’s grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor’s ability to pay all amounts due according to the contractual terms of the assets being evaluated.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit or loss in impairment charge for credit losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

j) ***Currency translation reserve*** – Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currency to the Group's presentational currency are recognized directly in other comprehensive income and accumulated in the currency translation reserve. Exchange differences previously accumulated in the currency translation reserve are reclassified to profit or loss on disposal of the foreign operations.

k) ***Income recognition***

Interest income
Interest income is recognized in the consolidated statement of profit or loss on the accrual basis, using the effective interest method, for all interest-bearing instruments. Investment interest income is recognized net of any irrecoverable withholding tax.

Fee and commission income
Fee and commission income is recognized in the consolidated statement of profit or loss on the accrual basis when the service has been provided.

l) ***Expenses***

Interest expense
Interest expense is recognized in the consolidated statement of profit or loss on the accrual basis, using the effective interest method.

Other expenses
Other expenses are recognized in the consolidated statement of profit or loss.

m) ***Operating leases*** – Payments made under operating leases are recognized in profit or loss on the straight line basis over the term of the lease and included in administrative expense in the statement of profit or loss (See Note 28).

n) ***Comparative information*** – Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

o) ***New standards, amendments to published standards, and interpretations issued but not yet effective***

The following new and amended standards have been issued but are not yet effective, and has not been early adopted. The Group intends to adopt these standards when they become effective.

- *IAS 19, 'Employee Benefits' (Amendment): Plan Amendment, Curtailment or Settlement* - The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to re-measure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to re-measure that net defined benefit liability (asset).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

o) ***New standards, amendments to published standards, and interpretations issued but not yet effective*** *(Continued)*

- *IAS 19, 'Employee Benefits' (Amendment): Plan Amendment, Curtailment or Settlement (Continued)*

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- *IFRS 9, 'Financial Instruments' (Amendment): Prepayment Features with Negative Compensation* - Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted.

- *IFRS 16, 'Leases',* (effective for annual periods beginning on or after 1 January 2019) was issued in January 2016 and replaces IAS 17, 'Leases'. An entity can choose to apply IFRS 16 before the effective date but only if it also applies IFRS 15, 'Revenue from Contracts with Customers'. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

  IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessors and lessees that will improve information provided to users of the financial statements. Management is considering the implications of the standard, the impact on the Group and the timing of its adoption.

- *IFRIC Interpretation 22, 'Foreign Currency Transactions and Advance Considerations'* - The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

o) ***New standards, amendments to published standards, and interpretations issued but not yet effective*** *(Continued)*

- *IFRIC 23, 'Uncertainty over Income Tax Treatments'* – The Interpretation (effective for annual periods beginning on or after January 1, 2019) addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The Interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately;
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities;
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
  - How an entity considers changes in facts and circumstances.

  An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group has adopted IFRS 9, which replace IAS 39, with an effective date of January 1, 2018. The adoption resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements.

4. CHANGE IN ACCOUNTING POLICIES

4.1. *IFRS 9, Financial Instruments* – Policy applicable from January 1, 2018

In accordance with the transitional provisions of IFRS 9, comparative figures are not restated as retrospective application of the impairment requirements is not possible without the use of hindsight. Any adjustments to the carrying amounts financial instruments at the date of transition were recognized in opening retained earnings on January 1, 2018 (see Note 5). Accordingly, the comparative information presented for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018.

The adoption of IFRS 9 has resulted in changes in the Group's accounting policies for recognition, classification and measurement of financial assets and financial liabilities, and impairment of financial assets. IFRS 9 also amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments: Disclosures.*

IFRS 7, 'Financial Instruments: Disclosure' (Amendment) – To reflect the differences between IFRS 9 and IAS 39, IFRS 7 was updated and the Group adopted it on adoption of IFRS 9. Changes include transition disclosures relating to quantitative and qualitative information about ECL calculations such as the assumptions and inputs.

IFRS 7 (Amendment) also requires additional and more detailed for hedge accounting even for entities opting to continue to apply the hedge accounting requirements of IFRS 9.

4. CHANGE IN ACCOUNTING POLICIES *(Continued)*

4.1. *IFRS 9, Financial Instruments* – Policy applicable from January 1, 2018 *(Continued)*

a) *Recognition, classification and measurement*

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available-for-sale, (AFS), held-to-maturity (HTM) and loans and receivables) have been replaced by:

- Amortized cost (AC);
- Fair value through profit or loss (FVTPL); and
- Fair value through other comprehensive income (FVOCI).

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

The Group's classification and measurement of its financial assets and liabilities are analyzed in Note 5.

Initial recognition
The Group recognizes a financial asset or liability in its consolidated financial statements, as applicable, when it becomes part of the contractual clauses of the financial instrument. Purchases and sales are recognized on the trading date in which the Group buys or sells the instruments.

On initial recognition, the Group measures the financial assets or liabilities at their fair value. In the case of financial instruments not recognized at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition itself, such as fees and commissions.

When the fair value differs from the cost value of the initial recognition, the Group must recognize the difference as follows:

- When the fair value is commensurate with the market value of the financial asset or liability or is based on a valuation technique that uses only market values, the difference is recognized as profit or loss as appropriate.
- In other cases, the difference is deferred and the recognition in time of the gain or loss is determined individually. It is amortized over the life of the instrument until the fair value can be measured based on market values.

4. CHANGE IN ACCOUNTING POLICIES *(Continued)*

4.1. *IFRS 9, Financial Instruments* – Policy applicable from January 1, 2018 *(Continued)*

a) *Recognition, classification and measurement* (Continued)

Initial recognition *(Continued)*

I. Financial assets

The Group classifies its financial assets in the following measurement categories:

- Amortized cost; and
- Fair value through profit or loss (FVTPL).

The classification requirements for debt and equity instruments are described below:

I.1. Debt instruments

Debt instruments are those financial instruments that are considered financial liabilities for the issuer, such as loans, public and private bonds, and accounts receivable from client arrangements without recourses.

Classification and subsequent measurement of debt instruments depend on:

- The Group's business model for managing the asset; and
- The cash flow characteristics of the asset.

