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CAPITAL BANK, S.A.

Consolidated Financial Statements

September 30, 2020

(With Independent Auditors' Report Thereon)

CAPITAL BANK, S.A.
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SEPTEMBER 30, 2020

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Independent Auditors' Report

The Board of Directors
CAPITAL BANK, S.A.:

Opinion

We have audited the consolidated financial statements of CAPITAL BANK, S.A. and its subsidiaries (the Group), which comprise the consolidated balance sheet as of September 30, 2020, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2019, and its consolidated financial performance and its consolidated 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 consolidated financial statements of the Group taken as a whole. The supplementary consolidated information included in **schedules I to V** is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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
February 2, 2021

CAPITAL BANK, S.A.
Consolidated Balance Sheets
September 30, 2020 and 2019
(Expressed in Haitian Gourdes)

	Notes		2020	2019
ASSETS				
CASH AND CASH EQUIVALENTS	5	G	14,764,996,943	15,345,095,066
TREASURY BONDS, NET	6		-	24,999,375
FOREIGN INVESTMENTS	7		685,550,137	1,034,756,473
LOCAL INVESTMENTS, NET	8		200,595,899	267,471,569
LOANS	9		8,282,049,684	11,420,085,762
Provision for expected credit losses			(203,487,937)	(281,678,609)
			8,078,561,747	11,138,407,153
GUARANTEED-LOANS-SPECIAL FUNDS	10		4,065,296	3,673,973
FIXED ASSETS, NET	11		1,077,683,457	885,079,909
OTHERS				
Assets under rights-of-use	12		424,248,808	-
Real estate development – Capital Immobilier	13		157,196,560	-
Real estate properties	14		446,465,902	450,027,906
Other assets, net	15		1,394,901,814	1,555,952,475
Acceptances			4,733,599	26,128,536
			2,427,546,683	2,032,108,917
TOTAL ASSETS		G	27,239,000,162	30,731,592,435
LIABILITIE AND SHAREHOLDERS' EQUITY				
DEPOSITS	16		19,748,758,857	23,406,646,082
OTHERS				
Loans	17		623,151,877	1,009,609,988
Lease liabilities	12		338,988,308	-
Special funds	10		2,709,005	2,611,247
Other liabilities	18		1,685,727,017	2,350,915,631
Commitments- acceptances			4,733,599	26,128,536
			2,655,309,806	3,389,265,402
SUBORDINATED DEBT	19		721,736,246	894,788,983
TOTAL LIABILITIES			23,125,804,909	27,690,700,467
SHAREHOLDERS' EQUITY				
Paid-in capital	20		810,000,000	810,000,000
Paid-in surplus			1,384,197	1,384,197
Retained earnings			1,885,654,518	1,391,525,809
Reserves			590,536,397	355,156,491
Shareholders' equity-Capital Bank			3,287,575,112	2,558,066,497
Minority interest	25		825,620,141	482,825,471
TOTAL SHAREHOLDERS' EQUITY			4,113,195,253	3,040,891,968
TOTAL LIABILITILIES AND SHAREHOLDERS' EQUITY		G	27,239,000,162	30,731,592,435

The notes to the consolidated financial statements are part of these statements

The information presented as of September 30, 2020 takes into account the new standards adopted on October 1, 2019

CAPITAL BANK, S.A.
Consolidated Statements of Income
Years ended September 30, 2020 and 2019
(Expressed in Haitian Gourdes)

