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BANQUE NATIONALE DE CRÉDIT (BNC)

Financial Statements

September 30, 2019

(With Independent Auditors' Report Thereon)

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Independent auditors' report

The Board of Directors
Banque Nationale de Crédit (BNC):

Qualified opinion

We have audited the financial statements of Banque Nationale de Crédit (BNC), which comprise the balance sheet as at September 30, 2019, and the statements of income, of changes in net assets and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of BNC as at September 30, 2019, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in **schedules I to III** is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Basis for qualified opinion

As explained in **note 3 (i)**, investment properties, presented in Real Estate, must be presented at fair value in reference to IAS 40. The Bank has obtained several appraisal reports revealing the existence of significant gains. However, Management of the Bank questions some of these gains based on market conditions and wishes to conduct additional analysis before recording them. If those gains had been recorded, this would have increased net income in 2019, as well as net assets and total assets as of September 30, 2019 and 2018.

As explained in **note 3 (r)**, the Bank manages a defined benefit pension plan as well as a special fund payable to employees at their retirement. As presented in **note 18 (c)**, substantial provisions exist for these two funds. Expenses are recorded on a cash and lump-sum provision basis, and not on the basis of actuarial obligations, and the information presented in **notes 18 and 23** does not comply with International Financial Reporting Standards. There is no actuarial valuation of the pension plan nor of the special fund and, therefore, we have not been able to determine the actuarial surplus or liability and the related amortization.

As explained in **note 7**, the Bank holds two investments in interrelated companies: Lafito Industrial Free-Zone S.A. and Port Lafito S.A. We have not obtained any supporting documentation allowing us to establish, as at September 30, 2019, the fair value of these investments, as required by IFRS 9, in order to determine the capital gains or losses, if any. Consequently, if these capital gains or losses had been calculated and recorded in the results, the net income for 2019, local investments and net assets at September 30, 2019, would have been increased or decreased by the same value.

As of September 30, 2018, our auditors' report also contained the first two qualifications mentioned above.

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

Responsibilities of Management and those charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Mérové - Pierre - Cabinet d'Experts - Comptables

MÉROVÉ-PIERRE - CABINET D'EXPERTS-COMPTABLES
7, rue Lechaud Bourdon
Port-au-Prince, Haïti
April 20, 2020

BANQUE NATIONALE DE CRÉDIT
Balance Sheets [1]
September 30, 2019 and 2018
(Expressed in thousands of Haitian gourdes)

	Notes	2019	2018
ASSETS			
CASH AND CASH EQUIVALENTS	5	G 31,752,263	25,890,790
BRH BONDS, TREASURY BONDS AND DEBENTURES, NET	6	8,645,928	13,465,270
LOCAL INVESTMENTS	7	3,536,577	645,081
FOREIGN INVESTMENTS	8	11,479,439	7,577,017
FOREIGN EXCHANGE CONTRACTS	9	2,149,809	3,491,336
LOANS	10	22,488,675	16,638,219
Provision for expected credit losses		(1,208,724)	(656,795)
		21,279,951	15,981,424
FIXED ASSETS, NET	11	1,556,579	1,473,402
OTHERS			
Real estate	12	544,366	548,374
Goodwill	13	1,473,256	1,473,256
Other assets, net	14	239,149	156,038
Acceptances and letters of credit		357,913	244,921
		2,614,684	2,422,589
TOTAL ASSETS		G 83,015,230	70,946,909
LIABILITIES AND NET ASSETS			
DEPOSITS	15	61,670,686	52,686,929
LOANS AND DEBENTURES - BRH	16	5,145,103	2,967,401
OTHERS			
Local banks deposits	17	35,929	29,441
Other liabilities	18	6,774,546	5,354,789
Foreign exchange contracts	9	2,149,809	3,491,336
Commitments – acceptances and letters of credit		357,913	244,921
		9,318,197	9,120,487
TOTAL LIABILITIES		76,133,986	64,774,817
NET ASSETS			
Capital fund	21	3,000,000	3,000,000
Legal reserve		723,872	619,576
General reserve for loan losses	10	1,620,018	160,000
General reserve for real estate	12	345,175	260,175
Other reserve	24	79,500	49,500
Retained earnings		1,112,679	2,082,841
		6,881,244	6,172,092
TOTAL LIABILITIES AND NET ASSETS		G 83,015,230	70,946,909

[1] **The information presented on September 30, 2019 takes into account the new standards adopted on October 1, 2018.**

The notes are an integral part of the financial statements.

BANQUE NATIONALE DE CRÉDIT
Statements of Income [1]
Years ended September 30, 2019 and 2018
(Expressed in thousands of Haitian gourdes)

	Notes		2019	2018
INTEREST INCOME				
Loans		G	**1,681,749**	1,491,338
BRH bonds, Treasury bonds and debentures			**1,644,691**	1,412,338
Investments and others			**550,304**	248,098
			3,876,744	3,151,774
INTEREST EXPENSE				
Deposits			**529,156**	353,141
Others			**167,221**	54,826
			696,377	407,967
NET INTEREST INCOME			**3,180,361**	2,743,807
Provision for credit losses	**20**		**(285,887)**	(150,000)
Recoveries on loans written off			**4,526**	14,753
			2,899,000	2,608,560
OTHER INCOME (EXPENSES)				
Commissions			**787,399**	719,992
Exchange gain			**83,246**	277,764
Operations expenses			**(116,227)**	(96,426)
Others, net	**22**		**111,940**	20,803
			866,358	922,133
NET INTEREST INCOME AND OTHER INCOME			**3,765,358**	3,530,693
OPERATING EXPENSES				
Salaries and other employees benefits	**23**		**1,703,725**	1,472,602
Premises and equipment			**242,793**	218,206
Depreciation	**11**		**143,675**	122,920
Other operating expenses			**632,200**	479,300
			2,722,393	2,293,028
NET INCOME FOR THE YEAR		G	**1,042,965**	1,237,665

[1] **The information presented on September 30, 2019 takes into account the new standards adopted on October 1, 2018.**

The notes are an integral part of the financial statements.

BANQUE NATIONALE DE CRÉDIT
Statements of Changes in Net Assets
Years ended September 30, 2019 and 2018
(Expressed in thousands of Haitian gourdes)

	Notes		Capital fund	Retained earnings	Legal reserve	General reserve for loan losses (note 10)	General reserve for real estate	Other reserve (note 24)	Total
Balance as of September 30, 2017, before restatement		G	**3,000,000**	**1,276,223**	**495,810**	**76,000**	**176,171**	**-**	**5,024,204**
Capital gain on foreign investments	**8a)**		-	70,223	-	-	-	-	**70,223**
Balance as of September 30, 2017, restated			**3,000,000**	**1,346,446**	**495,810**	**76,000**	**176,171**	-	**5,094,427**
Net income for the year			-	1,237,665	-	-	-	-	**1,237,665**
Payment to the Public Treasury	**3q)**		-	(160,000)	-	-	-	-	**(160,000)**
Transfer to the legal reserve			-	(123,766)	123,766	-	-	-	-
Transfer to the general reserve for loan losses			-	(84,000)	-	84,000	-	-	-
Transfer to the general reserve for real estate	**11**		-	(84,004)	-	-	84,004	-	-
Transfer to other reserve	**22**		-	(49,500)	-	-	-	49,500	-
Balance as of September 30, 2018			**3,000,000**	**2,082,841**	**619,576**	**160,000**	**260,175**	**49,500**	**6,172,092**
Impact of IFRS 9 adoption:									
Provision for expected credit losses	**19**		-	(133,813)	-	-	-	-	**(133,813)**
Transfer of the general reserve for loan losses	**19**		-	160,000	-	(160,000)	-	-	-
Net impact			**-**	26,187	-	(160,000)	-	-	**(133,813)**
Balance as of September 30, 2018, adjusted			**3,000,000**	**2,109,028**	**619,576**	**-**	**260,175**	**49,500**	**6,038,279**
Net income for the year			-	1,042,965	-	-	-	-	**1,042,965**
Payment to the Public Treasury	**3q)**		**-**	(200,000)	**-**	**-**	**-**	**-**	**(200,000)**
Transfer to the legal reserve			**-**	(104,296)	104,296	**-**	**-**	**-**	**-**
Transfer to the general reserve for loan losses			**-**	(1,620,018)	-	1,620,018	**-**	**-**	**-**
Transfer to the general reserve for real estate			**-**	(85,000)	-	-	85,000	**-**	**-**
Transfer to other reserve	**22**		**-**	(30,000)	-	-	-	30,000	**-**
Balance as of September 30, 2019		**G**	**3,000,000**	**1,112,679**	**723,872**	**1,620,018**	**345,175**	**79,500**	**6,881,244**

[(1)] **The information presented on September 30, 2019 takes into account the new standards adopted on October 1, 2018.**

The notes are an integral part of the financial statements.

BANQUE NATIONALE DE CRÉDIT
Statements of Cash Flows
Years ended September 30, 2019 and 2018
(Expressed in thousands of Haitian gourdes)

	Notes		2019	2018
OPERATING ACTIVITIES				
Net income for the year		G	**1,042,965**	1,237,665
Adjustments to reconcile net income for the year to net cash flows resulting from operating activities:				
Provision for credit losses	**20**		**285,887**	150,000
Foreign exchange revaluation effect of the provision for credit losses in US dollars			**239,219**	33,552
Depreciation of fixed assets	**11**		**143,675**	122,920
Loss on disposal of fixed assets			**-**	1,636
Gain on sale of investment properties	**22**		**(38,381)**	(17,407)
Impairment of investment properties	**22**		**-**	2,792
(Gain) impairment loss on equity instruments	**22**		**(55,129)**	9,047
Changes in assets and liabilities resulting from operating activities:				
Decrease (increase) in bonds and debentures, net			**4,819,342**	(4,003,854)
Increase (decrease) in local investments			**(2,836,393)**	949,713
Increase in foreign investments			**(3,902,709)**	(997,158)
Disbursements of loans, net			**(5,758,568)**	(2,181,673)
Increase in investment properties	**12**		**-**	(68)
Proceeds on sales of investment properties			**42,389**	47,480
Increase in deposits, net			**8,983,757**	3,632,794
Increase (decrease) of local banks deposits			**6,488**	(99,610)
Changes in other assets and liabilities			**1,138,081**	(306,085)
Net cash flows provided by (used in) operating activities			**4,110,623**	(1,418,256)
INVESTING ACTIVITIES				
Acquisitions of fixed assets	**11**		**(226,852)**	(319,617)
Net cash flows used in investing activities			**(226,852)**	(319,617)
FINANCING ACTIVITIES				
Loans and debentures BRH			**2,177,702**	985,001
Payment to the Public Treasury			**(200,000)**	(160,000)
Net cash fows provided by financing activities			**1,977,702**	825,001
Net increase (decrease) in cash and cash equivalents			**5,861,473**	(912,872)
Cash and cash equivalents at beginning of year			**22,027,944**	25,413,912
Effect of foreign exchange rate fluctuations on cash and cash equivalents at beginning of year			**3,862,846**	1,389,750
Cash and cash equivalents at end of year	**5**	G	**31,752,263**	25,890,790

[(1)] **The information presented on September 30, 2019 takes into account the new standards adopted on October 1, 2018.**

The notes are an integral part of the financial statements.

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(1) ORGANIZATION

Banque Nationale de Crédit (BNC) is a Government-owned commercial bank, created by Law on August 17, 1979 as published in Le Moniteur on September 11, 1979. BNC results from the separation of the former Banque Nationale de la République d'Haiti (BNRH) into two banks: A Central Bank, Banque de la République d'Haiti (BRH), and a commercial bank, BNC. Although created on August 17, 1979, BNC started to operate independently on April 1, 1980, date of the segregation of BNRH assets and liabilities between BRH and BNC.

BNC's main mission is to conduct all banking operations in conformity with the Decree of July 17, 2012 as well as with all other legislation relating to financial institutions controlling banking activities and operations in Haiti. BNC is managed by an independent Board of Directors, named by Presidential decree. BNC's headquarter is located at 103, angle des rues des Miracles and du Quai in Port-au-Prince, Haïti and the bank operates a network of 37 branches throughout the country.

(2) BASIS FOR FINANCIAL STATEMENTS PREPARATION

(a) Accounting framework

The financial statements of BNC have been prepared in conformity with International Financial Reporting Standards (IFRS) except for the qualifications mentioned in the independent auditors' report related to the fact that investment properties are not reflected at fair value, and to potential adjustments that could have been necessary if the actuarial valuations for the retirement pension plan and for the special fund had been obtained **(note 3 r)**.and if the gains or losses on local investments had been determined **(note 7).**

The financial statements were approved by the Board of Directors on May 26, 2020.

(b) Basis of measurement

These financial statements are presented on a historical cost basis, except for equity instruments held at fair value through profit or loss **(note 7)** and foreign investments **(note 8)** which are presented at fair value.

The methods used to measure the fair value are described in the corresponding notes **(3d), (3e)** and **(3i)**.

(Continued)

(2) BASIS FOR FINANCIAL STATEMENTS PREPARATION (CONTINUED)

(c) Presentation currency

These financial statements are prepared in Haitian Gourdes which is the Bank's functional currency. The financial information reported has been rounded to the nearest thousands.

(d) Use of estimates and judgment

In preparing these financial statements in conformity with International Financial Reporting Standards, Management had to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, contingent assets and liabilities, and income and expenses of the year. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed periodically. The impact of revisions to accounting estimates is recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

Notes 6, 7 and 8	Valuation of bonds, debentures and equity instruments
Note 9	Valuation of foreign exchange contracts
Note 10	Valuation of the provision for expected credit losses and the general reserve for loan losses
Note 11	Depreciation and valuation of fixed assets
Note 12	Valuation of real estate
Note 13	Valuation of goodwill
Note 14	Valuation of some other assets.