Business model
The business model refers to the way in which the Group manages a set of financial assets to achieve a specific business objective. It represents the way in which the Group maintains the instruments for the generation of funds.

The business models followed by the Group are:

- Keep the instruments until expiration;
- Keep the instruments in the portfolio for the collection of the flow of funds and, in turn, sell them in case it is convenient; or
- Keep the instruments for negotiation.

The Group's business model does not depend on management's intentions for an individual instrument. Therefore, this condition is not a classification approach instrument by instrument, but is determined from a higher level of aggregation. The Group only realizes the reclassification of an instrument when, and only when, the business model for the management of the assets is modified.

Characteristics of the flow of funds
The Group evaluates whether the performance of the cash flow of the pooled instruments is not significantly different from the contribution that would be received solely by interest, otherwise, they should be measured at fair value with changes in profit or loss.

Based on these factors, the Group classified its debt instruments into one of the following measurement categories:

4. CHANGE IN ACCOUNTING POLICIES *(Continued)*

4.1. *IFRS 9, Financial Instruments* – Policy applicable from January 1, 2018 *(Continued)*

a) *Recognition, classification and measurement* *(Continued)*

Initial recognition *(Continued)*

I.1. Debt instruments (Continued)

Characteristics of the flow of funds *(Continued)*

- *Amortized cost* – Financial assets are measured at amortized cost when: (1) the asset is conserved within a business model whose objective is to maintain the financial asset to obtain the contractual cash flows; and (2) the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payments of principal and interest (SPPI) on the amount of outstanding capital.

  These financial instruments are initially recognized at fair value plus incremental and directly attributable transactions, and are subsequently measured at amortized cost.

  The amortized cost of a financial asset is equal to its acquisition cost less accumulated amortization plus accrued interest (calculated according to the effective interest rate method), net of any impairment loss.

- *Fair value through profit and loss* – Financial assets at fair value includes:

  - Instruments maintained to negotiate;
  - Instruments specifically designated at fair value with changes in results; and
  - Instruments with contractual terms that do not represent cash flows that are only payments of the principal and interest on the outstanding principal amount.

  These financial instruments are initially recognized at fair value and any gain or loss is recognized in the income statement as they are realized.

  The Group classifies a financial instrument as held for trading if it is acquired or incurred mainly for the purpose of selling or repurchasing in the short term, or if it is part of a portfolio of financial instruments that are jointly managed and for which there is evidence of short-term earnings, or is a derivative that is not in a qualified coverage relationship. Derivatives and trading securities are classified as held for trading and recognized at fair value.

  Only financial assets are valued at fair value through profit or loss when, in doing so, the Group eliminates or significantly reduces the inconsistencies in measurement or recognition that would otherwise be exposed in the valuation.

  The fair value of financial instruments that are not quoted in active markets are determined using valuation techniques. These techniques are validated and reviewed periodically by qualified personnel independent of the area that created them. All models are evaluated and adjusted before being used, to ensure that the results reflect the current information and comparative market prices. Where possible, the models use only observable information; however, factors such as credit risk (own and counterparty), volatilities and correlations require the use of estimates. Changes in assumptions about these factors may affect the reported fair value of financial instruments.

4. CHANGE IN ACCOUNTING POLICIES *(Continued)*

4.1. *IFRS 9, Financial Instruments* – Policy applicable from January 1, 2018 *(Continued)*

a) *Recognition, classification and measurement* *(Continued)*

Initial recognition *(Continued)*

I.2. Equity instruments

Equity instruments are instruments that meet the definition from the issuer's perspective, this means, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

Such instruments are valued at fair value through profit or loss. Dividends receivable arising from said instrument are recognized as income only when the right to receive payment is received.

II. Financial liabilities

Financial liabilities are classified into one of the following measurement categories:
- Amortized cost; and
- Fair value through profit or loss (FVTPL).

Financial liabilities at fair value normally fall within the following categories:
- *Financial liabilities that are valued at fair value through profit and loss* – These financial instruments, which includes derivatives and liabilities held for trading, are designated as such at initial recognition.

- *Liabilities arising from the transfer of financial assets* – These occur when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. When the transfer of the financial asset did not qualify for derecognition, a financial liability is recognized for the consideration received for the transfer. In the subsequent periods, the Group recognizes any expense incurred on the financial liability, when the continuing involvement approach applies.

- *Financial guarantee contracts* – These are contacts that require the issuer to make specific payments to reimburse the holder for the loss it incurs when a specific debtor breaches its payment obligation when due, in accordance with the conditions, original or modified, or a debt instrument. These are measured initially at fair value, and subsequently measured at the higher of: i) the amount of the ECL allowance; and ii) the amount initially recognized less, when appropriate the cumulative amount of income recognized in accordance with IFRS 15.

- *Lending commitments at a lower rate than the market rate* – These are measured initially at fair value, and subsequently measured at the higher of: i) the amount of the ECL allowance; and ii) the amount initially recognized less, when appropriate the cumulative amount of income recognized in accordance with IFRS 15.

4. CHANGE IN ACCOUNTING POLICIES *(Continued)*

4.1. *IFRS 9, Financial Instruments* – Policy applicable from January 1, 2018 *(Continued)*

a) *Recognition, classification and measurement* *(Continued)*

Initial recognition *(Continued)*

II. Financial liabilities

Option to designate a financial liability at fair value through profit and loss
The Group may choose to use, at the outset, the irrevocable option of designating a liability at fair value through profit or loss if and only if, in doing so, it reflects more adequately the financial information because:

- the Group eliminates or significantly reduces the inconsistencies in measurement or recognition that would otherwise be exposed in the valuation;
- if the financial assets and liabilities are managed and their performance is evaluated on a fair value basis in accordance with a documented investment or risk management strategy; or
- a main contract contains one or more implicit derivatives.

III. Derivative financial instruments

Derivative financial instruments, including currency contracts, interest rate futures, forward contracts, interest rate and currency swaps, and currency and interest rate options, are initially recognized at fair value on the date on which the derivative contact is entered into are subsequently re-measured at fair value.