	Notes		2020	2019
INTEREST INCOME				
Loans		G	1,692,404,424	1,671,985,755
Treasury bonds, investments and others			74,482,398	96,563,986
			1,766,886,822	1,768,549,741
INTEREST EXPENSE				
Deposits			404,174,107	358,291,157
Loans, subordinated debt and others			136,321,483	108,790,910
			540,495,590	467,082,067
NET INTEREST INCOME			1,226,391,232	1,301,467,674
Provision for credit losses	22		(67,287,643)	(110,071,471)
			1,159,103,589	1,191,396,203
OTHER INCOME (EXPENSES)				
Gross margin on petroleum products - CapInvest			1,159,984,660	1,088,519,203
Commissions			1,161,920,645	985,887,146
Operating expenses			(299,013,358)	(250,454,832)
Exchange gain			277,498,067	100,870,638
Unrealized gain on foreign investments			8,680,751	36,822,771
Other			97,129,489	48,074,741
			2,406,200,254	2,009,719,667
NET INTEREST INCOME AND OTHER INCOME		G	3,565,303,843	3,201,115,870
ADMINISTRATIVE EXPENSES				
Salaries and other employee benefits	23		879,418,281	800,772,871
Premises and equipments			389,593,710	309,074,231
Depreciation	11		132,432,261	110,651,203
Other administrative expenses			584,535,073	548,035,075
NET INCOME FOR THE YEAR			1,985,979,325	1,768,533,380
INCOME BEFORE INCOME TAXES			1,579,324,518	1,432,582,490
INCOMES TAXES – CURRENT	24		406,452,438	319,785,002
NET INCOME FOR THE YEAR		G	1,172,872,080	1,112,797,488
Net income attributable to shareholders of Capital Bank			829,851,087	832,655,123
Net income attributable to minority interest			343,020,993	280,142,365
NET INCOME FOR THE YEAR		G	1,172,872,080	1,112,797,488
Net income per equivalent share of paid-in capital attributable to shareholders of Capital Bank		G	2,459	2,467

The notes to the consolidated financial statements are part of these statements

The information presented as of September 30, 2020 takes into account the new standards adopted on October 1, 2019

CAPITAL BANK, S.A.
Consolidated Statements of Comprehensive Income
Years ended September 2020 and 2019
(Expressed in thousands of Haitian Gourdes)

	Notes		2020	2019
Net income attributable to shareholders of Capital Bank		G	**829,851,087**	832,655,123
Net income attributable to minority interest			**343,020,993**	280,142,365
Net income for the year			**1,172,872,080**	1,112,797,488
Components of comprehensive income :				
Reevaluation surplus - lands and buildings	**11**		**123,358,344**	-
Income taxes Effect	**24**		**(37,007,505)**	-
Revaluation surplus of land and buildings, net			**86,350,839**	-
COMPREHENSIVE INCOME FOR THE YEAR			**1,259,222,919**	1,112,797,488
Comprehensive income attributable to shareholders of Capital Bank			**916,201,926**	832,655,123
Comprehensive income attributable to minority interest			**343,020,993**	280,142,365
COMPREHENSIVE INCOME FOR THE YEAR		G	**1,259,222,919**	1,112,797,488
Comprehensive income for the year per equivalent share of paid-in capital		G	**2,715**	2,467

The notes to the consolidated financial statements are part of these statements

The information presented as of September 30, 2020 takes into account the new standards adopted on October 1, 2019

CAPITAL BANK, S.A.
Consolidated Statement of Changes in Shareholders' Equity
Year ended September 30, 2019
(Expressed in Haitian gourdes)