According to Management, except for the adjustments that could have been necessary if the investment properties were presented at fair value, if actuarial evaluations of the pension plan and of the special fund had been obtained, and if capital gains or losses on local investments had been determined, as reflected in the independent auditors' report, the financial statements were prepared on an adequate basis using fair judgment in all material respects and in accordance with the accounting principles summarized below.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. As permitted by the transitional dispositions of IFRS 9, the Bank did not restate comparative figures for the impact of adopting the impairment model of IFRS 9 with respect to the impairment of financial assets. This impact is accounted for in the opening balance of retained earnings **(note 19**). On October 1, 2018, the Bank changed the presentation of some balance sheet captions and reclassifications were made to interests receivable which were previously presented in other assets and are now included with the corresponding financial instruments.

(a) Conversion of foreign currencies

In conformity with IAS 21, monetary assets and liabilities expressed in foreign currencies are converted in Haitian Gourdes at the exchange rate prevailing at the balance sheets date. Gains and losses resulting from this conversion are included in the statement of income.

Transactions in foreign currencies are translated at the exchange rate in effect at the transaction date. Gains and losses related to exchange operations are recorded in the statement of income.

The financial statements presented in **schedules I, II and III** were translated in US dollars according to the requirements of IAS 21. Under the requirements of this standard, assets and liabilities are translated at year-end exchange rate. Net assets accounts other than net income for the year are translated at year-end exchange rate. Income and expenses are translated at the average rate of exchange. All exchange differences resulting from such translation are reflected as a separate component in net assets.

(b) Impairment of financial assets

In accordance with the requirements of IFRS 9, since October 1, 2018, the Bank applies a three-stage general impairment approach to measure the expected credit losses on all debt instruments and off-balance sheet items reflected at amortized cost.

Equity instruments and debt instruments kept at fair value through profit or loss are not subject to impairment.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(3) <u>SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)</u>

(b) <u>Impairment of financial assets (continued)</u>

This provision for expected credit losses under IFRS 9 is based on a series of assumptions and credit methodologies specific to the Bank and the banking system in general; they include:

- Changes in the credit risk rating of borrowers
- The expected life of the credit facilities
- The integration of forecasts such as changes in macroeconomic conditions, inflation, interest rates, exchange rate of the Gourde to the US dollar and the Gross National Product.

Management must therefore exercise significant judgment in establishing this provision for expected credit losses at each reporting date. The Central Bank's regulatory criteria which have always been in line with the internal management of the Bank in terms of credit risks, and which have the advantage of having been tested and validated, are also taken into account. The adjustments required with the application of IFRS 9 regarding the regulatory requirements are reflected in the reserve account **(note 3 t)**.

This provision for expected credit losses (ECL) is determined by considering the classification of financial assets in different stages as follows:

Stage 1 Financial assets that have not suffered any significant deterioration in credit (less than 31 days due): BRH bonds, debentures and Treasury bonds (**note 6**), local investments at amortized cost **(note 7)**, foreign investments at amortized cost **(note 8)**, loans **(note 10)**, and financial assets in other assets **(note 14)** are considered in this category. Expected credit losses for this category are recorded for the next 12 months.

Stage 2 The financial assets listed above for which there has been a deterioration in credit since their initial recognition are considered as impaired assets. Financial assets (31-90 days due) are considered in this category. Expected credit losses for this category are recorded over the lifetime of the financial assets.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Impairment of financial assets (continued)

Stage 3 Financial assets for which significant events have had a negative impact on their future cash flows are considered in default. Financial assets (more than 90 days in arrears) are considered in this category. Expected credit losses for this category are also recorded over the lifetime of the financial assets.

Financial assets that are in default and for which the Bank has exhausted all available, legal and other, recourses are derecognized and are presented at the value of the recoverable guarantee.

If the credit risk rating of a financial instrument improves, this asset is reclassified in the stage corresponding to its new status at the reporting date. This therefore results in transfers of provisions from one stage to another during the year.

Expected credit losses (ECL) by stage are calculated based on the following three factors:

- The Probability of Default (PD) for a financial asset or a category of financial assets (with similar risks) corresponding to the percentage of estimated loss.

- Exposure at default (EAD) represents the expected exposure (principal and interest) in the event of default.

- Loss given default (LGD) represents the magnitude of the likely loss taking into account the amounts of recoverable guarantees.

Thereafter, expected credit losses are generally discounted at the effective interest rate of the respective financial instrument.

ECL are recorded in the provision for expected credit losses in the statement of net income **(note 20)**.

(c) Determination of fair value

IFRS 13 establishes a fair value hierarchy to enhance the consistency and comparability for fair value measurements and disclosures, which consists of the following three levels:

- **Level 1** which includes quoted prices (unadjusted) that an entity may access at the measurement date in active markets for identical assets or liabilities. A quoted price in an active market provides the most reliable indication of fair value.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Determination of fair value (continued)

- **Level 2** are inputs for assets or liabilities, other than market prices included in **Level 1** inputs, that are observable directly or indirectly. They include prices in non active markets for identical or similar assets.
- **Level 3** inputs are non observable inputs for assets at the measurement date. Non observable inputs should be used to measure fair value only to the extent that relevant observable input is not available.

The fair value of a financial asset corresponds to the price that would be received for the sale of a financial asset or paid for the transfer of a financial liability in a normal transaction between market participants at the measurement date. IFRS 13 defines the main market as the market with the highest volume and level of activity and the most profitable market as the market that maximizes the amount that would be received, or minimizes the amount that would be paid for the transaction in question in the absence of a main market.

For stock markets, the quoted values of active markets are used **(Level 1)**. If there is no quoted price, fair value is determined using models that maximize the appreciation of observable inputs, as described in the related notes **(Level 2)**.

(d) Cash and cash equivalents

Cash and cash equivalents are reflected at cost and represent amounts kept in cash, deposits at BRH as statutory reserves, deposits with other banks with a very short-term maturity and/or refundable on demand, and items in transit.

(e) Investments

Investments are composed of local and foreign investments.

Local investments include BRH bonds, Treasury bonds and debentures, debentures from local companies, interbank loans to local banks and equity instruments.

Foreign investments include term deposits, US Treasury bonds, US governmental agencies debentures, private companies' debentures and equity instruments.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investments (continued)

Upon initial recognition, the Bank classifies investments according to the economic model and the cash flow characteristics of each financial instrument.

Investments are therefore recognized either at amortized cost, or at fair value through profit or loss, according to the categories defined by IFRS 9.

i) **At amortized cost**. These investments are comprised of the following debt instruments: BRH bonds, debentures and Treasury bonds **(note 6)**, United States Government bonds, private and financial companies bonds and term deposits **(note 8)** and bonds and term deposits in local institutions **(note 7)** which correspond only to repayments of principal and interest payments. Holding these investments is part of an economic model which objective is to hold assets in order to receive contractual cash flows. These investments have a fixed maturity and are held to maturity. They are recorded at amortized cost using the effective interest method, net of the provision for expected credit losses. Premiums, discounts and related transaction costs are amortized over the expected life of each instrument in interest income. Changes in value are not recorded but are disclosed in the notes to the financial statements.

Gains and losses realized on the disposal of these investments are recognized in the statement of income in the year in which they occur.

iii) **Fair value through profit or loss**. These investments consist of debt instruments: bonds of the United States Government, and bonds of private and financial companies **(note 8)** and equity instruments in local companies **(note 7)** which are recorded at their fair value, through profit and loss. These investments are generally acquired for resale or for the purpose of generating capital gains.

Transaction costs are charged directly to the income statement. Interest income, dividends and changes in fair value are recorded in the statement of income as well as the gains and losses realized upon disposal of these instruments.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Loans

Loans are recorded at amortized cost using the effective interest method, net of the allowance for expected credit losses.

Non-performing loans consist of loans in default payment for 90 days and more. Non-performing loans are considered current when principal and interest payments in arrears are paid and there is no longer any doubt regarding recovery of these loans.

Restructured loans are those for which the Bank has revised the terms due to deterioration in the financial situation of the borrower. These loans are reclassified as current loans when they meet the required criteria thereof.

Loans are written off against the impairment provison for loan losses when all restructuring and collection efforts are completed and it is unlikely that other amounts will be recovered. Recoveries of loans written off are recorded as revenue, when collected.

At year end, the Bank establishes an impairment provision for loan losses representing an estimate of the impairment loss on the loan portfolio at that date in accordance with what is described in **note 3 b**. This provision takes into account data such as default or delinquency by a borrower, collateral value, future recovery possibilities and the financial situation of the borrower, that may impact future cash flows of a specific loan or of a group of loans with similar risks. This provision is also based on Management's experience and judgment. Credit card balances are provisioned at 100% once they exceed 180 days.

The provision for credit losses appearing in the statement of income represents the difference between the provision determined above and the provision at the beginning of the year, net of write-offs and of the translation adjustment resulting from the revaluation of the provision for expected credit losses in US dollars.

The Bank also meets the Central Bank's requirements on provisions as defined in Circular 87. When the required provision for loan losses in accordance with the Central Bank's regulations exceeds the provision (IFRS) for expected credit losses reflected on the balance sheet, the excess of provision is recorded in the general reserve for loan losses, reflected in net assets **(note 3 t).**

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Fixed assets

Fixed assets are recorded at cost. Except for land, leasehold improvements and capital expenditures in progress, depreciation is calculated based on the estimated useful life using the straight-line method. Leasehold improvements are amortized over the lease terms using the straight-line method. Capital expenditures in progress will be transferred to their respective category of fixed assets, and then depreciated over their estimated useful life from the time they are ready for usage.

Depreciation rates applied to the main categories of fixed assets are as follows:

Buildings	2.8%
Computer equipment	20%
Fixtures and equipment	10%
Vehicles	20% and 25%
Electrical equipment	20%
Communication equipment	10% and 20%
Air conditioning system	10% and 20%
Security equipment	20%
Leasehold improvements	8% to 11%

The depreciation method, estimated useful lives and residual value of the various categories of fixed assets are reviewed at each year end.

Major disbursements for improvements and reconditioning are capitalized, and disbursements for maintenance and repairs are charged to expenses.

Gains or losses realized on disposals of fixed assets are recognized in the statement of income.

(h) Properties held for sale

In conformity with IFRS 5, properties held for sale, presented in Real Estate, are properties received in settlement of unpaid loans, or repossessed in compensation for the balance of unpaid loans plus interest receivable at the time of default, plus recovery fees incurred by the Bank. Those properties are recorded at fair value at the transaction date.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Properties held for sale (continued)

The Bank has established an active sales program within which these properties should be actively commercialized in their actual state during a period not exceeding one year, unless there are circumstances outside the control of the Bank. Properties not in conformity with these criterias have been reclassified to investment properties.

The carrying value of these assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. In case of impairment, the carrying value is adjusted to the net realizable value which is equivalent to the estimated selling price in the normal course of business.

Fair value is established based on appraisals from independent real estate appraisers.

(i) Investment properties

Investment properties, presented in Real Estate, represent land and buildings held by the Bank for an unspecified period and use. They are kept at fair value determined by independent real estate appraisers, and are not depreciated, in conformity with IAS 40.

Those investment properties should be presented at fair value and, in that context, the Haitian legislation requires three evaluation reports obtained from independent real estate appraisers. Although fair value gains were noticed on some investment properties, Management considers it is premature to record those gains and wishes to perform additional analyses. This resulted in a qualification in the independent auditors' report.

All gains or losses in value resulting from a change in fair value of these investment properties are recorded in the statement of income.

Some of these buildings are rented to Government organizations and commercial companies. Rental income, as collected, and expenses related to the management of these buildings are recorded in the statement of income.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) General reserve for real estate

The general reserve for real estate is established by a transfer from retained earnings and represents the provisions required by the Central Bank with regards to the Bank Law of July 20, 2012. They are established as follows:

- At receipt, 30% of the fair value of properties received or repossessed in lieu of payment, from the date of application of the Law.

- The yearly impairment of 20% on all properties received or repossessed in lieu of payment and unsold after two years, up to 100% of the recorded value. This has been effective beginning as of December 3, 2015, as stated in the Instruction Letter no. 1 of the Central Bank dated December 3, 2013 regarding the implementation of Article 189.

This reserve is not subject to distribution and is not taken into account in regulatory capital. When the Bank disposes of real estate, the related general reserve is transferred back to retained earnings.

(k) Foreign exchange contracts

Foreign exchange contracts include forward contracts for commitments to exchange two currencies (gourdes and US dollars) at a future date at a predetermined exchange rate and on terms agreed to by both parties at the date of the contract. These contracts reflect amounts receivable in one currency and amounts to be remitted in another currency in accordance with the terms of the respective contracts.

(l) Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the net identifiable assets and liabilities acquired. This intangible asset is not amortized in accordance with IFRS 3. Goodwill is subject to an annual impairment test or more frequently if events or changes in circumstances indicate an impairment. Goodwill is presented at cost less impairment loss. Impairment loss cannot be reversed. Management believes that there is no decrease in the book value of goodwill as of the date of these financial statements.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Acceptances and letters of credit

The Bank's potential liability with respect to trade acceptances and letters of credit is reflected as a liability on the balance sheet.

The Bank's recourse against its customers in the case of a call on these commitments is reported as an asset for the same amount.

(n) Deposits and loans

Customers' deposits and loans are recorded at cost. Their fair value is assumed to be equal to their carrying value since the interest rates are indexed to current market rates.

(o) Local banks deposits

Local banks deposits from branches of commercial banks located in the provincial towns represent the mandatory cash reserve collected by BNC on behalf of BRH. These deposits do not carry interest. Their fair value is comparable to book value since they are very short-term deposits.

(p) Exoneration of income and other taxes

In accordance with the Law of August 17, 1979, amended by the Decree of November 23, 2005, the Bank is exonerated from income taxes, governement duties and other taxes on its own operations.

(q) Payment to the Public Treasury

In accordance with the Law of August 17, 1979 and the Decree of November 23, 2005, a remittance of up to 25% of the net income of the Bank is due to the Public Treasury. The remaining balance will be used to constitute the required legal reserve of 10% as well as other special reserves set aside for investment, expansion and other activities as determined by the Board of Directors.

In 2019, following an agreement with the Ministry of Economy and Finance, an amount of G 200 million was paid to the Public Treasury for 2018.