All derivative instruments are accounted for as assets when the fair value is positive and as liabilities when the fair value is negative, in relation to the agreed price. Changes in the fair value of derivative instruments are included in profit or loss. The Group does not apply hedge accounting.

IV. Sale and repurchase agreements

Sale and repurchase agreements (“repos”), which effectively provide the performance of the lender to the counterparty, are treated as guaranteed financing transactions. The securities sold under such sale and repurchase agreements must not be derecognized. The securities should not be reclassified in the consolidated statement of financial position unless the transferee has the right by contract or custom to sell or replace the securities, in which case they are reclassified as accounts receivable for repurchase. The corresponding liability must be presented within the item financing. The securities purchased under resale agreements, which effectively provide the lender's performance to the Group, are be recorded as credits under the Financing item.

The difference between the sale price and the repurchase price or the purchase price and the resale price, adjusted for interest and dividends received by the counterparty or by the Group, as appropriate, make up the transaction premium, which is it is treated as interest income or expenses and accrued during the term of the repo agreements using the effective interest method.

4. CHANGE IN ACCOUNTING POLICIES *(Continued)*

4.1. *IFRS 9, Financial Instruments* – Policy applicable from January 1, 2018 *(Continued)*

a) *Recognition, classification and measurement* (Continued)

Initial recognition *(Continued)*

IV. Sale and repurchase agreements (Continued)

Securities lent to counterparties by a fixed commission are retained in the consolidated financial statements in their original category unless the counterparty has the right by contract or custom to sell or replace the securities, in which case they are reclassified and presented separately. The securities borrowed by a fixed commission are not recorded in the consolidated financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded in the result of the year within gains minus losses derived from the negotiable securities. The obligation to return the securities is recorded at fair value.

b) *Derecognition of financial instruments*

Derecognition of financial assets – The Group derecognizes financial assets, or a portion thereof, when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred.

The Group derecognize financial assets that have been transferred only when it meets the following characteristics:

- It has transferred the contractual rights to receive future cash flows; and
- It retains the contractual rights to receive cash flows but assumes a repurchase obligation when the following three requirements are met:
  - the Group is not obliged to pay any amount without receiving the cash flows for the transfer of the asset;
  - the Group is prohibited from selling the financial asset; and
  - the Group has to remit the cash flows to which it has committed.

Derecognition of financial liabilities - The Group derecognizes financial liabilities (or a part of a financial liability) when, and only when, they are extinguished, that is, when the contract has been discharged, cancelled or expired.

c) *Impairment of financial instruments*

Changes to the impairment calculation
The adoption of IFRS 9 has fundamentally changed the Group's accounting for loan loss impairment by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

Equity instruments and financial assets measured at FVTPL are not subjected to impairment under IFRS 9.

4. CHANGE IN ACCOUNTING POLICIES *(Continued)*

4.1. *IFRS 9, Financial Instruments* – Policy applicable from January 1, 2018 *(Continued)*

c) *Impairment of financial instruments* *(Continued)*

Impairment of financial assets

The Group assess on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortized cost and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognizes a loss allowance for such losses at each reporting date.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Details of the Group's impairment method are disclosed in Notes 6, and 25.1. The quantitative impact of applying IFRS 9 as at January 1, 2018 is disclosed in Note 5.

4.2. *IFRS 15, Revenue from Contracts with Customers* – Policy applicable from January 1, 2018

The Group has adopted IFRS 15, which replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts'. The standard provides a single, principle based five-step model for revenue recognition to be applied to contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by other applicable standards (IFRS 9, and IFRS 16 *Leases)*.

The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers.

This adoption of IFRS 15 had no quantitative impact on the Group's consolidated financial statements.

(Expressed in United States dollars)

5. TRANSITION IMPACT FROM ADOPTING IFRS 9

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

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 at January 1, 2018:

	IAS 39		IFRS 9	
	Measurement Category	Carrying amount at Dec-31-2017	Measurement Category	Carrying amount at Jan-1- 2018
Financial assets				
Cash and due from banks	Loans and receivables	$ 10,893,143	Amortized cost	$ 10,875,163
Settlement balances	FVTPL	20,614,759	FVTPL	20,614,759
Financial instruments at FTVPL	FVTPL	66,963,524	FVTPL	64,933,508
Financial instruments at amortized cost	Held to Maturity	479,616	Amortized cost	479,348
Derivative financial instruments	FVTPL	43,857	FVTPL	43,857
Other assets	Loans and receivables	2,199,254	Amortized cost	2,070,881
Loans and advances	Loans and receivables	2,441,991	Amortized cost	2,370,717
Long-term investments	FVTPL	4,018,940	FVTPL	4,018,940
		$ 107,655,084		$ 105,407,173
Financial liabilities				
Customers' deposits	Amortized cost	$ 18,499,988	Amortized cost	$ 16,469,972
Settlement balances	FVTPL	44,621,769	FVTPL	44,621,769
Financial instruments at FTVPL	FVTPL	7,059,367	FVTPL	7,059,367
Other liabilities	Amortized cost	567,822	Amortized cost	567,822
		$ 70,748,946		$ 68,718,930

(Expressed in United States dollars)

5. TRANSITION IMPACT FROM ADOPTING IFRS 9 *(Continued)*

5.2. Reconciliation of carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition as at January 1, 2018

The following table shows the impact of adopting IFRS 9 on the statement of financial position and retained earnings, including the effect of replacing IAS 39's incurred loss calculations with IFRS 9's ECLs.