	Paid-in capital	Paid-in surplus	Retained earnings	Reserves: Legal reserve	Reserves: Reserve for loan losses	Reserves: Revaluation reserve-land and buildings	Reserves: Reserve on real estate properties	Total reserves	Minority interest	Total
Balance as of September 30, 2018	**G 810,000,000**	**1,384,197**	**923,592,479**	**73,385,334**	**115,864,134**	**99,932,775**	**39,546,174**	**328,728,417**	**205,650,953**	**2,269,356,046**
Impact of IFRS 9 adoption										
Provision for expected credit losses **(note 21)**	-	-	(181,596,976)	-	-	-	-	-	(1,337,642)	**(182,934,618)**
Transfer from the general reserve for loan losses	-	-	115,864,134	-	(115,864,134)	-	-	(115,864,134)	-	**-**
Balance as of September 30, 2018, restated	**810,000,000**	**1,384,197**	**857,859,637**	**73,385,334**	-	**99,932,775**	**39,546,174**	**212,864,283**	**204,313,311**	**2,086,421,428**
Components of comprehensive income:										
Net income for the year	-	-	832,655,123	-	-	-	-	-	280,142,365	**1,112,797,488**
Other elements of comprehensive income:										
Transfer to the legal reserve	-	-	(132,889,156)	132,889,156	-	-	-	132,889,156	-	**-**
Transfer to the reserve on real estate properties	-	-	(13,790,949)	-	-	-	13,790,949	13,790,949	-	**-**
Transfer from the revaluation reserve-land and buildings	-	-	4,387,897	-	-	(4,387,897)	-	(4,387,897)	-	-
Total	**-**	**-**	**690,362,915**	**132,889,156**	**-**	**(4,387,897)**	**13,790,949**	**142,292,208**	**280,142,365**	**1,112,797,488**
Transactions with shareholders:										
Cash dividends	-	-	(155,000,000)	-	-	-	-	-	-	**(155,000,000)**
Capital increase costs - affiliated company	-	-	(1,696,743)	-	-	-	-	-	(1,630,205)	**(3,326,948)**
Total	**-**	**-**	**(156,696,743)**	**-**	**-**	**-**	**-**	**-**	(1,630,205)	**(158,326,948)**
Balance as of September 30, 2019	**G 810,000,000**	**1,384,197**	**1,391,525,809**	**206,274,490**	-	**95,544,878**	**53,337,123**	**355,156,491**	**482,825,471**	**3,040,891,968**

The notes to the consolidated financial statements are part of these statements

The information presented as of September 30, 2020 takes into account the new standards adopted on October 1, 2019

CAPITAL BANK, S.A.
Consolidated Statement of Changes in Shareholders' Equity
Year ended September 30, 2020
(Expressed in Haitian gourdes)

	Paid-in capital	Paid-in surplus	Retained earnings	Reserves: Legal reserve	Reserves: Revaluation reserve-land and buildings	Reserves: Reserve on real estate properties	Total reserves	Minority interest	Total
Balance as of September 30, 2019	**G 810,000,000**	**1,384,197**	**1,391,525,809**	**206,274,490**	**95,544,878**	**53,337,123**	**355,156,491**	**482,825,471**	**3,040,891,968**
Components of comprehensive income for the year:									
Net income for the year	-	-	829,851,087	-	-	-	-	343,020,993	**1,172,872,080**
Transfer to the legal reserve	-	-	(149,036,879)	149,036,879	-	-	149,036,879	-	**-**
Transfer to the reserve on real estate properties	-	-	(8,956,953)	-	-	8,956,953	8,956,953	-	**-**
Revaluation surplus – land and buildings, net of tax	-	-	-	-	86,350,839	-	86,350,839	-	**86,350,839**
Transfer from the reserve on real estate properties	-	-	4,576,868	-	(4,576,868)	-	(4,576,868)	-	**-**
Transfer from the revaluation reserve-land and buildings	-	-	4,387,897	-	(4,387,897)	-	(4,387,897)	-	**-**
Total	**-**	**-**	**680,822,020**	**149,036,879**	**77,386,074**	**8,956,953**	**235,379,906**	**343,020,993**	**1,259,222,919**
Transactions with shareholders:									
Cash dividends	-	-	(185,000,000)	-	-	-	-	-	**(185,000,000)**
Capital increase costs – affiliated company	-	-	(1,693,311)	-	-	-	-	(226,323)	**(1,919,634)**
Total	**-**	**-**	**(186,693,311)**	**-**	**-**	**-**	**-**	**(226,323)**	**(186,919,634)**
Balance as of September 30, 2020	**G 810,000,000**	**1,384,197**	**1,885,654,518**	**355,311,369**	**172,930,952**	**62,294,076**	**590,536,397**	**825,620,141**	**4,113,195,253**

The notes to the consolidated financial statements are part of these statements

The information presented as of September 30, 2020 takes into account the new standards adopted on October 1, 2019

CAPITAL BANK, S.A.
Consolidated Statements of Cash Flows
Years ended September 30, 2020 and 2019
(Expressed in Haitian Gourdes)