The amount to be paid to the Public Treasury has not yet been determined for 2019.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Pension plan and special fund

The Bank offers its employees a contributory end-of-career defined benefit pension plan that provides benefits based on the number of years of service and the average salary of the last five years of service of the beneficiaries.

The Bank has also set up a special fund payable to employees at their retirement resulting in special bonus payments for years of service, and severance payments.

No actuarial valuations of these plans are available. Charges are recorded on an estimated basis and not on the basis of the actuarial obligations. The actuarial surpluses or deficits and related amortization are not determined.

International Financial Reporting Standards require that the Bank obtains an actuarial evaluation at the end of each year. Consequently, the information presented in **notes 18** and **23** is not in conformity with International Financial Reporting Standards.

(s) Legal reserve

In agreement with the Law on financial institutions, an amount of 10% of the net income is transferred every year in a reserve account in order to constitute the legal reserve, until such reserve reaches a maximum of 50% of the capital fund.

(t) General reserve for loan losses

The general reserve for loan losses is established by a transfer from retained earnings and represents the excess of the provision required by the Central Bank, to cover potential loan losses including the general provision on the loan portfolio, over the balance sheet impairment provision for expected credit losses based on International Financial Reporting Standards. This reserve is not subject to distribution.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Interest

Interest income on loans is recorded on an accrual basis. Interest income on credit cards is capitalized up to 180 days. After this period, the outstanding balance is provisioned.

Interest income and expenses are accounted for using the effective interest method. Interest includes primarily interest income on BRH bonds, Treasury bonds and debentures, loans, and local and foreign investments, as well as interest expense on deposits and debt.

(v) Commissions

Commissions that are significant to the determination of the effective interest rates on financial assets and liabilities are included in the measurement of those effective interest rates.

Commission income and expenses which are similar to service fees are recognized in the statement of income when the services are rendered.

(w) Regulatory reserve

According to the cash reserve requirements of the Central Bank, as of September 30, 2019 and 2018, a reserve of 45.0% and 44.0% of liabilities in local currency and 51.5% and 49.5% of liabilities in foreign currencies must be held in deposits at the Central Bank. Reserves on liabilities in foreign currencies must be maitained in foreign currencies until July 2018. As of August 2018, 7.5% of the reserve on foreign currencies has to be maintained in gourdes; this rate was modified to 12.5% as of February 2019. This requirement does not apply to the local banks deposits that are not part of the regulatory reserve.

From June 2015, the regulatory reserve requirement rate for deposits of non financial public enterprises is 100%.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) New standards, amendments and interpretations not yet adopted

In the current year, the Bank applied the impairment component of financial instruments in accordance with IFRS 9. The impact of the adoption of this standard is reflected in **note 19**.

For the Bank, the transition to IFRS 15 had no significant impact since the majority of revenues, including interest income, commissions and foreign exchange are not affected by this standard.

As of the date of these financial statements, some standards, modifications and interpretations have been issued but not yet in effect as of September 30, 2019. These standards have not been taken into account in the preparation of the financial statements of the Bank.

Management believes, however, that the application of standard IFRS 16, relating to leases, in effect for the financial year beginning on January 1, 2019 or after, could have an impact on the Bank's financial statements for the year ended September 30, 2020.

In May 2017, the IASB published a new standard IFRS 17- Insurance Contracts which replaces the current standard IFRS 4. However, the IASB has provisionally decided to postpone the effective date of IFRS 17 for fiscal years beginning on or after January 1, 2022.

(4) RISK MANAGEMENT

Banking business involves many risks that require careful management because of their potential negative impact on the operations of a bank, its financial results and its assets. The main risks are as follows:

Liquidity risk;
Credit risk;
Market risks: foreign exchange and interest rates;
Capital management risk;
Money laundering and financing of terrorism risks.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(4) RISK MANAGEMENT (CONTINUED)

Management of the Bank is aware that it must efficiently manage those risks in order to meet its financial objectives; therefore, it applies a focused and prudent set of procedures with regards to those risks. This set of procedures provides guidance to the various departments of the Bank accompanied with an internal control system that conforms to the industry and to Central Bank regulations. The internal control system allows the Board of Directors to ensure adequate control over the bank activities at all levels. In addition to a structured operational hierarchy, internal control also includes specialized committees that analyse risks, supervise the various departments and define the operational objectives of the Bank. Among those committees, there are the Management Committee, the Treasury Committee, the Credit Committee, the Audit and Compliance Committee, and the Security and Ethics Committee.

Management's evaluation of the major risks of the Bank is as follows:

A) LIQUIDITY RISK

Liquidity risk is the risk that BNC does not have at the appropriate time the required liquidity to meet its current obligations, on and off-balance sheet. Prudent and effective management of liquidity is therefore essential as part of the policy to maintain market confidence and protect its capital.

To manage this risk on a daily basis, Management has put in place a prudent policy of cash management which allows the Bank to have sufficient liquidity to meet its current obligations at due date. In addition, Management closely monitors the maturity of deposits and loans as well as other resources and claims against those resources so as to ensure a proper matching between resources and obligations, while complying with the statutory requirements applicable to the Bank. The Treasury Committee meets on a weekly basis and monitors on a daily basis the operational needs of the Bank.

In general, the Bank is in compliance with the Central Bank regulations in terms of liquidity; it maintains the regulatory cash reserve required by Circular 72-3.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(4) RISK MANAGEMENT (CONTINUED)

A) LIQUIDITY RISK (CONTINUED)

The maturity profile of the Bank's financial liabilities based on their initial contractual maturity is as follows as of September 30:

September 30, 2019

(In thousands of gourdes)		Current	1 – 3 months	3 months - 1 year	More than a year	Total
Deposits: **(note 15)**						
Demand deposits	G	30,576,566	-	-	-	**30,576,566**
Savings deposits		20,468,941	-	-	322,467	**20,791,408**
Term deposits		101,342	2,622,411	7,578,959	-	**10,302,712**
Total-deposits		51,146,849	2,622,411	7,578,959	322,467	**61,670,686**
Loans and debentures BRH **(note 16)**		29,577	1,908,658	112,903	3,093,965	**5,145,103**
Local bank deposits **(note 17)**		35,929	-	-	-	**35,929**
Commitments - acceptances and letters of credit		-	357,913	-	-	**357,913**
Foreign exchange contracts **(note 9)**		-	2,149,809	-	-	**2,149,809**
Other liabilities **(note 18)**		1,010,017	248,423	3,196,423	2,319,683	**6,774,546**
Total - others		1,075,523	4,664,803	3,309,326	5,413,648	**14,463,300**
Total	**G**	**52,222,372**	**7,287,214**	**10,888,285**	**5,736,115**	**76,133,986**

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(4) RISK MANAGEMENT (CONTINUED)

A) LIQUIDITY RISK (CONTINUED)

September 30, 2018

(In thousands of gourdes)	Current	1 – 3 months	3 months – 1 year	More than a year	Total
Deposits: **(note 15)**					
Demand deposits	G 28,132,524	-	-	-	28,132,524
Savings deposits	16,397,419	-	-	192,731	16,590,150
Term deposits	86,099	2,306,297	5,571,859	-	7,964,255
Total-deposits	44,616,042	2,306,297	5,571,859	192,731	52,686,929
Loans and debentures BRH **(note 16)**	13,727	41,181	109,816	2,802,677	2,967,401
Local bank deposits **(note 17)**	29,441	-	-	-	29,441
Commitments - acceptances and letters of credit	-	244,921	-	-	244,921
Foreign exchange contracts **(note 9)**	-	631,780	2,859,556	-	3,491,336
Other liabilities **(note 18)**	327,065	77,730	2,831,567	2,118,427	5,354,789
Total – others	370,233	995,612	5,800,939	4,921,104	12,087,888
Total	**G 44,986,275**	**3,301,909**	**11,372,798**	**5,113,835**	**64,774,817**

(Continued)

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK

The credit risk is the risk of financial loss resulting from the inabiility of a party to fulfill its financial and/or contractual obligations towards the Bank.

Monetary policies adopted by the Central Bank of Haïti and the Federal Reserve Bank in the United States of America or by other international institutions in the territories where the Bank holds financial assets, have an impact on the Bank's activities, its results and its financial position.

This risk affects the following significant financial assets:

(In thousands of gourdes)	2019	2018
Cash and cash equivalents (note 5):		
Deposits with BRH	G **17,608,932**	16,208,877
Deposits with foreign banks	**2,350,330**	768,558
Items in transit	**145,635**	209,237
	20,104,897	17,186,672
Investments:		
BRH bonds, Treasury bonds and debentures, net **(note 6)**	**8,645,928**	13,465,270
Local investments **(note 7)**	**3,536,577**	645,081
Foreign investments **(note 8)**	**11,479,439**	7,577,017
	23,661,944	21,687,368
Foreign exchange contracts (note 9)	**2,149,809**	3,491,336
Credit:		
Loans, net **(note 10)**	**21,279,951**	15,981,424
Acceptances and letters of credit	**357,913**	244,921
Other assets, net (note 14)	**95,032**	34,173
	G **67,649,546**	58,625,894

(Continued)

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK (CONTINUED)

i) Cash and cash equivalents

Cash and cash equivalents are held at financial institutions that the Bank considers as being sound. The financial viability of these institutions is reviewed periodically by Management. As of September 30, 2019 and 2018, 87% and 94% of cash and cash equivalents are kept at the Central Bank as reserve coverage. In general, Management considers that the credit risk related to cash and cash equivalents is nil.

ii) Investments

Investment risk occurs when a security decreases in value due to unfavorable financial performance, real or expected, of the issuer. To manage this risk, the Bank invests in financial instruments for which the operational and financial aspects can be managed with a return proportional to the assumed risks.

The Bank considers the BRH bonds, representing 4% and 41% of investments as of September 30, 2019 and 2018 as financial instruments not a risk. Maturity of these bonds does not exceed 91 days and the Bank is confident that the BRH will honor its commitments in due course.

The Bank considers the Treasury bonds, representing 32% and 19% of investments as of September 30, 2019 and 2018, as financial instruments with moderate risk and Management is confident that the Haitian Treasury will honor its commitments in due course.

The Bank considers the Treasury debentures, representing 0.2% and 1.5% of investments as of September 30, 2019 and 2018, as financial instruments with low risk, and Management is confident that the Haitian Treasury will honor its commitments in due course.

The Bank considers as moderate the risk on its local investments in securities and debentures. On a regular basis, the Bank requests financial information in order to ensure adequate valuation. Furthermore, the Bank considers as low the risk on interbank loans.

As of September 30, 2019 and 2018, foreign investments are mainly composed of term deposits (67% and 65%) and debentures from government agencies (23% and 26%), representing 90% and 91% of those investments. Management considers as low the credit risk on the term deposits and on the debentures from government agencies. Management considers as moderate the credit risk on the other foreign investments.

(Continued)

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK (CONTINUED)

iii) Credit

Policies and procedures established by the Bank allow an adequate management of this risk; thus:

- All new loans are analyzed, approved by the Credit Committee and adequately documented.
- The Credit Administration ensures that the guarantees required are in place before any disbursements.
- The loan portfolio is managed by a performing credit software and is rigorously and methodically followed-up by the Credit Department, the Credit Administration and the Credit Committee.
- Delinquent customers are followed up by the Credit Department, the Recovery Unit, the Legal Department and finally, by external legal counsels.
- Adequate specific provision and a general reserve are established against non-performing loans. They represent 58% and 233% of non performing loans as of September 30, 2019 and 2018.
- In general, the Bank is in conformity with the requirements of the Central Bank with regards to loan classification and establishment of an impairment provision on loan losses (Circular no. 87), the 50% limit of the US dollar loans versus total US dollar liabilities (Circular no. 97), and the concentration of credit risk (Circular no. 83.4) requirement, which limits, in relationship to its regulatory capital, the amount of credit that may be issued to a borrower, a group of borrowers, or to the major sectors of the economy.

iv) Foreign exchange contracts

The Bank considers the risk to be low on the foreign exchange contracts since the counterparties are liabilities.

v) Acceptances and letters of credit

The Bank considers the risk to be low on acceptances and letters of credit since the counterparties are liabilities.

vi) Other assets

The Bank considers as low the risk of non-payment on other financial assets that represent current transactions that are settled within a short period of time.

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK (CONTINUED)

The geographic allocation of financial risk based on the ultimate location of the financial assets of the Bank is as follows:

(In thousands of gourdes)		2019	2018
Cash and cash equivalents			
Haiti	G	**17,818,169**	16,418,114
United States		**2,206,390**	701,076
Canada		**72,948**	61,841
Panama		**6,971**	5,225
England		**419**	416
		20,104,897	17,186,672
Investments			
Haiti		**12,182,504**	14,110,035
Panama		**5,934,485**	4,267,531
United States		**4,136,399**	2,959,915
Canada		**1,408,556**	349,887
		23,661,944	21,687,368
Foreign exchange contracts			
Haiti		**2,149,809**	3,491,336
Credit			
Haiti		**21,279,951**	15,981,424
Acceptances and letters of credit			
Haiti		**357,913**	244,921
Other assets, net			
Haiti		**95,032**	34,173
Total financial assets	G	**67,649,546**	58,625,894

C) MARKET RISK

Market risk arises from price fluctuations in the market and encompasses mainly the foreign exchange risk and the interest rate risk. The Bank's objective is to manage these risks within acceptable parameters in order to be profitable and to maximize its return on investment while preserving net assets and guaranteeing deposits.

i) Foreign exchange risk

Foreign exchange risk results from significant matching differences between the financial assets and liabilities denominated in the same currency, following changes in the value of that currency.

(Continued)

(4) RISK MANAGEMENT (CONTINUED)

C) MARKET RISK (CONTINUED)

i) Foreign exchange risk (continued)

To manage that risk, the Bank has adopted a policy of not generally taking a foreign position in currencies exceeding three working days. Circular no. 81-5 of the Central Bank on foreign exchange risk, effective as of April 2017, stipulates that the foreign currency position, in absolute terms, must not exceed 0.5% of shareholders' equity on a daily basis, which limits the gain or loss that the Bank could incur on its position in foreign currencies.