	IAS 39 Balance at Dec-31-2017	Reclassification	Adjustment for Remeasurement	IFRS 9 Balance at Jan-1- 2018
Financial instruments at FVTPL	$ 66,963,524	$ (2,030,016)	$ -	$ 64,933,508
Customers deposits	(18,499,988)	2,030,016	-	(16,469,972)
	48,463,536	-	-	48,463,536
Cash and due from banks	10,893,143	336	(18,316)	10,875,163
Financial instruments at amortized cost	479,616	376	(644)	479,348
Loans and advances	2,426,248	15,743	(71,274)	2,370,717
Other assets	2,199,254	(16,455)	(111,918)	2,070,881
	$ 15,998,261	$ -	$ (202,152)	$ 15,796,109
Retained earnings	$ (24,679)	$ -	$ (202,152)	$ (226,831)

5.3. Reconciliation of closing allowance under IAS 39 to the opening ECL allowance under IFRS 9

The following table reconciles the allowance carried in the statement of financial position at December 31, 2017 and January 1, 2018:

	IAS 39 impairment allowance at Dec-31-2017	Adjustment for remeasurement or reclassification	IFRS 9 ECL at Jan-1- 2018	Stage 1	Stage 2	Stage 3
Cash and due from banks	$ -	$ 18,316	**$ 18,316**	$ 18,316	$ -	$ -
Financial instruments at amortized cost	-	644	**644**	144	-	500
Loans and advances	24,679	71,274	**95,953**	95,953	-	-
Other assets	-	111,918	**111,918**	1,312	-	110,606
Total	***$ 24,679***	***$ 202,152***	***$ 226,831***	***$ 115,725***	***$ -***	***$ 111,106***

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next financial period are discussed below:

<u>Impairment losses on loans and advances</u>
The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group’s internal credit grading model, which assigns probability of default (PDs) to the individual grades; and
- The Group’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment.

<u>Fair value of financial instruments</u>
The fair value of financial instruments that are not quoted in active markets are determined using valuation techniques. These techniques are validated and reviewed periodically by qualified personnel independent of the area that created them. All models are evaluated and adjusted before being used, to ensure that the results reflect the current information and comparative market prices. Where possible, the models use only observable information. However, factors such as credit risk (own and counterparty) volatilities and correlations require the use of estimates. Changes in assumptions about these factors may affect the reported fair value of financial instruments.

It is possible that outcomes within the next financial period that are different from these assumptions could require a material adjustment to the carrying amount reflected in the consolidated financial statements.

The information referring to the instruments that have not been valued based on market information is detailed in Note 25.2. In this regard, Management determines whether the significant risks and benefits of ownership of financial assets and financial leases are transferred to the counterpart, particularly those of greater risk.

(Expressed in United States dollars)

7. CASH AND DUE FROM BANKS

Cash and due from banks are as follows:

	2018	2017
Bank current accounts	$ 6,181,794	$ 9,885,643
Deposits with bank	1,000,769	1,000,000
	7,182,563	10,885,643
Allowance for impairment losses	(16,648)	-
Total due from banks	7,165,915	10,885,643
Cash on hand	7,500	7,500
	$ 7,173,415	$ 10,893,143

Deposits at bank has original maturity of 90 days and earns interest at 1.25% per annum. The maximum exposure to credit risk is presented in Note 25.1 (b).

The movement in allowance for ECL is as follows:

	2018
Allowance for ECL at Janaury 1, 2018	$ 18,316
Decrease in provision during the year (Note 22)	(1,668)
Allowance for ECL at December 31, 2018	$ 16,648

The ECL allowance for deposits at bank is assessed in the Stage 1.

8. SETTLEMENT BALANCES

These balances represent amounts outstanding on trade transactions that are due to be settled within three (3) days of the trade date. Settlement balances are non-interest bearing.

(Expressed in United States dollars)

9. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss are as follows:

a) *Debt and equity financial assets:*

	2018	2017
Debt securities		
Government bonds (Note 9(c))	$ 34,265,534	$ 43,407,021
Corporate bonds	5,129,526	19,906,932
Treasury bills	10,113	2,040,611
Total debt securities	39,405,173	65,354,564
Equity securities		
Shares in public entities	1,770,610	1,602,796
Shares in investment funds	1,155	6,164
Total equity securities	1,771,765	1,608,960
	$ 41,176,938	$ 66,963,524

At December 31, 2018, the maximum exposure to credit risk for debt securities carried at fair value above is their carrying values of $39,405,173 (2017: $63,324,548). This is the current credit risk exposure, but not the maximum exposure that could arise in the future as a result of changes in value.

b) *Debt securities financial liabilities:*

	2018	2017
Government bonds (Note 9(c))	$ 20,241,624	$ 7,059,367

c) *Financial instruments with foreign governments:*

	2018	2017
Foreign government bonds (Assets)		
Bonds	$ 34,265,534	$ 41,377,005
Bonds received on loan	-	2,030,016
	$ 34,265,534	$ 43,407,021
Foreign government bonds (Liabilities)		
Bonds	$ 20,241,624	$ 7,059,367

(Expressed in United States dollars)

10. FINANCIAL INSTRUMENTS AT AMORTIZED COST

Financial instruments at amortized costs are as follows:

	2018	2017
Assets		
Government bonds	$ 5,447,429	$ 479,116
Corporate bonds	500	500
	5,447,929	479,616
Allowance for impairment losses	(2,134)	-
	$ 5,445,795	$ 479,616

The maximum exposure to credit risk is presented in Note 25.1 (b).

The movement in allowance for ECL is as follows:

	Expected Credit Loss Allowance			
	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL at Janaury 1, 2018	$ 144	$ -	$ 500	$ 644
Increase in provision during the year (Note 24)	1,490	-	-	1,490
Allowance for ECL at December 31, 2018	$ 1,634	$ -	$ 500	$ 2,134

11. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments include future and forward contracts and are recorded at fair value.

Generally, derivative financial instruments serve as components of the Group’s investment strategy and are utilized primarily to structure and hedge investments to enhance performance and reduce risk to the Group (the Group does not designate any derivatives as hedges for hedge accounting purposes as described by IFRS 9 - Financial Instruments).

Forward contracts entered into by the Group represent a firm commitment to buy or sell an underlying security at a specified value and point in time based upon an agreed or contracted quantity.

The realized/unrealized gain or loss is equal to the difference between the value of the contract at the onset and the value of the contract at settlement date, and is included in the consolidated statement of comprehensive income.