	Notes		2020	2019
OPERATING ACTIVITIES				
Net income for the year		G	**1,172,872,080**	1,112,797,488
Adjustment to determine net cash flows provides by operating activities:				
Interest paid on lease liabilities	12		**62,381,819**	-
Depreciation of fixed assets	11		**132,432,261**	110,651,203
Amortization of rights-of-use assets	12		**104,049,734**	-
Provision for credit losses	22		**67,287,644**	110,071,471
Foreign exchange effect on financial assets			**(35,448,597)**	28,116,479
Foreign exchange effect on lease liabilities	12		**(39,938,037)**	-
Loss on disposals of fixed assets	11		**2,599,241**	2,213,555
Change in value of real estate properties	14		**(83,343,854)**	(40,910,917)
Capital gain on foreign investments			**(8,680,751)**	-
Changes in assets and liabilities resulting from operating activities:				
Decrease in treasury bonds, net			**25,125,000**	516,194,720
Decrease (increase) in investments			**425,438,269**	(483,424,287)
Decrease (increase) in loans, net			**3,006,271,705**	(2,170,988,091)
(Decrease) increase in deposits			**(3,657,887,225)**	4,903,219,897
Increase in properties held for sale	14		**(848,248)**	(2,622,853)
Disbursements – real estate development– Capital Immobilier	13		**(1,959,984)**	-
Proceeds on sales of real estate properties			**-**	14,767,614
Lease liabilities, net	12		**(211,754,016)**	-
(Decrease) increase in borrowings			**(386,458,111)**	477,793,811
Changes in other assets and liabilities			**(46,999,947)**	324,936,291
Income taxes paid			**(473,505,559)**	(172,105,862)
Net cash flows provided by operating activities			**51,633,424**	4,730,710,519
INVESTING ACTIVITIES				
Acquisitions of fixed assets	11		**(271,759,176)**	(306,384,389)
Net cash flows used in investing activities			**(271,759,176)**	(306,384,389)
FINANCING ACTIVITIES				
Cash dividends			**(185,000,000)**	(155,000,000)
Subordinated debt			**(173,052,737)**	413,289,534
Capital increase costs			**(1,919,634)**	(3,326,948)
Net cash flows (used in) provided by financing activities			**(359,972,371)**	254,962,586
Net (decrease) increase in cash and cash equivalents			**(580,098,123)**	4,679,288,716
Cash and cash equivalents at beginning of year			**18,949,653,160**	7,966,034,384
Effect of exchange rate fluctuations on cash and cash equivalents at beginning of the year			**(3,604,558,094)**	2,699,771,966
Cash and cash equivalents at end of year	5	G	**14,764,996,943**	15,345,095,066

The notes to the consolidated financial statements are part of these statements

The information presented as of September 30, 2020 takes into account the new standards adopted on October 1, 2019

(1) ORGANIZATION

CAPITAL BANK, S.A. is a banking corporation owned by private investors. Its official authorization to operate was published in Le Moniteur on February 20, 1997. Its principal activity consists of banking operations in Haiti. The head office of CAPITAL BANK, S.A. is located at no. 38, Faubert Street, Petionville.

CAPITAL IMMOBILIER, S.A. is a wholly owned non-profit subsidiary of CAPITAL BANK, S.A., created on August 20, 1997. The official authorization to operate by the Ministry of Commerce was published in Le Moniteur on January 29, 1998. Its main purpose is to promote real estate transactions.

CAPINVEST S.A. is a corporation authorized to operate by a presidential decree published in Le Moniteur on June 21, 2016. It is an investment company that can take part in the capital of other companies through equities and bonds, acquire marketable securities and securities of all kinds and participate in various markets such as: foreign exchange, raw materials or metal. CAPITAL BANK, S.A. holds 51% of the share capital of this company. In 2017, CAPINVEST, S.A. began its operations mainly in the distribution of petroleum products and derivatives.

FONDATION CAPITAL BANK is a philanthropic institution founded on August 7, 2009 by the shareholders of CAPITAL BANK, S.A. Its mission is to intervene in any field contributing to improve the living conditions of the Haitian population, namely health, education, sports and culture. The financial statements of the Foundation are not consolidated in these financial statements.