As of September 30, 2019 and 2018, the net foreign exchange positions of the Bank, by currency, were as follows:

September 30, 2019

(In thousands of gourdes)		Gourdes	Dollars converted	Euros converted	Total
Cash and cash equivalents	G	16,408,531	15,342,031	1,701	**31,752,263**
BRH bonds, Treasury bonds and debentures		8,645,928	-	-	**8,645,928**
Local and foreign investments		3,318,022	11,697,994	-	**15,016,016**
Loans, net		13,788,160	7,491,791	-	**21,279,951**
Acceptances and letters of credit		2,089	355,824	-	**357,913**
Foreign exchange contracts		2,149,809	-	-	**2,149,809**
Other assets, net		11,635	83,397	-	**95,032**
Total financial assets	**G**	**44,324,174**	**34,971,037**	**1,701**	**79,296,912**
Deposits		32,028,969	29,641,717	-	**61,670,686**
Loans and bonds- BRH		3,278,779	1,866,324	-	**5,145,103**
Local banks deposits		30,188	5,741	-	**35,929**
Commitments – acceptances and letters of credit		2,089	355,824	-	**357,913**
Foreign exchange contracts		-	2,149,809	-	**2,149,809**
Other liabilities		4,183,522	2,591,024	-	**6,774,546**
Total financial liabilities	**G**	**39,523,547**	**36,610,439**	**-**	**76,133,986**
Assets (liabilities), net	**G**	**4,800,627**	**(1,639,402)**	**1,701**	**3,162,926**

For each variation of one Gourde versus the US dollar and the Euro, the currency position in US dollars and Euros converted would result in an exchange gain or loss of respectively G 18 million and G 17 thousand, as the case may be.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(4) RISK MANAGEMENT (CONTINUED)

C) MARKET RISK (CONTINUED)

i) Foreign exchange risk (continued)

September 30, 2018

(In thousands of gourdes)		Gourdes	Dollars converted	Euros converted	Total
Cash and cash equivalents	G	14,308,707	11,574,542	7,541	**25,890,790**
BRH bonds, Treasury bonds and debentures		13,465,270	-	-	**13,465,270**
Local and foreign investments		485,811	7,736,287	-	**8,222,098**
Loans, net		11,412,089	4,569,335	-	**15,981,424**
Acceptances and letters of credit		-	244,921	-	**244,921**
Foreign exchange contracts		3,491,336	-	-	**3,491,336**
Other assets		20,491	13,682	-	**34,173**
Total financial assets	**G**	**43,183,724**	**24,138,767**	**7,541**	**67,330,012**
Deposits		30,753,071	21,933,858	-	**52,686,929**
Loans and bonds - BRH		2,967,401	-	-	**2,967,401**
Local banks deposits		23,955	5,486	-	**29,441**
Commitments – acceptances and letters of credit		-	244,921	-	**244,921**
Foreign exchange contracts		-	3,491,336	-	**3,491,336**
Other liabilities		3,494,495	1,860,294	-	**5,354,789**
Total financial liabilities	**G**	**37,238,922**	**27,535,895**	**-**	**64,774,817**
Assets (liabilities), net	**G**	**5,944,802**	**(3,397,128)**	**7,541**	**2,555,195**

For each variation of one Gourde versus the US dollar and the Euro, the currency position in US dollars and Euros converted would result in an exchange gain or loss of respectively G 36 million and G 93 thousand, as the case may be.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(4) RISK MANAGEMENT (CONTINUED)

C) MARKET RISK (CONTINUED)

i) Foreign exchange risk (continued)

The foreign exchange rates for the different currencies compared to the gourde were as follows:

	2019	2018
As of September 30		
US Dollar	**93.3162**	69.9774
Euro	**101.9853**	81.2000

ii) Interest rate risk

This risk is related to any possible incidence of interest rates fluctuations on the net income and consequently, on net assets. It results from the inability to adjust interest rates as market evolves, to the extent that net interest margin decreases significantly or becomes negative. The amount of the risk is related to the magnitude and the evolution of interest rates, and of the significance and the maturities of the related financial instruments.

This risk is well managed by the Bank, due to the fact that a significant portion of its interest-bearing assets and liabilities, are short-term and bear interest at variable rates, thus allowing the Bank to rapidly modify the interest rates and accordingly reduce the risk. With regards to long-term assets bearing interest for a fixed period, the Bank ensures that it has equivalent long-term liabilities bearing interest at rates lower than those of the corresponding assets. However, as at September 30, 2019 and 2018, due to the importance of financial assets over financial liabilities bearing a fixed interest rate, the variation of interest rates will either increase or decrease the net interest margin.

The Bank maintains a close follow-up of the four following portfolios:

- Loans to and deposits from bank customers
- Local investments
- Foreign investments
- Loans.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(4) RISK MANAGEMENT (CONTINUED)

C) MARKET RISK (CONTINUED)

ii) Interest rate risk (continued)

Management regularly reviews the positions of those portfolios; it establishes the strategy of the Bank taking into account forecasted changes in interest rates, and recommends that all undesired or unforeseen interest rate risk be adequately covered.

At year end, the interest profile on the main interest-bearing financial instruments was as follows:

(In thousands of gourdes)	%	2019	%	2018
Fixed interest rates:				
Financial assets	**60%**	**G 26,531,120**	64%	22,957,060
Financial liabilities	**29%**	**(15,447,815)**	28%	(10,931,656)
Net		**11,083,305**		12,025,404
Variable interest rates:				
Financial assets	**40%**	**17,777,394**	36%	14,926,151
Financial liabilities	**71%**	**(37,462,614)**	72%	(30,825,765)
Net		**(19,685,220)**		(15,899,614)
Total of interest-bearing financial assets	**100%**	**44,308,514**	100%	37,883,211
Total of interest-bearing financial liabilities	**100%**	**(52,910,429)**	100%	(41,757,421)
Net		**G (8,601,915)**		(3,874,210)

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(4) RISK MANAGEMENT (CONTINUED)

D) CAPITAL MANAGEMENT

Capital is defined as paid-in-capital, reserves and retained earnings. The Bank periodically evaluates its return on capital and aims at paying a reasonable return to the Public Treasury that does not impair its capacity to sustain its future development.

Capital adequacy requirements for banks operating in Haiti are set up and monitored by the Central Bank as Regulator. Banks must adhere to the following capital ratios under Central Bank Circular 88:

- **Ratio of assets/capital** - A maximum multiple of 20 times between total assets, plus some qualifying off-balance sheet assets, and regulatory capital.

- **Ratio of capital/risk-weighted assets** – The ratio of regulatory capital to risk-weighted assets must not be less than 12%. Risk-weighted assets comprise balance sheet and some off-balance sheet assets to which specific risk weights are assigned.

Regulatory capital consists mainly of permanent Tier 1 capital attributable to the Haitian Government excluding the general reserves for loan losses and real estate, and of Tier 2 capital mainly consisting of subordinated debt.

As of September 30, the Bank has the following ratios:

	2019	**2018**
Ratio assets / capital	**12.77**	12.41
Ratio capital / risk-weighted assets	**29.3%**	34.4%

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(4) RISK MANAGEMENT (CONTINUED)

E) MONEY LAUNDERING AND FINANCING OF TERRORISM

Conformity

Following the publication of the Law of December 3, 2001, and that of November 14, 2013 relating to money laundering and financing of terrorism, the Bank has taken a series of measures to comply with legal requirements and prudential standards as prescribed by BRH through its circulars 99, 99-1 and 100, one of which resulted in the creation of a Compliance Office.

The Compliance Office reports directly to the Board of Directors, which approves its annual plan and sporadic actions. Monthly or extraordinary meetings are held as needed. This Office acts as an interface in all aspects of compliance with foreign correspondents, the BRH, the Central Financial Intelligence Unit (UCREF), and the Anti-Corruption Unit (ULCC). It is supported by all branch managers who also act as compliance officers.

Members of the Board of Directors, executives of the Controller and Compliance offices regularly attend international seminars on money laundering and financing of terrrorism. The Know Your Customer (KYC) principle is mandatory for the management of all customers, and account opening forms have been modified accordingly, respecting local and international laws.

Technology

The Bank is equipped with modern IT tools to optimize its actions in the fight against money laundering and the financing of terrorism, including:

- an "Anti Money Laundering" (AML) monitoring software;
- a "Swift Sanction Screening" computer application that ensures that principals and beneficiaries are not part of international blacklists of individuals, institutions or countries;
- a computer application for the electronic routing of the declarations of transactions to UCREF.

Operations

Training sessions on money laundering and financing of terrorism are offered to all employees.

The correspondent banks of BNC conduct an annual assessment of the compliance mechanisms put in place by the Bank and adjustments are made following various recommendations and international requirements.

(Continued)

(5) CASH AND CASH EQUIVALENTS

As of September 30, cash and cash equivalents are as follows:

In thousands of gourdes)	2019	2018
Cash	**G 11,647,366**	8,704,118
Deposits with BRH **(note 26)**	**17,608,932**	16,208,877
Deposits with foreign banks	**2,350,330**	768,558
Items in transit	**145,635**	209,237
Total cash and cash equivalents	**G 31,752,263**	25,890,790

Cash and deposits with Banque de la République d'Haïti (BRH) are part of the regulatory cash reserve requirements on total liabilities, except local banks deposits, that must be maintained in accordance with the related provisions of BRH (Central Bank) circulars. These deposits do not bear interest.

As of September 30, deposits with foreign banks are as follows:

(In thousands of gourdes)	2019	2018
Interest bearing accounts	**G 2,169,356**	461,382
Non-interest-bearing accounts	**180,974**	307,176
	G 2,350,330	768,558

Interest rates on interest bearing deposits with foreign banks were on average from 0.05% to 2.09% in 2019, and 2018.

Deposits in foreign banks include security deposits on the following:

(In thousands of US$ and gourdes)	2019		2018	
	US$	**Équivalent HTG**	**US$**	**Équivalent HTG**
Letters of credit **(a)**	-	-	3,500	244,921
Credit card transactions	**1,343**	**125,337**	1,318	92,300

(a) During 2019, a remaining balance of US$ 1,500,000 was converted into a term deposit and is presented in foreign investments **(note 8 i)**.

As of September 30, deposits by currency are as follows:

(In thousands of gourdes)	2019	2018
Deposits in gourdes	**G 16,408,531**	14,308,707
Deposits in US dollars	**15,342,030**	11,574,542
Deposits in euros	**1,702**	7,541
	G 31,752,263	25,890,790

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(6) BRH BONDS, TREASURY BONDS AND DEBENTURES

As of September 30, BRH bonds are as follows:

(In thousands of gourdes)		2019	2018
BRH BONDS			
Face value	G	**1,000,000**	9,145,000
Unearned interest		**(30,555)**	(168,711)
BRH bonds, net	G	**969,445**	8,976,289
Interest rates		***22.0%***	*12.0%*
Maturity		***November 2019***	*October to December 2018*

BRH bonds have maturities of 91 days in 2019 and 2018.

As of September 30, Treasury bonds and debentures are as follows:

(In thousands of gourdes)		2019	2018
TREASURRY BONDS			
Face value	G	**7,900,000**	4,258,000
Unearned interest		**(273,517)**	(91,863)
Treasury bonds, net	G	**7,626,483**	4,166,137
Interest rates		***22.25% to 22.50%***	*9.0% to 12.2%*
Maturity		***October- December 2019***	*December 2018*
TREASURY DEBENDURES			
Face value **(a)**	G	**50,000**	141,667
Interest rates		***6.0%***	*6.0%*
Maturity		***February 2020***	*2019 to 2020*
Face value **(b)**	G	-	181,177
Interest rates		-	*7.0%*
Maturity		-	*2019*
Total Treasury bonds and debentures	G	**7,676,483**	4,488,981
Total BRH bonds, Treasury bonds and debentures, net (note 26)	G	**8,645,928**	13,465,270

(Continued)

(6) BRH BONDS, TREASURY BONDS AND DEBENTURES (CONTINUED)

(a) These Treasury debentures were issued on March 4, 2015 under the agreement signed on January 30, 2015, by the Ministry of Economy and Finance, the Ministry of National Education and Continued Professional Training, and the Central Bank (BRH). This agreement concerns the issuance of Treasury bonds to finance the educational sector of which G 500 million were allocated to BNC. Those debentures are dematerialized and bear interest at the annual rate of 6%. They are repayable in 60 monthly equal installments, starting on March 30, 2015 according to the reimbursement schedule agreed upon with BRH. Cumulative interest to be earned on these debentures will total G 76 million of which G 5 million and G 11 million were regognized in 2019 and 2018.

Those debentures are deductible from the liabilities subject to the regulatory reserve.

(b) These Treasury debentures were issued on September 15, 2014 by the Ministry of Economy and Finance as a Public Finance management tool. Of the total issue of G 5.7 billion, 50% was acquired by the Central Bank (BRH) and the other 50% by the commercial banks in proportion to their regulatory reserves held at BRH on September 9, 2014, repesenting G 905 million for BNC. These debentures are dematerialized and bear interest at the annual rate of 7%. They are repayable as of September 15, 2014 in 60 monthly equal installments. Interest income is recognized based upon the repayment schedule agreed between the BRH and the commercial banks. This schedule foresees that each installment will bear interest of 7% up until its maturity date. Therefore, interest income will increase with time. Cumulative interest to be earned on these debentures will total G 181 million of which G 67 million and G 51 million were recognized in 2019 and 2018.

These Treasury bonds are part of the calculation of the regulatory reserve requirements to be maintained by the Bank on all of its liabilities in accordance with the provisions set by the Central Bank. As at September 30, 2019, these bonds have matured and been redeemed.