Details of the Group’s derivative financial instruments are set out below:

	2018	2017
Assets	$ 19,696,218	$ 15,860,126
Liabilities	(17,550,308)	(15,816,269)
	$ 2,145,910	$ 43,857

(Expressed in United States dollars)

12. REPURCHASE AGREEMENTS

Repurchase agreements are as follows:

	2018	2017
Assets		
Capital	$ 7,906,152	$ -
Premium	4,518	-
Guarantee	997,748	-
	8,908,418	-
Securities	(7,798,120)	-
	$ 1,110,298	$ -
Liabilities		
Capital	$ 3,213,000	$ -
Premium	3,731	-
	3,216,731	-
Securities	(4,612,500)	-
	$ (1,395,769)	$ -

13. OTHER ASSETS

Other assets are comprised of the following:

	2018	2017
Investment interest and other receivables	$ 1,612,821	$ 1,950,780
Refundable deposits	20,806	24,206
Prepaid expenses	160,575	224,268
	1,794,202	2,199,254
Allowance for impairment losses	(61,993)	-
	$ 1,732,209	$ 2,199,254

The movements in allowance for ECL are as follows:

	Expected Credit Loss Allowance			
	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL at Janaury 1, 2018	$ 1,312	$ -	$ 110,606	$ 111,918
Decrease in provision during the year (Note 24)	(635)	-	(49,290)	(49,925)
Allowance for ECL at December 31, 2018	$ 677	$ -	$ 61,316	$ 61,993

(Expressed in United States dollars)

14. LOANS AND ADVANCES

Loans and advances consist of the following:

	2018	2017
Principal		
Guaranteed loans	$ 3,679,816	$ 442,171
Unguaranteed loans	3,176,697	2,008,756
Total principal	6,856,513	2,450,927
Accrued interest receivable	54,317	15,743
	6,910,830	2,466,670
Provision for impairment	(161,921)	(24,679)
	$ 6,748,909	$ 2,441,991

Interest rates on loans and advances is 6.44% (2017: 5.5%) per annum.

The maximum exposure to credit risk is presented in Note 25.1 (b).

The movements in the provision for impairment are as follows:

	2018 in accordance with IFRS 9				2017 in accordance with IAS 39
	Credit Loss Allowances				
	Stage 1	Stage 2	Stage 3	Total	
Balance, beginning of year	$ 95,953	$ -	$ -	$ 95,953	$ 55,614
Increase in provision (Note 24)	65,968	-	-	65,968	14,450
Reversal of provision	-	-	-	-	(45,385)
Balance, end of year	$ 161,921	$ -	$ -	$ 161,921	$ 24,679

15. LONG-TERM INVESTMENTS

Details of long-term investments are as follows:

	2018	2017
Balance, beginning of year	$ 4,018,940	$ 4,208,985
Fair value changes	(369,254)	(190,045)
Balance, end of year	$ 3,649,686	$ 4,018,940

The Group has non-controlling interests in two (2) entities (share holdings of 6.8% and 12%). These investments are carried at fair value in the consolidated statement of financial position.

(Expressed in United States dollars)

16. INTANGIBLE ASSETS

Details of the Group's intangible assets are as follows:

	2018	2017
Cost		
Balance, beginning of year	$ 117,034	$ 104,492
Additions	15,632	12,542
Balance, end of year	132,666	117,034
Amortization		
Balance, beginning of year	78,052	53,210
Additions	13,862	24,842
Balance, end of year	91,914	78,052
Net book value	$ 40,752	$ 38,982

17. INVESTMENT PROPERTIES

Details of investment properties are as follows:

	2018	2017
Balance, beginning of year	$ 1,560,000	$ 1,900,000
Disposal during the year	-	(227,339)
Fair value gain recognized in profit or loss	237,387	177,210
Effect of foreign currency exchange differences	(477,387)	(289,871)
Balance, end of year	$ 1,320,000	$ 1,560,000

Investment properties consist of unoccupied lands owned by the subsidiaries and located in Argentina.

a) *Measurement of fair value:*

The fair value of the Group's investment properties was determined by external independent property valuators, having the appropriate professional qualifications and recent experience in the location and category of the property being valued. The appraisers are located in Argentina, the country in which the properties are located.

The fair value was based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation techniques during the year.

(Expressed in United States dollars)

17. INVESTMENT PROPERTIES *(Continued)*

b) Fair value hierarchy:

The fair value measurement for investment properties has been categorized in Level 2 based on the inputs of the valuation used.

Details of the fair value and information about the fair value hierarchy are as follows:

	2018		**2017**	
	Level 2	**Total**	**Level 2**	**Total**
Land held for capital appreciation	$1,320,000	$1,320,000	$1,560,000	$1,560,000

There were no transfers between categories during the periods presented.

18. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	Land & Buildings	**Furniture & Equipment**	**Motor Vehicles**	**Total**
Cost				
Balance as at December 31, 2016	$ 2,409,060	$ 233,198	$ 69,500	$ 2,711,758
Additions	-	8,549	35,170	43,719
Balance as at December 31, 2017	2,409,060	241,747	104,670	2,755,477
Additions	-	25,406	-	25,406
Disposals	-	(37)	(35,170)	(35,207)
Balance as at December 31, 2018	$ 2,409,060	$ 267,116	$ 69,500	$ 2,745,676
Accumulated depreciation				
Balance as at December 31, 2016	$ 113,712	$ 140,450	$ 69,500	$ 323,662
Additions	38,545	23,431	6,448	68,424
Balance as at December 31, 2017	152,257	163,881	75,948	392,086
Additions	38,546	28,029	5,861	72,436
Disposals	-	(34)	(12,309)	(12,343)
Balance as at December 31, 2018	$ 190,803	$ 191,876	$ 69,500	$ 452,179
Carrying value				
As at December 31, 2018	**$ 2,218,257**	**$ 75,240**	**$ -**	**$ 2,293,497**
As at December 31, 2017	**$ 2,256,803**	**$ 77,866**	**$ 28,722**	**$ 2,363,391**

(Expressed in United States dollars)

19. CUSTOMERS' DEPOSITS

Details of customers' deposits are as follows:

	2018	2017
Sight and term deposits		
Demand and call deposits	$ 10,061,214	$ 13,794,586
Time deposits	4,028,914	2,672,134
	14,090,128	16,466,720
Accrued interest payable	3,678	3,252
	14,093,806	16,469,972
Bond deposits	-	2,030,016
	$ 14,093,806	$ 18,499,988

The effective rate of interest on deposits during the year ending December 31, 2018 was 1.07% (2017: 0.8%) per annum. Included in customers' deposits are deposits from related parties totaling $5,210,551 (2017: $2,869,644).