These financial statements include the consolidation of the financial statements of the following companies:

- CAPITAL BANK, S.A.
- CAPITAL IMMOBILIER, S.A.
- CAPINVEST, S.A.

(2) BASIS FOR CONSOLIDATED FINANCIAL STATEMENTS PREPARATION

(a) Accounting framework

The consolidated financial statements of CAPITAL BANK, S.A. and its subsidiaries CAPITAL IMMOBILIER, S.A. and CAPINVEST, S.A. were prepared in conformity with International Financial Reporting Standards (IFRS).

The consolidated financial statements were approved by the Board of Directors on February 23, 2021.

(Continued)

(2) BASIS FOR CONSOLIDATED FINANCIAL STATEMENTS PREPARATION (CONTINUED)

(b) Basis of evaluation

The consolidated financial statements are presented on an historical cost basis, except for the following items which are carried at fair value:

- Foreign investments **(note 7)**
- Local investments, net **(note 8)**
- Land and buildings **(note 11)**
- Real estate properties **(note 14).**

The methods used to measure the fair value are described in **notes 3 (d), (f), (h) and (k)**.

(c) Functional currency

The consolidated financial statements are presented in Haitian gourdes which is the Group's functional currency.

(d) Use of estimates and judgment

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

These estimates and underlying assumptions are reviewed periodically. The impact of revisions to accounting estimates is recognized in the period in which such revisions take place as well as future periods affected.

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 consolidated financial statements are included in the following notes:

Note 6	Treasury bonds, net
Note 7	Foreign investments
Note 8	Local investments, net
Note 9	Loans, net

(Continued)

(2) BASIS FOR CONSOLIDATED FINANCIAL STATEMENTS PREPARATION (CONTINUED)

Note 10 Special funds
Note 11 Fixed assets, net
Note 12 Right-of-use assets and lease liabilities
Note 13 Real estate development - Capital Immobilier
Note 14 Real estate properties
Note 15 Other assets, net.

According to Management, the consolidated financial statements were prepared on an adequate basis using fair judgment in all material respects and in accordance with the accounting policies summarized below.

(d) Covid-19

On March 11, 2020, the World Health Organization declared that Covid-19 had reached the global pandemic stage. Due to the increased uncertainty resulting from the unprecedented nature of the pandemic and the level of complexity associated with developing reliable estimates, the exercise of judgment has increased even more. The expected credit loss model, under IFRS 9, is prospective and requires that forecasts of more events and economic conditions be used in determining credit risk and measuring credit loss.

Management believes that the assessment of credit losses at the end of each reporting period reflects reasonable and justifiable information about past events, current circumstances as well as forecasts of events and economic conditions. At a time of great economic uncertainty, it is very difficult to predict events and gather data to assets expected credit losses calculations. The bank applies expert credit judgment to adjust expected credit losses when it becomes evident that risk factors and known or expected information have not been taken into account in the initial assessment process of credit losses.

(3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

- The impairment component of IFRS 9 applicable to financial instruments. As permitted by the transitional provisions of IFRS 9, the Bank did not restate the comparative financial statements. This impact is reflected in retained earnings **(note 21)**.

- **IRFS 15** (income from ordinary activities from contracts with customers). The application of this principle had no impact on the consolidated financial statements.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On October 1, 2019, the Bank adopted **IFRS 16** (leases), using the modified retrospective method which allows not to restate the consolidated financial statements. According to this method, at the date of initial recognition

- Right-of-use asset is equal to the discounted amount of lease liabilities plus prepaid rent and the initial direct costs incurred by the lessee.

- Lease liabilities are valued at the present value of lease payments that have not yet been paid. The lease payments are discounted using the lessee's incremental borrowing rate in gourdes and / or dollars according to the contract currency.

- Rental contracts, with a residual term of less than 12 months, do not give rise to the recognition of an asset and a debt. The related rental payments are recognized directly in the consolidated statement of net income.