(7) LOCAL INVESTMENTS

As of September 30, local investments are as follows:

(In thousands of gourdes)		2019	2018
Investments held to maturity, at amortized cost, net **(i)**	G	**3,052,598**	161,102
Equity instruments at fair value through profit or loss, net **(ii)**		**483,979**	483,979
	G	**3,536,577**	645,081

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(7) LOCAL INVESTMENTS (CONTINUED)

(i) Investments held to maturity at amortized cost are as follows:

September 30, 2019

(In thousands of gourdes)		Cost	Interest rates	Maturity
US dollars bonds at cost of US$ 1,276,000 - E-Power **(a)**	G	**119,087**	9.0%	2024
US Dollars bonds at cost of US$ 1,000,000 - Alternative Insurance Company S.A		**93,315**	7.5%	2022
Interbank investments		**2,800,000**	16.0% and 24.0%	Oct. and Dec. 2019
Total investments held to maturity at amortized cost		**3,012,402**	-	-
Interest receivable		**40,302**	-	-
Total investment held to maturity at amortized cost and interest receivable		**3,052,704**	-	-
Provision for expected credit losses		**(106)**	-	-
Total investments held to maturity at amortized cost, net	**G**	**3,052,598**	-	-

a) During the year, the maturity of these bonds was renewed for an additional five years expiring in 2024.

The provision for expected credit losses on the above bonds has evolved as such:

(In thousands of gourdes)		2019 Stage 1
Balance at of September 30, 2018	G	-
Impact of IFRS 9 adoption **(note 19)**		80
Foreign exchange effect		26
Balance as of September 30, 2019	**G**	**106**

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(7) LOCAL INVESTMENTS (CONTINUED)

September 30, 2018

(In thousands of gourdes)		Cost	Interest rates	Maturity
US dollars bonds at cost of US$ 1,276,000 - E-Power	G	**89,303**	9.0%	2019
US dollars bonds at cost of US$ 1,000,000 - Alternative Insurance Company S.A.		**69,977**	7.5%	2022
Total investments held to maturity at amortized cost		**159,280**	-	-
Interest receivable		**1,822**	-	-
Total investments held to maturity at amortized cost, net	G	**161,102**	-	-

ii) Equity instruments at fair value through profit or loss are as follows:

September 30, 2019

(In thousands of gourdes)		Cost	Loss	Net value	% of interest	Number of common shares
Lafito Industrial Free-Zone S.A. **(a)**	G	332,256	-	**332,256**	8.78%	141,433
Port Lafito S.A. **(b)**		65,992	-	**65,992**	3.81%	65,992
Société de Construction d'Immeubles et d'Ouvrages Publics S.A. (SCIOP S.A.) **(c)**		74,068	(30,068)	**44,000**	5.00%	1,207
Alternative Insurance Company S.A.		41,730	-	**41,730**	6.89%	250
Digital Satellite Systems S.A.		63,047	(63,047)		7.70%	26,380
Société Village Chateaublond S.A.		500	(500)	-	10.00%	50
Haitel		9,300	(9,299)	**1**	-	-
Total equity instruments, net	**G**	**586,893**	**(102,914)**	**483,979**	-	-

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(7) LOCAL INVESTMENTS (CONTINUED)

September 30, 2018

(In thousands of gourdes)		Cost	Loss	Net value	% of interest	Number of common shares
Lafito Industrial Free-Zone **(a)**	G	332,256	-	332,256	8.78%	141,433
Port Lafito S.A. **(b)**		65,992	-	65,992	3.81%	65,992
Société de Construction d'Immeubles et d'Ouvrages Publics S.A. (SCIOP S.A.) **(c)**		74,068	(30,068)	44,000	5.00%	1,207
Alternative Insurance Company S.A.		41,730	-	41,730	6.89%	250
Digital Satellite Systems S.A.		63,047	(63,047)	-	7.70%	26,380
Société Village Chateaublond S.A.		500	(500)	-	10.00%	50
Haitel		9,300	(9,299)	1	-	-
Total equity instruments, net	**G**	**586,893**	**(102,914)**	**483,979**	-	-

None of the above holdings exceed 20% of the share capital of the issuing companies or give the BNC significant influence over the operations of these companies.

The capital loss evolved as follows:

(In thousands of gourdes)		2019	2018
Balance at beginning of the year	G	102,914	93,867
Provision of the year **(note 22)**		-	9,047
Balance at end of year	G	102,914	102,914

(a) The lack of documentation does not allow the determination of the fair value of this investment.

(b) According to the equity investment agreement dated September 2013, BNC will have full ownership of the shares for a period not exceeding five years from their issuance, at the end of which, BNC will sell to the majority group all of the shares currently subscribed for at a price prorated to the appraised value of the identifiable net assets or the notional market value of these shares, whichever is greater. At the contract's expiry date in December 2018, the value of these shares had not yet been determined, according to the methodology provided for in the equity investment agreement.

(Continued)

(7) LOCAL INVESTMENTS (CONTINUED)

On November 15, 2019, a shareholders' agreement was signed between Port Lafito S.A. and the Bank under which BNC became the definitive owner of the 65,992 shares with a book value of G 65.9 million.

The shareholders' agreement provides that a fair value assessment of these shares will be carried out and that any decrease in value, if any, will be offset by the transfer of real estate in favor of BNC. However, this information is not available at the date of the auditors' report.

(c) The common shares of Société de Construction d'Immeubles et d'Ouvrages Publics S.A. (SCIOP) are allocated as follows as at September 30, 2019 and 2018 respectively: 50 Class A shares and 1,157 Class B shares.

(8) FOREIGN INVESTMENTS

As at September 30, foreign investments are in US dollars as follows:

(In thousands of gourdes)		**2019**	**2018**
Investments, at amortized cost, held to maturity, net **(i)**	**G**	**10,651,672**	6,923,211
Fixed maturity investments held for resale at fair value through profit or loss net, **(ii)**		**613,342**	524,002
Total fixed maturity investments		**11,265,014**	7,447,213
Interest receivable		**73,002**	43,510
Total fixed maturity investments and interest receivable		**11,338,016**	7,490,723
Equity instruments at fair value through profit or loss **(iii)**		**141,423**	86,294
Total foreign investments	**G**	**11,479,439**	7,577,017

(i) As of September 30, 2019 and 2018, respectively G 2.9 billion (US$ 31.0 million) and G 2.4 billion (US$ 34.3 million) of the investments held to maturity and all of the investments held for resale are managed by a renowned financial services company located in the United States of America. Management has developed with this manager a strategy to classify investments into different levels of risk while ensuring prudent diversification. The average returns of these portfolios in 2019 and 2018 were 2.42 % and 2.34%.

(Continued)

(8) FOREIGN INVESTMENTS (CONTINUED)

Investments at amortized cost held to maturity are as follows:

September 30, 2019

(In thousands of gourdes)		Cost	Fair value	Gain (loss)	Interest rate	Maturity
Treassury bonds USA	G	115,373	117,556	2,183	1.25%	July 2023
Debentures in private companies		139,974	134,921	(5,053)	3.30%	September 2022 to July 2031
Debentures in US government agencies		2,641,662	2,652,109	10,447	2.32%	September 2021 to October 2031
US dollar term deposits in foreing banks **(a)**		7,757,230	7,757,230	-	1.30% to 2.50%	January 2020 to December 2022
Total investments at amortized cost	**G**	**10,654,239**	**10,661,816**	**7,577**	-	
Provision for expected credit losses		**(2,567)**	**-**	**-**	-	-
Total investments at amortized cost, net	**G**	**10,651,672**	**10,661,816**	**7,577**		

(a) As at September 30, 2019, these term deposits include an amount of G 139 million (US$ 1.5 million) pledged as collateral for letters of credit **(note 5)**.

September 30, 2018

(In thousands of gourdes)		Cost	Fair value	Gain (loss)	Interest rate	Maturity
Treasury bonds USA	G	34,732	32,328	(2,404)	1.25%	July 2023
Debentures in private companies		34,988	32,592	(2,396)	3.26%	October 2022
Debentures in US government agencies		1,955,073	1,808,821	(146,252)	2.17%	September 2021 to Dec. 2032
US dollar term deposits in foreign banks		4,898,418	4,898,418	-	1.58% to 2.78%	November 2018 to June 2019
Total investments at amortized cost, net	**G**	**6,923,211**	**6,772,159**	**(151,052)**	**-**	**-**

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(8) FOREIGN INVESTMENTS (CONTINUED)

The provision for expected credit losses on investments held to maturity at amortized cost is as follows:

(In thousands of gourdes)		2019 Stage 1
Balance as of September 30, 2018	G	-
Impact of IFRS 9 application **(note 19)**		2,280
Expected credit losses for the year **(note 20)**		(554)
Foreign exchange effect		841
Balance as of September 30, 2019	**G**	**2,567**

(ii) Fixed maturity investments held for resale, measured at fair value through profit or loss are as follows:

(In thousands of gourdes)		2019	2018
Term deposits	G	**162,755**	186,790
Interest rates		***1.30% to 2.50%***	*1.30% to 2.65%*
Maturity		***September 2019-October 2022***	*September 2019 -March 2024*
Debentures in private companies	G	**450,587**	337,212
Interest rates		***1.85% to 4.15%***	*1.85% to 4.15%*
Maturity		***February 2022 to October 2032***	*February 2022 to October 2032*
	G	**613,342**	524,002

(iii) Equity instruments measured at fair value through profit or loss are as follows :

(In thousands of gourdes)		2019	2018
Banco Latino Americano de Commercio Exterior S.A.	G	**141,423**	86,294
Number of common shares		***58,947***	*58,947*

(In thousans of gourdes)		Fair value 30/9/19	Fair value 30/9/18	Gain (note 22)
Banco Latino Americano de Commercio Exterior S.A.	G	141,423	86,294	55,129

(Continued)

(8) FOREIGN INVESTMENTS (CONTINUED)

As of October 1, 2018, the fair value of equity instruments arising from IFRS 9 was determined on market price and recorded as an adjustment to the opening balance of retained earnings.

(In thousands of gourdes)		Initial value	Fair value	Gain (note 22)
Banco Latino Americano de Commercio Exterior S.A.	**G**	16,071	86,294	70,223

(9) FOREIGN EXCHANGE CONTRACTS

In 2018, the Bank entered into two foreign exchange contracts with BRH and BMPAD for the purchase of petroleum products. Under the terms of these contracts, exchange differences due to rate variations are guaranteed by BRH and BMPAD.

As of September 30, these foreign exchange contracts are as follows:

(In thousands of gourdes)		2019	2018
Foreign exchange contracts in assets (note 26):			
Contracts with BRH **(a)**	**G**	**1,246,435**	2,797,715
Contracts with BRH **(b)**		**-**	631,780
Contracts with customers **(c)**		**472,628**	-
Exchange difference **(i)**		**430,746**	61,841
Total	**G**	**2,149,809**	3,491,336
Foreign exchange contracts in liabilities (note 26):			
Contracts with BRH **(a)**	**G**	**1,677,181**	2,823,024
Contracts with BRH **(b)**		**-**	668,312
Contracts with customers **(c)**		**472,628**	-
Total	**G**	**2,149,809**	3,491,336

(Continued)

(9) FOREIGN EXCHANGE CONTRACTS (CONTINUED)

a) This contract entered into on August 24, 2018, maturing on March 29, 2019 was renewed on April 3, 2019 for a period of six months expiring in September 2019. The contract amounts to US$ 40.3 million and is repayable in instalments to BRH in US dollars; in return, BRH will reimburse the equivalent of the monthly payments in gourdes calculated at the historical rate at the signature date of the contract, i.e. G 69.35. Repayments, started at beginning of 2019, amount to US$ 22.4 million as of September 30, 2019. This contract does not bear interest.

In an exchange of correspondences between BRH and BNC on March 19 and 25, it appears that BRH decided to sell to BNC part of the remaining balance of US$ 17.9 million at the historical rate of G 69.35 at the signature date of the contract. The finalization of this forward exchange contract is currently under negotiations between the three parties concerned: BRH, BNC and BMPAD.

b) This contract, entered into on March 20, 2018 for an amount of US$ 16 million maturing on December 29, 2018, was reimbursed as scheduled.

(c) These amounts represent foreign exchange transactions (US dollars) for customers operating mainly in the petroleum sector (G 447 million) and for loan disbursements in US dollars (G 25 million).

According to the forward contracts between Bank and BRH, these amounts will not be taken into account in the calculation of regulatory structural positions which will be exempt from the penalty for insufficient reserve requirements.

(i) The exchange differences resulting from these contracts are detailed as follows :

(In thousands of gourdes)		**2019**	**2018**
Exchange difference guaranteed by BRH	**G**	**-**	36,531
Echange difference guaranteed by BMPAD		**430,746**	25,310
	G	**430,746**	61,841

(Continued)

(10) LOANS

As of September 30, locally issued loans are as follows:

(In thousands of gourdes)		2019	2018
Commercial loans	G	**3,074,058**	3,298,724
Business loans guaranteed by BRH ***(a)*** *:*			
Energy sector		**853,605**	347,104
Transport sector		**397,777**	59,792
		1,251,382	406,896
Loans guaranteed by the Ministère de l'Économie et des Finances (MEF) **(note 26) (b)** :			
Ministère de l'Économie et des Finances		**1,691,000**	1,448,556
Government-owned companies		**1,621,495**	1,587,663
		3,312,495	3,036,219
Consumer loans guaranteed by the Haitian Government:			
Public sector agents **(c)**		**2,223,840**	1,952,566
Members of Parliament **(d)**		**2,908**	2,071
		2,226,748	1,954,637
Loans financed by BRH ***(e)*** *:*			
Free Zones		**2,313,184**	2,312,031
Communications sector		**1,866,324**	-
Hotel sector		**815,782**	371,049
		4,995,290	2,683,080
Overdrafts		**1,506,577**	1,721,778
Mortgages "Kay Pam" **(f)**		**1,107,126**	1,161,201
Consumer loans		**680,703**	511,975
Loans and advances to employees		**471,090**	455,035
Credit cards		**245,476**	192,963
Managed loans - pension plan **(note 18)**		**502**	587
Restructured loans **(g)**		**223,856**	733,078
		19,095,303	16,156,173
Default loans:			
Loans financed by BRH		**1,374,910**	-
Other loans		**1,809,488**	350,377
		3,184,398	350,377
Total – loans	G	**22,279,701**	16,506,550
Interest receivable		**208,974**	131,669
Total loans and interest receivable		**22,488,675**	16,638,219
Provision for expected credit losses		**(1,208,724)**	(656,795)
Total loans, net	G	**21,279,951**	15,981,424

(Continued)

(10) LOANS (CONTINUED)

(a) The terms for business loans, guaranteed by BRH, are as follows:

	Interest rates	Maturity
Energy sector	17.0%	2019, 2021 and 2023
Transport sector	10.0%	2023

(b) The terms of the loans guaranteed by MEF are as follows:

	Interest rates	Maturity
Ministère de l'Économie et des Finances	7.0%	2017
State-owned enterprises	5.5% and 11.5%	2024 and 2025

(c) Loans granted to Public Sector agents are guaranteed by the Haitian Government, within a loan program. Following amendment no. 5, as of September 30, 2016, this program to which also participates Banque Populaire Haïtienne, amounts to G 3.0 billion in which BNC participates for G 2.3 billion. Individual loans granted by this program cannot exceed G 500 thousand. For this program, the Haitian Government has made guarantee deposits **(note 18 b)** and is committed to further deposits, as necessary. Management of the Bank is confident that the guarantee from the Haitian Government applies to the full outstanding portfolio.