20. RELATED PARTIES

Balances with Banco Mariva S.A. (Argentina) and other related parties are as follows:

	2018	2017
ASSETS		
Cash and due from banks	$ 115,878	$ 309,512
Settlement balances	2,543,177	16,822,164
Long-term investments	3,649,686	4,018,940
	$ 6,308,741	$ 21,150,616
LIABILITIES		
Customer deposits	$ 5,210,551	$ 2,869,644
Settlement balances	15,189,975	37,447,010
	$ 20,400,526	$ 40,316,654
MEMORANDA ITEMS		
Bonds received for custody	$ 15,843,839	$ 36,644,550
Bond deposits	7,683,811	-
Guarantee received in shares	-	665,188
	$ 23,527,650	$ 37,309,738

(Expressed in United States dollars)

21. SHARE CAPITAL

The authorized, issued and outstanding share capital of the Group consists of 10,000 ordinary shares of US$1,000 each.

22. DIVIDENDS PAID

Dividends declared and paid during the year are as follows:

	2018	2017
Dividends declared and paid during the year	$ -	$ 5,000,000

During the year ended December 31, 2018, there were no dividend payments (2017: $500 per share).

23. MEMORANDA ITEMS

Composition of memoranda items are as follows:

	2018	2017
Securities received for custody	$ 54,409,183	$ 104,341,265
Bond deposits	28,287,291	-
Forward contract sales	17,550,308	15,816,269
Guarantee received in shares	-	665,188
	$ 100,246,782	$ 120,822,722

24. ALLOWANCE FOR CREDIT LOSSES

The table below shows the IFRS 9 ECL /IAS 39 impairment charges on financial instruments for the year recorded in the consolidated statement of comprehensive income.

	Notes	IFRS 9 2018	IAS 39 2017
Due from banks		$ (1,668)	$ -
Other assets		(49,925)	-
Financial instruments at amortized cost		1,490	-
Loans and advances		65,968	(30,935)
Total increase/(decrease) in provision for credit losses		$ 15,865	$ (30,935)

25. FINANCIAL RISK MANAGEMENT

Risk management strategy
Risk is inherent in the Group's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Board of Directors (the "Board") is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are designed to identify and analyze the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits by means of regularly generated reports. Risk management procedures are closely integrated into all key business processes. The Group regularly reviews its risk management policies, procedures and systems to reflect recommendations and best practice, as well as changes in markets and products.

The objective of the Group's Board of Directors and senior management is to identify, evaluate and mitigate financial risks that may adversely impact the operations and the Group's consolidated financial statements.

By its nature the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets.

The Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-statement of financial position loans and advances but the Group also enters into other commitments such as bonds.

The Group has exposure to the following risks from financial instruments:

25.1. Credit risk
25.2. Market risk
25.3. Liquidity risk
25.4. Operational risk

25.1. Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Bank, by failing to discharge their contractual obligations when they fall due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-statement of financial position exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts.

In line with IFRS 9, the Bank financial assets measured at amortized cost and off-balance sheet loan commitments using the Expected Credit Loss (ECL) approach.

25. FINANCIAL RISK MANAGEMENT *(Continued)*

25.1. Credit risk *(Continued)*

a) Expected Credit Loss measurement

The Bank's allowance for credit losses calculations are output models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The ECL impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Bank adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition. Assets move through the three stages depending on changes in credit risk and the stages dictate how an entity measures impairment losses and applies the effective interest method.

- *Stage 1* - This includes financial instruments that have not had a significant increase in credit risk since their initial recognition or that have a low credit risk at the reporting date. For these instruments, the expected credit losses (ECL) are recognized for 12 months and the interest income is calculated on the gross carrying amount of the asset (that is, without deduction of the impairment allowance). The 12-month ECLs are those that result from default events that are possible within 12 months after the filing date.

- *Stage 2* - includes financial instruments that have had a significant increase in credit risk since their initial recognition (unless they have a low credit risk at the reporting date) but that have no objective evidence of impairment. For these items, ECLs are recognized throughout the life of the instrument, but interest income is still calculated on the gross carrying amount of the asset. The ECL throughout the life of the instrument is the present value of the losses that would arise as a result of a default that occurred at any time throughout the life of the instrument. It is the weighted average of the loss that would be had in case of a default using the probability of default as a weighting.

- *Stage 3* - includes financial assets that have objective evidence of impairment at the reporting date. For these items, ECLs are recognized over the life of the instrument and interest income is calculated on net book value (that is, net of the impairment allowance).

(Expressed in United States dollars)

25. FINANCIAL RISK MANAGEMENT *(Continued)*

25.1. Credit risk *(Continued)*

b) Credit risk exposure

Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains and analysis of the credit risk exposure of the financial instruments which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk.

	2018				2017
	Credit Loss Allowances (IFRS 9)				
	Stage 1	Stage 2	Stage 3		IAS 39
	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total	Total
Deposits with banks	$ 1,000,769	$ -	$ -	$ 1,000,769	$ 1,000,000
Financial instruments at amortized costs	5,447,429	-	500	5,447,929	479,616
Unguaranteed loans	3,222,311	-	-	3,222,311	2,008,756
Guaranteed loans	3,688,519	-	-	3,688,519	442,171
Other assets	1,572,311	-	61,316	1,633,627	1,974,986
Gross carrying amount	14,931,339	-	61,816	14,993,155	5,905,529
Loss allowance	(180,881)	-	(61,816)	(242,697)	(24,679)
Carrying amount	$ 14,750,458	$ -	$ -	$ 14,750,458	$ 5,880,850

The movements in the provision for impairment is as follows:

	2018				2017
	Credit Loss Allowances				
	Stage 1	Stage 2	Stage 3		
	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total	Total
Balance, beginning of year	$ 115,725	$ -	$ 111,106	$ 226,831	$ 55,614
Increase in provision	115,653	-	25,000	140,653	14,450
Reversal of provision	(50,497)	-	(74,290)	(124,787)	(45,385)
Balance, end of year	$ 180,881	$ -	$ 61,816	$ 242,697	$ 24,679

25. FINANCIAL RISK MANAGEMENT *(Continued)*

25.1. Credit risk *(Continued)*

c) Derivatives

The Bank maintains strict control limits on net open derivative positions, that is, the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Bank (i.e. asset), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. The credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

d) Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of statement of financial position assets and liabilities as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period since it is affected by each transaction subject to the arrangement.