- Contracts amounting to less than 5,000 US dollars or the equivalent in gourdes of G 495,000, on an individual basis, are not taken into account.

The impacts of the adoption of IFRS 16 on the financial position at October 1, 2019 are described in **note 12**.

(a) Principles of consolidation

The consolidated financial statements include the assets and liabilities as well as the results of operations of Capital Bank, S.A. and its subsidiaries. Subsidiaries are companies controlled by Capital Bank. The bank holds control when it is exposed or is entitled to variable returns because of its relationship with an entity and has the ability to influence those returns because of its power over that entity. The bank is presumed to have control when it holds directly or indirectly more than 50% of the voting rights of an entity. A list of the Group's subsidiaries is presented in **note 25**.

A subsidiary is consolidated from the date on which the control over its operations is effectively transferred to the Group. Intercompany balances and transactions are eliminated in the consolidation process. The net assets and net income of the minority interest in CapInvest are presented separately in the consolidated financial statements.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Conversion of foreign currency

In accordance with IAS 21, monetary assets and liabilities stated in foreign currencies are translated in Haitian gourdes at the exchange rate prevailing at year-end. Exchange gains and losses resulting from these translations are included in the consolidated 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 consolidated statement of income.

The consolidated financial statements presented in **schedules I to V** were translated in US dollars according to the requirements of International Financial Reporting Standards. Under requirements of this standard, assets and liabilities are translated at the year-end exchange rate. Shareholders' equity is translated at the exchange rate prevailing at the balance sheet date. Income and expenses are translated at the average rate of exchange for the year. All exchange differences resulting from such translation are reflected as a separate component in shareholders' equity.

(c) Impairment of financial assets

In accordance with the requirements of IFRS 9, since October 1st, 2018, the Bank applies a three-stage impairment approach to measure the expected credit losses (ECL) on all debt instruments and off-balance sheet items measured at amortized cost, except accounts receivables from customers and accounts receivables from the Haitian government of CapInvest **(note 15)** for which the simplified method is applied.

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

This provision for expected credit losses under IFRS 9 is based on changes in the credit quality of financial assets since initial recognition and takes into consideration a series of assumptions and credit methodologies specific to the Bank and the banking system in general, which include:

- Changes in the credit risk rating of borrowers
- The expected life of credit facilities
- The integration of forecasts
- Projections on the economic environment (ie: changes in macroeconomic conditions such as inflation, interest rates, the exchange rate of the gourde to the US dollar and Gross National Product)
- Anticipated impacts related to the Covid-19 crisis in 2020.

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impairment of financial assets (continued)

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 policies 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 between the application of IFRS 9 and the regulatory requirements are reflected in the General reserve for loan losses **(note 3 s)**.

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 for which the credit risk has not increased significantly (less than 31 days in arrears): Treasury bonds **(note 6)**, local investments at amortized cost **(note 8)**, loans **(note 9)**, financial assets in other assets **(note 15)** and off-balance sheet commitments **(note 27)** are considered in this category. The expected credit losses for this category are recorded for an amount equal to 12 months expected credit losses.

Stage 2 Financial assets listed above for which there is a significant increase in credit risk since their initial recognition are migrated to stage 2. Financial assets (31-90 days in arrears) are included in this category. Expected credit losses for this category are recorded over the lifetime of the financial assets.

Stage 3 Financial assets for which significant events have 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 Group 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. Therefore, this results in transfers of provisions from one stage to another during the year.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impairment of financial assets (continued)

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 amount at 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 21)**.

For the accounts receivable from clients and the Haitian government, CapInvest applies the **simplified method**, permitted by IFRS 9, which requires the assessment of expected credit losses over the life of the financial asset from the initiation of the credit and at each valuation date. As a practical expedient, a provision matrix is used to determine the provision for expected credit losses for these receivables. This matrix takes into account the historical default rates for each segment of the portfolio, the impact of forecast and macroeconomic conditions.