(d) Loans granted to Members of Parliament are also guaranteed at 100% by the Haitian Government and cannot exceed G 800,000 for Deputies and G 1,000,000 for Senators. This program amounts to G 125 million. These loans are guaranteed by deposits from the Haitian Government **(note 18b)** that is committed to further deposits, as per the agreement.

(Continued)

(10) LOANS (CONTINUED)

e) The terms and conditions for loans financed by the Bank of the République d'Haiti (BRH) which were granted from borrowings, are as follows:

	Interest rates	Maturity
Free Zones	5.5%, 7.0% and 12.0%	2027,2032 and 2036
Communications sector	5.5%	2019
Hotel sector	6.0% and 6.5%	2029 and 2030

Of the total loans financed by BRH, G 3,2 billion are guaranteed by MEF.

(f) In an agreement signed on July 13, 2011, BRH pledged to support the BNC for the Kay Pam program providing housing mortgages in gourdes; the duration of the loans cannot exceed 30 years. The initial interest rate on these loans is 8% and may change depending on market conditions; however, it can only be revised after 10 years by mutual agreement between the parties. In the event that the BNC draws its excess reserves, BRH is committed to advance funds over a period of 20 years at a rate that ensures the maintenance of the margin on the portfolio.

(g) As of September 2018, following arrangements made by BRH in 2015, as part of the restructuring of the loans to the Hotel sector, in Circular no. 9, a loan to SCIOP S.A. was reclassified as a restructured loan. As of September 2019, this loan, with a balance of G 576 million (US$ 6,1 million), bearing interest rate of 6.5%, and maturing in September 2020, is classified as default loan.

As of September 30, the loan balances, net in various currencies, are as follows:

(In thousands of gourdes)	2019	2018
Loans in gourdes	G 13,788,160	11,412,089
Loans in US dollars	7,491,791	4,569,335
	G 21,279,951	15,981,424

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(10) LOANS (CONTINUED)

As of September 30, 2019, the aging of loans is as follows:

(In thousands of gourdes)		Current 1-30 days	31-60 days	61-89 days	Total
Current loans					
Loans financed by BRH	G	3,620,380	-	-	**3,620,380**
Loans to the Haitian Government		1,645,492	-	-	**1,645,492**
Overdrafts		1,091,636	414,941	-	**1,506,577**
Credit cards		182,437	8,891	54,148	**245,476**
Other categories		9,367,096	1,371,825	1,338,457	**12,077,378**
	G	**15,907,041**	**1,795,657**	**1,392,605**	**19,095,303**
%		**83%**	**10%**	**7%**	**100%**

(In thousands of gourdes)		90 – 180 days	181 – 359 days	More than 360 days	Total
Default loans					
Loans financed by BRH	G	-	1,374,910	-	**1,374,910**
Overdrafts		-	88,007	-	**88,007**
Credit cards		11,742	70,558	-	**82,300**
Other categories		589,569	357,660	691,952	**1,639,181**
	G	**601,311**	**1,891,135**	**691,952**	**3,184,398**
%		**18%**	**60%**	**22%**	**100%**

As of September 30, 2019, loans were covered by the following guarantees:

(In thousands of gourdes)		Haitian Government	Mortgages	Cash collateral (note 15)	Total
Current loans	G	3,890,844	4,116,324	937,481	**8,944,649**
Default loans		3,020,401	1,080,153	37,326	**4,137,880**
	G	**6,911,245**	**5,196,477**	**974,807**	**13,082,529**
%		**52%**	**40%**	**58%**	**100%**

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(10) LOANS (CONTINUED)

As of September 30, 2018, the aging of loans is as follows:

(In thousands of gourdes)		Current 1-30 days	31-60 days	61-89 days	Total
Current loans					
Loans financed by BRH	G	2,683,080	-	-	**2,683,080**
Overdrafts		1,646,527	**75,251**	-	**1,721,778**
Credit cards		174,606	-	18,357	**192,963**
Other categories		10,810,016	**748,587**	-	**11,558,352**
	G	**15,314,229**	**823,838**	**18,357**	**16,156,173**
%		**95%**	**5%**	**0%**	**100%**

(In thousands of gourdes)		90 – 180 days	181 – 359 days	More than 360 days	Total
Default loans					
Overdrafts	G	-	2,267	-	**2,267**
Credit cards		8,174	50,483	-	**58,657**
Other categories		92,444	26,607	170,402	**289,453**
	G	**100,618**	**79,357**	**170,402**	**350,377**
%		**29%**	**22%**	**49%**	**100%**

As of September 30, 2018, loans were covered by the following guarantees:

(In thousands of gourdes)		Haitian Government	Mortgages	Cash collateral (note 15)	Total
Current loans	G	3,350,473	2,487,830	245,358	**6,083,661**
Default loans		-	975,831	-	**975,831**
	G	**3,350,473**	**3,463,661**	**245,358**	**7,059,492**
%		**47%**	**49%%**	**4%**	**100%**

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(10) LOANS (CONTINUED)

As of September 30, 2019 and 2018, the guarantees of the Haitian Government include:

(In thousands of gourdes)		2019	2018
Loans to Public Sector agents and Members of Parliament	G	**2,223,841**	1,954,638
Deposits received for loans and documentary credits		**4,687,404**	1,395,835
	G	**6,911,245**	3,350,473

Average interest rates on performing loans are as follows:

	2019	2018
Commercial loans:		
In gourdes	**12%**	10%
In US dollars	**10%**	9%
Commercial loans guaranteed by the Haitian Government		
In gourdes	**5%**	5%
In US dollars	**13%**	12%
Consumer loans guaranteed by the Haitian Government		
In gourdes	**12%**	12%
Overdrafts		
In gourdes	**11%**	11%
In US dollars	**12%**	12%
Loans financed by BRH	**6%**	6%
Credit cards-in gourdes and US dollars	**39%**	42%
Loans and advances to employees	**6%**	6%
Restructured loans	**9%**	13%
Other loans in gourdes	**14%**	15%
Other loans in US dollars	**7%**	23%

As of September 30, 2019 and 2018, members of the Board of Directors have performing loans totaling G 35.4 million and G 39.9 million respectivel **(note 26)**. These loans were granted at the rates granted to Bank employees in accordance with the procedures in place.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(10) LOANS (CONTINUED)

The provision for expected credit losses on **loans for the entire portfolio** has evolved as follows:

(In thousands of gourdes)		Total 2019	Total 2018
Balance at the beginning of year before the impact of the application of IFRS 9	**G**	**656,795**	484,464
Impact of IFRS 9 application **(note 19)**		**91,888**	-
Balance at the beginning of the year, restated	**G**	**748,683**	484,464
Credit losses for the year **(note 20)**		**248,744**	-
Provision for the year **(note 20)**		-	150,000
Foreign exchange effect		**211,297**	28,350
Write-offs		-	(6,019)
Balance as of September 30, 2019	**G**	**1,208,724**	**656,795**

The variations by stage for the current year are as follows:

(In thousands of gourdes)		Non-impaired loans Stage 1	Impaired loans Stage 2	Default loans Stage 3	TOTAL
Balance as of September 30, 2018, restated	**G**	**470,666**	**4,608**	**273,409**	**748,683**
Changes of the year		(307,406)	69,420	698,027	460,041
Balance as of September 30, 2019	**G**	**163,260**	**74,028**	**971,436**	**1,208,724**

As of September 30, 2019 and 2018, the provision for expected credit losses required in accordance with the provisions of circular 87 of the Central Bank totaled G 2,828 million and G 477 million respectively. This provision is detailed as follows:

(In thousands of gourdes)		2019	2018
Provision for expected credit losses	G	**1,208,724**	656,795
Impact of IFRS 9 application **(note 19)**		-	91,888
		1,208,724	748,683
General reserve for loan losses, adjusted **(a)**		**1,620,018**	-
Total circular BRH	G	**2,828,742**	748,683

(a) As of September 30, 2019, this reserve does not take into account the letter of guarantee of G 1.2 billion from the Ministry of Finance, which is not admissible in the calculation of the reserves, according to the prescriptions of BRH Circular 87.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(10) LOANS (CONTINUED)

The provision for expected losses on **credit cards** has evolved as follows:

(In thousands of gourdes)		Total 2019	Total 2018
Balance at the beginning of year before the impact of the application of IFRS 9	**G**	**35,759**	25,019
Impact of IFRS 9 application		**21,976**	-
Balance at the beginning of the year, restated	**G**	**57,735**	25,019
Credit losses for the year		**22,707**	-
Provision of the year		**-**	13,249
Writte-offs		**-**	(2,509)
Balance as of September 30, 2019	**G**	**80,442**	**35,759**

The variations by stage for the current year are as follows:

(In thousands of gourdes)		Non-impaired loans Stage 1	Impaired loans Stage 2	Default loans Stage 3	TOTAL
Balance as of September 30, 2018, restated	**G**	**2,435**	**730**	**54,570**	**57,735**
Changes of the year		1,718	5,141	15,848	22,707
Balance as of September 30, 2019	**G**	**4,153**	**5,871**	**70,418**	**80,442**

(Continued)

BANQUE NATIONALE DE CREDIT
Notes to financial statements

(10) LOANS (SUITE)

The provision for expected credit losses on **other loans** has evolved as such:

(In thousands gourdes)		Total 2019	Total 2018
Balance at the beginning of year before the impact of the application of IFRS 9	**G**	**621,036**	459,445
Impact of IFRS 9 application		**69,912**	-
Balance at the beginning of the year, restated	**G**	**690,948**	459,445
Credit losses for the year		**226,037**	-
Provision for the year		**-**	136,751
Foreign exchange effect		**211,297**	28,350
Write-offs		**-**	(3,510)
Balance as of September 30, 2019	**G**	**1,128,282**	**621,036**

The variations by stage for the current year are as follows:

		Non-impaired loans	Impaired loans	Default loans	TOTAL
(In thousands of gourdes)		**Stage 1**	**Stage 2**	**Stage 3**	
Balance as of September 30, 2018, restated	**G**	**468,231**	**3,878**	**218,839**	**690,948**
Changes of the year		(309,124)	64,279	682,179	437,334
Balance as of September 30, 2019	**G**	**159,107**	**68,157**	**901,018**	**1,128,282**

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(11) FIXED ASSETS

Fixed assets, at cost, have evolved as follows:

(In thousands of gourdes)

Cost		Balance at 9/30/18	Acquisitions	Disposals (c)	Transfers	Balance at 9/30/19
Land	G	103,153	-	-	-	**103,153**
Land and buildings **(a)**		666,028	4,330	-	35,354	**705,712**
Computer equipement		129,376	4,542	(40,249)	72	**93,741**
Fixtures and equipment		136,722	16,335	(16,455)	3,549	**140,151**
Vehicles		45,045	3,474	(5,103)	-	**43,416**
Electrical equipment		65,012	10,202	(9,784)	268	**65,698**
Communication equipment		28,344	639	-	-	**28,983**
Air conditionning system		28,396	1,246	(3,470)	-	**26,172**
Security equippment		26,676	-	(2,264)	-	**24,412**
Leasehold improvements		45,366	228	(1,921)	-	**43,673**
Investments in progress **(b)**		545,798	185,856	-	(39,243)	**692,411**
	G	**1,819,916**	**226,852**	**(79,246)**	-	**1,967,522**

Accumulated depreciation has evolved as follows:

(In thousands of gourdes)

Accumulated depreciation		Balance at 9/30/18	Depreciation	Disposals	Balance at 9/30/19
Buildings	G	117,969	19,029	-	**136,998**
Computer equipement		73,915	22,409	(40,249)	**56,075**
Fixtures and equipment		59,142	18,057	(16,455)	**60,744**
Vehicles		22,336	9,624	(5,103)	**26,857**
Electrical equipment		14,707	5,880	(9,784)	**10,803**
Communication equipment		15,702	5,590	-	**21,292**
Air conditionning system		16,389	4,518	(3,470)	**17,437**
Security equippment		11,193	4,983	(2,264)	**13,912**
Leasehold improvements		15,161	6,585	(1,921)	**19,825**
Investments in progress **(d)**		-	47,000	-	**47,000**
	G	**346,514**	**143,675**	**(79,246)**	**410,943**
	G	1,473,402		-	**1,556,579**

a) The subledger of the Bank does not present separately the cost of land and buildings acquired several years ago.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(11) FIXED ASSETS (CONTINUED)

b) As of September 30, 2019, investments in progress include G 342 million for the construction and layout of branches, G 184 million for computer equipment, G 62 million for security equipment, G 35 million in equipement, G 20 million in fixture and equipment, and G 15 million communications equipment.

c) Disposals include fully depreciated assets.

d) As of September 30, 2019, this amount is an estimate of the potential depreciation expense on fixed assets in usage not yet depreciated.

(12) REAL ESTATE

As of September 30, real estate includes:

(In thousands of gourdes)		**2019**	**2018**
Properties held for sale **(a)**	**G**	**48,390**	48,390
Investment properties **(b)**		**495,976**	499,984
	G	**544,366**	548,374

(a) As of September 30, 2019 and 2018, sales contracts exist for properties held for sale and deposits have been received as guarantees **(note 18)**.