25.2. Market risk

Market risk arises from the Group's use of interest bearing, trading and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Currency risk

Currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's consolidated financial statements are denominated in the United States Dollar, which is the Group's functional and presentational currency.

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its consolidated statement of financial position and consolidated statement of cash flows. The consolidated statement of financial position net notional position represents the difference between the notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements, and their fair values and are re-priced in a particular time interval then a negative impact on interest margins results. Interest rate gaps are carefully monitored and interest sensitive assets and liabilities are adjusted in accordance with changing market conditions.

(Expressed in United States dollars)

25. FINANCIAL RISK MANAGEMENT *(Continued)*

25.2. Market risk *(Continued)*

Geographical concentration of assets and liabilities
The following table reflects the geographical concentration of the Group's financial assets and liabilities.

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
South America	$ 51,371,149	$ 54,274,782	$ 83,929,000	$ 54,593,888
North America	26,453,338	529,511	15,582,886	11,548,561
Caribbean	2,355,056	2,897,855	24,406	4,693,880
Europe	5,888,102	3,216,732	8,111,292	-
	$ 86,067,645	$ 60,918,880	$ 107,647,584	$ 70,836,329

The tables below summarize the Group's exposure to foreign currency exchange rate risk at the consolidated statement of financial position dates. Included in the tables are the Group's financial instruments at carrying amounts, categorized by currency.

As at December 31, 2018	USD	PESOS	EURO	TOTAL
ASSETS				
Cash and due from banks	$ 6,751,564	$ 92,437	$ 321,914	$ 7,165,915
Settlement balances	9,093,865	-	-	9,093,865
Debt and equity securities, fair value	40,251,270	650,024	275,644	41,176,938
Repurchase agreements	8,908,418	-	-	8,908,418
Financial instruments at amortized cost	5,445,795	-	-	5,445,795
Loans and advances	6,748,909	-	-	6,748,909
Long-term investments	3,649,686	-	-	3,649,686
Other assets	1,688,494	43,715	-	1,732,209
Forward contracts	2,145,910	-	-	2,145,910
Total assets	84,683,911	786,176	597,558	86,067,645
LIABILITIES				
Customers' deposits	14,093,806	-	-	14,093,806
Guarantees	5,043,000	-	-	5,043,000
Settlement balances	17,693,387	-	-	17,693,387
Debt and equity securities, fair value	20,241,624	-	-	20,241,624
Repurchase agreements	3,216,731	-	-	3,216,731
Other liabilities	447,111	183,221	-	630,332
Total liabilities	60,735,659	183,221	-	60,918,880
Net position	**$ 23,948,252**	**$ 602,955**	**$ 597,558**	**$ 25,148,765**

(Expressed in United States dollars)

25. FINANCIAL RISK MANAGEMENT *(Continued)*

25.2. Market risk *(Continued)*

As at December 31, 2017				
	USD	**PESOS**	**EURO**	**TOTAL**
ASSETS				
Cash and due from banks	$ 9,495,907	$ 202,342	$ 1,187,394	$ 10,885,643
Settlement balances	20,381,060	-	233,699	20,614,759
Debt and equity securities, fair value	63,006,976	3,901,700	54,848	66,963,524
Financial instruments at amortized cost	479,616	-	-	479,616
Loans and advances	2,426,248	-	-	2,426,248
Long-term investments	4,018,940	-	-	4,018,940
Other assets	2,055,264	159,659	74	2,214,997
Forward contracts	43,857	-	-	43,857
Total assets	$ 101,907,868	$ 4,263,701	$ 1,476,015	$ 107,647,584
LIABILITIES				
Customers' deposits	18,499,984	4	-	$ 18,499,988
Settlement balances	39,896,135	4,725,634	-	44,621,769
Debt and equity securities, fair value	7,059,367	-	-	7,059,367
Other liabilities	555,185	99,850	170	655,205
Total liabilities	$ 66,010,671	$ 4,825,488	$ 170	$ 70,836,329
Net position	**$ 35,897,197**	**$ (561,787)**	**$ 1,475,845**	**$ 36,811,255**

Other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is exposed to other price risk on its equity instruments that trade on stock exchanges, forward contracts and equity holdings in investment funds which at December 31, 2018 totaled $3,917,675 (2017: $1,652,817).

Sensitivity analysis:
If prices had been 1% higher/lower at December 31, 2018, total comprehensive income would have increased/decreased by $39,177 (2017: $16,528).

(Expressed in United States dollars)

25. FINANCIAL RISK MANAGEMENT *(Continued)*

25.2. Market risk *(Continued)*

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has significant exposure to interest rate risk from its time and demand deposits. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its fair value and cash flow risks.

Floating rate interest financial instruments expose the Group to cash flow interest risk, whereas fixed rate financial instruments expose the Group to fair value interest rate risk.

The Group is exposed to interest rate risk on its interest bearing financial instruments which are cash at banks, loans and advances, debt securities and customer deposits.

25.3. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in realizing assets or otherwise raising funds to meet commitments. The Group monitors expected cash outflow on a daily basis. Its policy throughout the period has been to ensure liquidity by maintaining at all times sufficient high quality liquid assets to cover expected net cash flow.