(b) Investment properties have evolved as follows during the year:

(In thousands of gourdes)		**2019**	**2018**
Balance the beginning of the year	**G**	**499,984**	539,463
Sales for the year (**i**)		**(4,008)**	(30,073)
Transfer to fixed assets **(note 11)**		**-**	(6,682)
Amenities		**-**	68
Decline in value **(note 22)**		**-**	(2,792)
Balance at end of year	**G**	**495,976**	499,984

(i) In 2019 and 2018, sales of real estate investments generated gains of G 38.4 million and G 17.4 million **(note 22).**

Rental income from investment properties totals G 953 thousand in 2019 and G 2.0 million in 2018 **(notes 22 and 26)**.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(12) REAL ESTATE (CONTINUED)

As of September 30, real estate, net of reserves, is as follows:

(In thousands of gourdes)		2019	2018
Properties held for sale	G	48,390	48,390
Reserve of 30%		(5,000)	(5,000)
Properties held for sale, net	G	43,390	43,390
Investment properties	G	495,976	499,984
Reserve of 30%		(25,574)	(25,574)
Reserve of 20%		(314,601)	(229,601)
Investment properties, net		155,801	244,809
Total real estate, net of reserves	G	199,191	288,199

General reserve for real estate

As described of **note 3 (j)**, the general reserve for real estate has evolved as follows:

(In thousands of gourdes)		2019	2018
Reserve of 30%			
Balance at beginning of year	G	30,574	31,550
Reversal of reserve on properties sold		-	(976)
Balance at end of year	G	30,574	30,574
Reserve of 20%			
Balance at beginning of year	G	229,601	144,621
Reserve of the year		85,000	84,980
Balance at end of year	G	314,601	229,601
Total – reserve on real estate	G	345,175	260,175

a) The 20% reserve does not apply to investment properties being rented, totaling G 33.6 million.

(13) GOODWILL

Goodwill results from the transfer of the assets and liabilities of SOCABANK to BNC as of March 1, 2007. Goodwill was not impaired in 2019.

(Continued)

(14) OTHER ASSETS, NET

As of September 30, other assets are as follows:

(In thousands of gourdes)		2019	2018
Prepaid expenses	G	**78,508**	63,917
Office supplies		**52,859**	45,198
Artwork		**12,750**	12,750
Others		**310,753**	231,957
Total other assets	G	**454,870**	353,822
Provision for other assets		**-**	(197,784)
Provision for expected credit losses **(a)**		**(215,721)**	-
Total other assets, net	G	**239,149**	156,038

(a) The provision for expected credit losses on other assets has thus evolved:

		Stage I	
(In thousands of gourdes)		**2019**	**2018**
Balance at the beginning of the year	G	**197,784**	174,099
Impact of the application of IFRS 9 **(note 19)**		**482**	-
Adjusted balance		**198,266**	174,099
Credit loss for the year **(note 20)**		**5,068**	-
Provision for the year		**-**	18,583
Write-offs for the year		**(14,097)**	-
Foreign exchange effect		**26,484**	5,202
Balance as of September 30, 2019	G	**215,721**	197,784

(Continued)

(15) DEPOSITS

As of September 30, deposits are as follows:

(In thousands of gourdes)		2019	2018
Demand deposits:			
Gourdes	G	15,286,329	15,559,780
US dollars		15,290,237	12,572,744
	G	30,576,566	28,132,524
Savings deposits:			
Gourdes	G	11,601,917	10,086,667
US dollars		9,189,491	6,503,483
	G	20,791,408	16,590,150
Term deposits:			
Gourdes	G	5,140,723	5,106,624
US dollars		5,161,989	2,857,631
	G	10,302,712	7,964,255
Total deposits	G	61,670,686	52,686,929
Deposits in Gourdes	G	32,028,969	30,753,071
Deposits in US dollars		29,641,717	21,933,858
Total deposits	G	61,670,686	52,686,929

Average interest rates on deposits are as follows:

	2019	2018
Savings deposits:		
Gourdes	0.18%	0.17%
US dollars	0.09%	0.09%
Term deposits:		
Gourdes	10.67%	5.58%
US dollars	2.14%	2.01%
Saving-checking deposits:		
Gourdes	0.04%	0.03%
US dollars	0.02%	0.01%

As of September 30, 2019 and 2018, two public sector entities and one public/private company hold demand deposits in gourdes totaling G 5.8 billion and G 6.5 billion respectively. In addition, these same public sector entities also hold US dollar demand deposits totaling G 5.6 billion and G 4.7 billion **(note 26)**. These demand deposits carry overnight interest rates of 0.11%.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(15) DEPOSITS (CONTINUED)

As at September 30, 2019 and 2018, deposits by members of the Board of Directors totalled G 61.6 million and G 39.1 million respectively (**note 26**). These deposits bear interest under the Bank's normal conditions.

As at September 30, 2019 and 2018, demand deposits of Haitian government ministries, corporations and agencies totalled G 3.2 billion and G 2.4 billion respectively and do not bear interest (**note 26**). In addition, the Fonds de Pension Civile holds three term deposits in gourdes totalling G 3.2 billion and G 3.2 billion (**note 26**) bearing respectively interest of 6.25%, 6.25% and 15.96% in 2019 and 6.25% in 2018.

As of September 30, deposits pledged for loans are as follows:

(In thousands gourdes)		**2019**	**2018**
Deposits in gourdes	**G**	**507,859**	142,324
Deposits in US dollars		**466,948**	103,034
Total (note 10)	**G**	**974,807**	245,358

(16) LOANS AND DEBENTURES - BRH

As of September 30, the loans and debentures obtained from the Bank of the Republic of Haiti for the financing of development programs and projects are as follows, with the corresponding loans conditions disclosed in **note 10**.

(In thousands of gourdes)		**2019**	**2018**
LOANS – BRH			
Free Zones **(a)**	**G**	**2,043,144**	2,192,401
Communications sector **(b)**		**1,866,325**	-
Hotel sector **(c)**		**460,634**	-
		4,370,103	2,192,401
BRH DEBENTURES			
Loan related to the Socabank acquisition **(d)**	**G**	**275,000**	275,000
Maturity		***September 2030***	*September 2030*
Interest rate		***1.0%***	*1.0%*
Hotel sector **(e)**		**500,000**	500,000
Maturity		***November 2023***	*November 2023*
Interest rate		***2.0%***	*2.0%*
	G	**775,000**	775,000
Total (note 26)	**G**	**5,145,103**	2,967,401

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(16) LOANS AND DEBENTURES – BRH (CONTINUED)

(a) The balances of the free zone loans of G 2.043 billion and G 2.192 billion are composed of:

- A loan of G 617 million disbursed in several tranches. This 15-year refinancing is at a fixed rate of 1.5% repayable monthly in equal tranches of G 3.9 million. As at September 30, 2019 and 2018, the balances of this loan are G 566 million and G 613 million.

- A loan of G 1.250 billion disbursed in several tranches. This 15-year refinancing is at a fixed rate of 3.0% repayable monthly in equal tranches of G 7.7 million starting in 2019. As at September 30, 2019 and 2018, the balances of this loan are G 1.168 billion and G 1.245 billion.

- A loan of G 340 million disbursed in several tranches. This 15-year refinancing is at a fixed rate of 3.0% repayable monthly in equal tranches of G 2.0 million. As at September 30, 2019 and 2018, the balances of this loan are G 309 million and G 334 million.

(b) The balance of the communications sector loan of G 1.866 billion (US$ 20 million) is a short-term loan disbursed in a single tranche repayable in 90 days at a rate of 1.5% per year. However, the Bank has requested an extension for the repayment of the loan which is under negotiation.

(c) The hotel sector loan is a G 459 million loan disbursed in a single tranche with a 24-month grace period. The interest calculated will be added monthly to the original principal to form, together with the principal, the basis for the repayment schedule. This 10-year financing is at a fixed rate of 1.0%. At 30 September 2019, the balance of this loan is G 461 million.

(d) BRH subordinated bonds as part of the replenishment of equity following the acquisition of Socabank in 2007.

(e) BRH subordinated bonds for the financing of loans granted to the hotel sector.

(17) LOCAL BANKS DEPOSITS

Local banks deposits by currency are as follows:

(In thousands of gourdes)		2019	2018
Local bank deposits in gourdes	G	30,188	23,955
Local bank deposits in US dollars		5,741	5,486
	G	35,929	29,441

These deposits do not bear interest.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(18) OTHER LIABILITIES

As of September 30, other liabilities are as follows:

(In thousands of gourdes)		2019	2018
Amounts received as collateral for loans:			
Letters of guarantee-US dollars **(a)**	G	**1,284,321**	1,088,549
Letters of guarantee-gourdes **(a)**		**281**	7,306
Loans - US dollars **(b)**		**565,248**	423,932
Loans -Gourdes **(b)**		**541,546**	534,326
		2,391,396	2,054,113
Due to employees and pensioners **(c)**		**2,114,631**	1,717,173
Certified and bank checks		**426,348**	257,683
Prepaid debit cards		**414,045**	362,924
Due to ministries and public entities **(note 26)**		**346,990**	361,958
Interest payable		**248,423**	99,860
Restricted deposits		**144,100**	118,506
Transfers payable		**77,377**	18,270
Provision for expected credit losses on credit commitments **(d)**		**72,283**	-
Abandoned deposits		**62,752**	52,916
Interest received in advance		**34,248**	20,736
Mobile bank-deposits **(e)**		**30,101**	29,013
Deposits received on properties held for sale		**25,410**	27,168
Due to BRH, non interest bearing **(note 26)**		**3,000**	3,000
Due to Public Treasury **(note 26)**		**2,193**	2,193
Fiduciary funds – pension plan **(note 10)**		**502**	587
Others		**380,747**	228,689
Total other liabilities	G	**6,774,546**	5,354,789

(a) As of September 30, 2019 and 2018, the amounts received as collateral for the letters of guarantee - US$ are for two private companies. For one of these companies, the amounts were received from the Central Bank as collateral: G 1,271 million in 2019 and G 953 million in 2018, or US$ 13.6 million **(note 26)**. As for the letters of guarantee-gourdes, the amounts were mainly received from one the of two private companies mentioned above.

(Continued)

(18) OTHER LIABILITIES (CONTINUED)

(b) The deposits received as a guarantee for loans in gourdes are as follows:

(In thousands of gourdes)		2019	2018
Guarantee deposits received from the Haitian Government for a private company - US dollars (notes 10a and 26)	G	557,223	417,859
Other deposits received as guarantee		8,025	6,073
	G	565,248	423,932
Guarantee deposits received from the Haitian Government - gourdes (notes 10 and 26)			
Guaranteed loans – Public Sector agents	G	388,880	406,127
Guaranteed loans – Transport sector **(i)**		85,223	61,520
Guaranteed loans – Members of Parliament		16,875	16,875
Guaranteed loans – Recapitalisation program **(ii)**		45,666	45,666
		536,644	530,188
Other deposits received in gourdes as guarantees		4,902	4,138
	G	541,546	534,326

(i) As of September 30, 2019 and 2018, these amounts are received from BRH as collateral for loans granted to the transport sector **(note 10a)**

(ii) The recapitalisation program is terminated; related loans were reimbursed or covered by the guarantee. This program had benefited victims of vandalism, hurricances and arson.

(c) As of September 30, due to employee and pensioners are as follows:

(In thousands of gourdes)		2019	2018
Provision for the pension plan **(i)**	G	1,477,066	1,151,595
Special fund **(ii)**		521,433	468,981
Provision for bonuses to employees and pensioners		54,148	50,544
Special fund for contractual employees **(iii)**		61,984	46,053
	G	2,114,631	1,717,173

(i) The provision for the pension plan is determined by the Board of Directors. In 2019 and 2018, allocations of G 351.2 million and G 206.2 million, approved by the Board of Directors, have been established. The balance has evolved as such:

(In thousands of gourdes)		2019	2018
Balance at the beginning of the year	G	1,151,595	978,191
Contribution to the pension plan **(note 23)**		351,200	206,200
Employees' contribution to the pension plan		67,534	63,101
Payroll of pensioners		(101,028)	(95,897)
Foreign exchange effect		7,765	-
Balance at end of year	G	1,477,066	1,151,595

(Continued)

(18) OTHER LIABILITIES (CONTINUED)

(ii) Since August 1, 2009, a 2% deduction from their salaries has been accumulated in the special fund payable to employees who have more than 20 years of service, payable when they retire. In 2019 and 2018, the Bank contributed G 18 million **(note 23)** to this fund. Furthermore, as at September 30, 2019 and 2018, the Board of Directors decided to add G 43.6 million and G 58.6 million **(note 23)** respectively to this fund, in order to increase this provision.

The balance has evolved as such:

(In thousands of gourdes)		**2019**	**2018**
Balance at beginning of year	**G**	**468,981**	382,544
Additional contribution to the special fund **(note 23)**		**43,602**	58,600
Contributions to the special fund **(note 23)**		**18,000**	18,000
Employees' contributions		**10,876**	9,731
Translation adjustment		**336**	106
Payments made		**(20,362)**	-
Balance at end of year	**G**	**521,433**	468,981

There has been no actuarial valuation of the pension plan and the special fund and therefore, the information disclosed does not comply with the requirements of International Financial Reporting Standards.

(iii) This other special fund is for contractual employees and those who do not participate in the pension plan. The Bank and the employees contribute to that fund. In 2019 and 2018, the Bank's contributions were G 4.4 million and G 4.2 million respectively **(note 23)**. The cumulative amount is remitted to the employee upon departure from the Bank.

The balance has evolved as such:

(In thousands of gourdes)		**2019**	**2018**
Balance at the beginning of year	**G**	**46,053**	39,407
Contributions to special fund		**4,441**	4,188
Contributions from employees		**4,719**	4,188
Payments made		**-**	(3,000)
Foreign exchange effect		**6,771**	1,270
	G	**61,984**	46,053

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(18) OTHER LIABILITIES (CONTINUED)

(d) The provision for expected credit losses on credit commitments evolved as follows:

(In thousands of gourdes)		2019 Stage 1
Balance as of September 30, 2018	G	-
Impact of the application of IFRS 9 **(note 19)**		39,083
Credit losses for the year **(note 20)**		32,629
Foreign exchange effect		571
Balance as of September 30, 2019	**G**	**72,283**

(e) Mobile banking is a product that enables bank transactions through cell phones. As of September 30, 2019 and 2018, this liability represents customers' deposits for future transactions.

(19) IMPACT OF THE APPLICATION OF IFRS 9

The impact of applying the provisions of IFRS 9 with respect to the impairment of financial assets is as follows.

(In thousands of gourdes)		Initial provision in accordance with IAS 39 as reflected prior to Septembre 30, 2018	IFRS 9 impact adjustments	Provision for expected credit losses under IFRS 9 as of September 30, 2018
BALANCE SHEET				
Local investments at amortized cost **(note 7)**	G	-	80	80
Foreign investments **(note 8)**		-	2,280	2,280
Loans **(note 10)**		656,795	91,888	748,683
Other assets **(note 14)**		197,784	482	198,266
Commitments – other liabitilities **(note 18)**		-	39,083	39,083
TOTAL BALANCE SHEET	**G**	**854,579**	**133,813**	**988,392**

The reversal on the general reserve for loan losses is as follows:

(In thousands of gourdes)		Balance at 30/9/2018 before restatement	Adjustment	Balance at 30/9/2018 after adjustment
Impact on the general reserve for loan losses	**G**	**160,000**	**160,000**	**-**

(Continued)

(20) PROVISIONS FOR CREDIT LOSSES

The provisions for credit losses on balance sheet and off-balance sheet commitments items are as follows:

(In thousands of gourdes)		2019	2018
Local investments, at amortized cost **(note 7)**	G	-	-
Foreign investments, at amortized cost **(note 8)**		(554)	-
Loans **(note 10)**		248,744	150,000
Other assets **(note 14)**		5,068	-
Commitments – other liabilities **(note 18)**		32,629	-
TOTAL	G	285,887	150,000

(21) CAPITAL FUND

As per the Decree of November 23, 2005, published in the Official Journal Le Moniteur no. 95 on December 19, 2005, reorganizing Banque Nationale de Crédit, the authorized capital of the Bank has been set at G 500 million, composed of the former capital increased by retained earnings up to the approved limit. On April 1, 2013, the Bank received the approval from the Ministry of Economy and Finance (MEF) to increase the authorized capital of the Bank to G 1.5 billion from retained earnings.

On February 1, 2017, the Bank received approval from the Ministry of Economy and Finance (MEF) to increase the Bank's authorized capital to G 3.0 billion from retained earnings.

(22) OTHER INCOME AND EXPENSES

Other income and expenses are as follows:

(In thousands of gourdes)		2019	2018
Gain (loss) on equity instruments **(note 8 iii)**	G	55,129	(9,047)
Gains on sales of real estate **(note 12)**		38,381	17,407
Rental income from real estate **(notes 12 and 26)**		953	2,067
Impairment on investment properties **(note 12)**		-	(2,792)
Others		17,477	13,168
	G	111,940	20,803

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(23) SALARIES AND OTHER EMPLOYEES BENEFITS

Salaries and other employees benefits are as follows:

(In thousands of gourdes)		2019	2018
Salaries	G	**671,334**	615,754
Contributions to the pension plan **(note 18 c i)**		**351,200**	206,200
Representation fees and bonuses		**246,735**	233,808
Other social benefits		**176,134**	169,232
Payments to pensioners		**67,800**	67,800
Additional contribution to the special fund **(note 18 c ii)**		**43,602**	58,600
Payroll taxes		**31,381**	28,348
Transport		**18,930**	18,256
Contributions to the special fund **(note 18 c ii)**		**18,000**	18,000
Contributions to the special fund for contractual employees **(note 18 c iii)**		**4,441**	4,188
Other expenses		**74,168**	52,416
Total salaries and other employees benefits	G	**1,703,725**	1,472,602

(24) OTHER RESERVE

Pending the future creation of the Foundation BNC, the Board of Directors decided to create a reserve of G 79.5 million being G 30.0 million and G 49.5 million respectively in 2019 and 2018 from retained earnings, and will eventually be paid to the Foundation in a timely manner.

The purpose of the Foundation will be to participate in social, cultural or other activities. The annual amount that may be transferred to this reserve is limited to 4% of the Bank's net income. However, this percentage may be modified subsequently by a Board decision.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(25) COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, the Bank undertakes various commitments and has contingent liabilities as follows:

(In thousands gourdes)		2019	2018
Letters of guarantee	G	**357,913**	239,227
Unused balance of authorized overdrafts		**923,638**	424,430
Unused balance on credit cards		**468,602**	333,293
Total credit commitments	G	**1,750,153**	1,022,606

The provision for expected credit losses on credit commitments totalling G 72.3 million is presented in other liabilities (**note 18**).

The above credit commitments represent the maximum amount of additional credit that the Bank could disburse on overdrafts and credit cards. These amounts are not necessarily representative of the credit risk because many of these agreements are contracted for a limited period of time of less than one year, and will expire or be terminated without being used.

As at September 30, 2019, under leasing agreements, the Bank is committed to pay branch rentals of approximately G 132 million over a period from 2020 to 2028. As at September 30, 2019, the Bank is also committed to make disbursements related to branch construction for G 253 million.

As of September 30, 2019, the Bank was party to litigation both against and in favor of the Bank. According to the Bank's legal counsels, to date, the positions taken by the Bank are well founded. The Bank does not anticipate any eventual settlement of litigation that could materially affect its financial situation nor the results of its operations.

(26) RELATED PARTIES

The most significant related parties of BNC are the Cental Bank (BRH), other governement financial institutions, Ministries, governement corporations and entities. The Board members and their companies are also related parties.

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(26) RELATED PARTIES (CONTINUED)

As of September 30, related party balances are as follows:

(In thousands of gourdes)	2019	2018
Assets:		
Deposits with BRH **(note 5)**	G 17,608,932	16,208,877
BRH bonds, Treasury bonds and debentures, net **(note 6)**	8,645,928	13,465,270
Loan to Government-owned corporations	3,241,234	1,335,556
Loans to Ministère de l'Économie et des Finances **(note 10)**	1,691,000	1,448,556
Forward exchange contracts **(note 9)**	1,677,181	3,491,336
Loans to Government-owned companies **note 10)**	1,621,495	1,587,663
Loans to Board members **(note 10)**	35,415	39,924
	G 34,521,185	37,577,182
Liabilities:		
Deposits from Public sector entities:		
Gourdes **(note 15)**	G 5,871,728	6,529,428
US dollars **(note 15)**	5,655,403	4,738,786
Sub-total	11,527,131	11,268,214
Term deposits of the Civil Pension Plan **(note 15)**	3,255,188	3,209,896
Deposits of ministries, public enterprises **(note 15)**	3,240,337	2,498,465
Deposits held by Board members **(note 15)**	61,586	39,136
Sub-total	18,084,242	17,015,711
Forward exchange contracts **(note 9)**	1,677,181	3,491,336
Loans and debentures - BRH **(note 16)**	5,145,103	2,967,401
Loan-BRH **(note 18)**	3,000	3,000
Amounts received as collateral for loans from the Haitian Govenement:		
Letters of guarantee - US dollars	1,270,861	953,013
Loans in US dollars **(note 18 b)**	557,223	417,859
Loans in gourdes **(note 18 b)**	536,644	530,188
Sub total	27,274,254	25,378,508
Due to ministries and public enterprises **(note 18)**	346,990	361,958
Due to Public Treasury **(note 18)**	2,193	2,193
	G 27,623,437	25,742,659

(Continued)

BANQUE NATIONALE DE CRÉDIT
Notes to financial statements

(26) RELATED PARTIES (CONTINUED)

During the years, related party transactions are as follows:

(In thousands of gourdes)		2019	2018
Interest income:			
BRH bonds, Treasury bonds and debentures	G	1,644,691	1,412,338
Loans to Government enterprises		125,568	215,526
		1,770,259	1,627,864
Interest expense:			
Loans and debentures BRH		(53,135)	(42,104)
Net interest income		1,717,124	1,585,760
Other revenue:			
Gain on foreign exchange contracts		-	27,614
Commissions for services rendered to the BRH		34,771	23,720
Rental income from real estate **(note 22)**		953	2,067
		35,724	53,401
Other expenses:			
Penalties - BRH		(4,203)	(42,134)
	G	(4,203)	(42,134)
TOTAL - REVENUE, NET	G	1,748,645	1,597,027

Schedule I

BANQUE NATIONALE DE CRÉDIT
Balance Sheets
September 30, 2019 and 2018
(Expressed in thousands of US dollars)

	2019	2018
ASSETS		
CASH AND CASH EQUIVALENTS	$ 340,265	369,988
BRH BONDS, TREASURY BONDS AND DEBENTURES, NET	92,652	192,423
LOCAL INVESTMENTS	37,899	9,218
FOREIGN INVESTMENTS	123,017	108,278
FOREIGN EXCHANGE CONTRACTS	23,038	49,892
LOANS	240,994	237,766
Provision for expected credit loss	(12,953)	(9,386)
	228,041	228,380
FIXED ASSETS, NET	16,681	21,055
OTHERS		
Real estate	5,834	7,837
Goodwill	15,788	21,053
Other assets, net	2,563	2,231
Acceptances and letters of credit	3,835	3,500
	28,020	34,621
TOTAL ASSETS	$ 889,613	1,013,855
LIABILITIES AND NET ASSETS		
DEPOSITS	660,879	752,914
LOANS AND DEBENTURES – BRH	55,136	42,405
OTHERS		
Local banks deposits	385	421
Other liabilities	72,598	76,522
Foreign exchange contracts	23,038	49,891
Commitments – acceptances and letters of credit	3,835	3,500
	99,856	130,334
TOTAL LIABILITIES	815,871	925,653
NET ASSETS		
Capital fund	32,149	42,872
Legal reserve	7,757	8,854
General reserve for loan losses	17,361	2,286
General reserve for real estate	3,699	3,718
Other reserve	852	707
Retained earnings	11,924	29,765
	73,742	88,202
TOTAL LIABILITIES AND NET ASSETS	$ 889,613	1,013,855

Schedule II

BANQUE NATIONALE DE CRÉDIT
Statements of Income
Years ended September 30, 2019 and 2018
(Expressed in thousands of US dollars)

		2019	2018
INTEREST INCOME			
Loans	$	**19,759**	22,596
BRH bonds, Treasury bonds and debentures		**19,324**	21,399
Investments and others		**6,465**	3,759
		45,548	47,754
INTEREST EXPENSE			
Deposits		**6,217**	5,350
Others		**1,965**	831
		8,182	6,181
NET INTEREST INCOME		**37,366**	41,573
Provision for credit losses		**(3,359)**	(2,273)
Recoveries on loans written off		**55**	224
		34,062	39,524
OTHER INCOME (EXPENSES)			
Commissions		**9,251**	10,908
Exchange gain		**978**	4,209
Operations expenses		**(1,366)**	(1,461)
Others, net		**1,316**	315
		10,179	13,971
NET INTEREST INCOME AND OTHER INCOME		**44,241**	53,495
OPERATING EXPENSES			
Salaries and other employees benefits		**20,017**	22,313
Premises and equipment		**2,853**	3,306
Depreciation		**1,688**	1,862
Other operating expenses		**7,428**	7,262
		31,986	34,743
NET INCOME FOR THE YEAR	**$**	**12,255**	18,752

BANQUE NATIONALE DE CRÉDIT
Statements of Changes in Net Assets
Years ended September 30, 2019 and 2018
(Expressed in thousands of US dollars)

		Capital fund	Retained earnings	Legal reserve	General reserve for loan losses	General reserve for real estate	Other reserve	Total
Balance as of September 30, 2017 before restatement	**$**	**47,855**	**20,358**	**7,909**	**1,212**	**2,810**	**-**	**80,144**
Capital gain and foreign investments		-	1,120	-	-	-	-	**1,120**
Balance as of September 30, 2017, restated		**47,855**	**21,478**	**7,909**	**1,212**	**2,810**	-	**81,264**
Net income for the year		-	18,752	-	-	-	-	**18,752**
Payment to the Public Treasury		-	(2,286)	-	-	-		**(2,286)**
Transfer to the legal reserve		-	(1,769)	1,769	-	-	-	-
Transfer to the general reserve for loan losses		-	(1,200)	-	-	1,200	-	-
Transfer to the general reserve for real estate		-	(1,200)	-	1,200	-	-	-
Transfer to other reserve		-	(707)	-	-	-	707	-
Translation adjustment		(4,983)	(3,303)	(824)	(126)	(292)	-	**(9,528)**
Balance as of September 30, 2018		**42,872**	**29,765**	**8,854**	**2,286**	**3,718**	**707**	**88,202**
Impact of IFRS 9 adoption:								
Provision for expected credit losses		-	(1,912)	-	-	-	-	**(1,912)**
Transfer of the general reserve for loan losses		-	2,286	-	(2,286)	-	-	-
Net impact		-	374	-	(2,286)	-	-	**(1,912)**
Balance as of September 30, 2018, adjusted		**42,872**	**30,139**	**8,854**	**-**	**3,718**	**707**	**86,290**
Net income for the year		-	12,255	-	-	-	-	**12,255**
Payment to the Public Treasury		-	(2,350)	-	-	-		**2,350**
Transfer to the legal reserve		-	(1,225)	1,225	-	-	-	-
Transfer to the general reserve for loan losses		-	(19,034)	-	19,034	-	-	-
Transfer to the general reserve for real estate		-	(999)	-	-	999	-	-
Transfer to other reserve		-	(352)	-	-	-	352	-
Translation adjustment		**(10,723)**	(6,510)	(2,322)	(1,673)	(1,018)	(207)	**(22,453)**
Balance as of September 30, 2019	**$**	**32,149**	**11,924**	**7,757**	**17,361**	**3,699**	**852**	**73,742**