The contractual maturities of liabilities have been determined on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The tables below summarize the Group's undiscounted cash flows for derivative and non-derivative financial assets and liabilities, based on contractual maturity and repayment obligations:

As at December 31, 2018	Due on Demand	1 to 6 Months	Total
LIABILITIES			
Customers' deposits	$ 10,061,214	$ 4,032,592	$ 14,093,806
Settlement balances	17,693,387	-	17,693,387
Debt and equity securities	20,241,624	-	20,241,624
Repurchase agreements	-	3,216,731	3,216,731
Guarantees	-	5,043,000	5,043,000
Other liabilities	-	630,332	630,332
Total liabilities	$ 47,996,225	$ 12,922,655	$ 60,918,880

(Expressed in United States dollars)

25. FINANCIAL RISK MANAGEMENT *(Continued)*

25.3. Liquidity risk *(Continued)*

As at December 31, 2017	Due on Demand	1 to 6 Months	Total
LIABILITIES			
Customers' deposits	$ 13,794,587	$ 4,705,401	$ 18,499,988
Settlement balances	44,621,769	-	44,621,769
Debt and equity securities	7,059,367	-	7,059,367
Other liabilities	-	655,205	655,205
Total liabilities	$ 65,475,723	$ 5,360,606	$ 70,836,329

Source of funding available to meet all of the liabilities include cash at banks, investments securities, items in the course of collection and loans and advances to customers.

25.4. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

26. CAPITAL MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than equity on the face of the statement of financial position, are:

- To comply with the capital requirements set by its Regulator, the Central Bank of the Bahamas ("Central Bank");
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored by the Group's management, employing techniques designed to ensure compliance with regulations and guidelines established by the Central Bank of the Bahamas, for the evaluation of capital adequacy of its licensee. The Central Bank has established minimum risk-based capital ratios. The required reporting information is filed with the Central Bank on a quarterly basis, in accordance with these guidelines. At the end of the reporting period, the Group's management is of the opinion that the Group has met the established minimum ratios established by the Central Bank.

27. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair values of financial instruments are determined as follows:

a) *Financial instruments not measured at fair value:*

i) Cash and cash equivalents, other receivables, balances with related parties, customer deposits and other liabilities are measured at cost in the consolidated statement of financial position. The carrying values of these financial instruments are assumed to equal to their fair values due to their short-term nature.

ii) Loans receivables are measured at amortized cost, which approximates their fair values. The estimated fair value of loans represents the expected amounts of estimated future cash flows that the Group expects to receive.

b) *Financial instruments measured at fair value:*

i) Equity and debt securities, (government bonds, shares, corporate bonds and foreign debt instruments), are acquired principally for the purpose of selling in the short-term, and are carried at fair value in the consolidated statement of financial position.

c) *Fair value hierarchy:*

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

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Expressed in United States dollars)

27. FAIR VALUE MEASUREMENTS *(Continued)*

c) Fair value hierarchy (Continued)

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

	As at December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Argentina sovereign bonds	$ 34,265,534	$ -	$ -	$34,265,534
Corporate bonds	5,129,526	-	-	5,129,526
Treasury bills	10,113	-	-	10,113
Equity securities	1,770,610	-	3,649,686	5,420,296
Investment funds	1,155	-	-	1,155
Derivative financial instruments	-	2,145,910	-	2,145,910
	41,176,938	2,145,910	3,649,686	46,972,534
Financial liabilities				
Government bonds	(20,241,624)	-	-	(20,241,624)
	(20,241,624)	-	-	(20,241,624)
NET	$ 20,935,314	$ 2,145,910	$ 3,649,686	$ 26,730,910

	As at December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Argentina sovereign bonds	$ 43,407,021	$ -	$ -	$43,407,021
Corporate bonds	19,906,932	-	-	19,906,932
Treasury bills	2,040,611	-	-	2,040,611
Equity securities	1,602,796	-	4,018,940	5,621,736
Investment funds	6,164	-	-	6,164
Derivative financial instruments	-	43,857	-	43,857
	66,963,524	43,857	4,018,940	71,026,321
Financial liabilities				
Government bonds	(7,059,367)	-	-	(7,059,367)
	(7,059,367)	-	-	(7,059,367)
NET	$ 59,904,157	$ 43,857	$ 4,018,940	$ 63,966,954

There were no transfers between categories during the periods presented.

(Expressed in United States dollars)

27. FAIR VALUE MEASUREMENTS *(Continued)*

c) Fair value hierarchy (Continued)

Level 3 fair value measurements

i) Unobservable inputs used in measuring fair value

Level 3 equity securities are comprised of investments in private equities including subsidiaries. Management has determined that the fair value of these equity instruments can be measured reliably and has assessed them to be equal to the proportion of the Group's holdings in the net assets of these entities. The net assets values are obtained from the recent annual audited financial statements and the unaudited interim financial statements. These financial statements are not observable in the market as they are private entities. Therefore, the investments are categorized in Level 3 in the fair value hierarchy.

ii) Reconciliation

The following table shows the movements in Level 3 financial instruments:

	2018	2017
Balance, beginning of year	$ 4,018,940	$ 4,208,985
Unrealized loss recognized for the year	(369,254)	(190,045)
Balance, end of year	$ 3,649,686	$ 4,018,940

28. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASE

The Group operates from leased premises, with lease terms renewable every three (3) years. The Bank renewed its lease effective September 1, 2016 for a period of five (5) years, maturing on August 31, 2021.

The future minimum lease payments under this lease at the reporting period are as follows:

	2018	2017
No later than 1 year	$ 75,954	$ 74,261
Later than 1 year and not later than 5 years	130,287	206,242
	$ 206,242	$ 280,503

Rental payments recognized in as an expense in the statement of comprehensive income during the year ended totaled $74,621 (2017: $72,617).

29. COMMITMENTS AND CONTINGENCIES

There are no material commitments and contingencies as at the consolidated statement of financial position dates.

30. EVENTS AFTER THE REPORTING PERIOD

There were no material events of significance impacting the Group since December 31, 2018 and up to February 27, 2019 which should be reported in this note on account of having materially affected the consolidated financial statements of the Group.