(d) Determination of fair value

IFRS 13 establishes a fair value hierarchy to enhance the consistency and comparability for fair value measurements and disclosures. It 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.
- **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 active and non-active markets for identical or similar assets.
- **Level 3** inputs for other assets are unobservable inputs for the asset at the measurement date. Unobservable input should be used to measure fair value only to the extent that relevant observable input is not available.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Determination of fair value (continued)

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)**.

(e) Cash and cash equivalents

Cash and cash equivalents are reflected at amortized cost and represent amounts held in cash, deposits with BRH and BNC as mandatory reserve requirements, short-term deposits in other banks, and items in transit.

(f) Investments

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

Investments are therefore recorded 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 include the following debt instruments: Treasury bonds **(note 6)**, bonds in local institutions **(note 8)** for which the contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest. 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, after deduction of the provision for expected credit losses. Premiums and discounts and related transaction costs are amortized over the expected life of each instrument in interest income. Changes in value are not recognized but are disclosed in the notes to the consolidated financial statements.

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

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investments (continued)

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

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

(g) Loans

Loans are recorded at amortized cost using the effective interest method, net of the provision 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.

As of September 30, 2020, some loans have received a moratorium on principal repayment until December 31, 2020, in agreement with Central Bank measures in response to the Covid-19 crisis as stated in Circular No. 115-1. These loans are in compliance with interest payments.

Restructured loans are loans for which the Bank has revised the terms due to the deterioration in the financial situation of the borrower. When changes in loan terms do not have a material impact on contractual cash flows, the restructured loan is not derecognized. The risk of default under the modified terms is compared to the risk of default under the original contractual terms to determine whether there has been a significant increase in credit risk since initial recognition. When the modification of the terms results in the derecognition of an existing loan and the inception of a new loan, the modification date becomes the date of initial recognition of the new loan according to the impairment model. This treatment can generate a gain or a loss on derecognition.

Loans are written off against the provision for expected credit losses when all restructuring and collection efforts are completed and it is unlikely that other amounts will be recovered. Recovery of loans written off are recorded directly in the consolidated statement of income. Credit card and micro-credit loans are generally written off when they have been in arrears for over 180 days, except for loans that are being negotiated with clients.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Loans (continued)

Management establishes a provision for expected credit losses on loans at year-end which represents an estimate of the expected credit losses on the loan portfolio at this date in accordance with **note 3 c**.

There are specific provision criteria for the credit card and Microcredit portfolios in order to take into account the higher risks associated with these sectors.

The credit losses on loans reflected in the consolidated statement of income results from the difference between the provision determined above and the provision at the beginning of the year, net of write-offs, and the exchange rate effect resulting from the revaluation of the provision for expected credit losses expressed in dollars.

The Bank also meets the Central Bank's requirements for provisions on loans as defined in Circular 87. When the required provision for loan losses in accordance with the Central Bank's regulations exceeds the provision for loan losses reflected in the consolidated balance sheet, the provision surplus is recorded in the general reserve for loan losses in shareholders' equity **(note 3 s)**.

(h) Fixed assets

Fixed assets are recorded at cost, except for land and buildings which have been revalued and stated at fair value in accordance with IAS 16. Except for land, leasehold improvements and investments in progress, depreciation is calculated based on the useful life using the straight-line method.

Leasehold improvements are amortized over the lesser of the expected life of the related assets or the leases terms using the straight-line method. Investments in progress are to be depreciated over their estimated useful lives from the time they are ready to be put into use.

Fair value of land and buildings was determined as of September 30, 2020 based on appraisals of independent real estate appraisers. The book values were adjusted to fair market values accordingly. The revaluation surplus was recorded, net of deferred incomes taxes, in the revaluation reserve-land and buildings, a separate account of shareholders' equity **(note 3 t)**. The buildings life duration was estimated at 25 years and they will be depreciated over that period with a residual value of 10%.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Fixed assets (continued)

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

Buildings	4%
Computer equipment and software	20% - 33%
Furniture and office equipment	10% - 20%
Leasehold improvements	10%
Vehicles	20%
Leasehold improvements – CapInvest	7% to 20%
Petroleum equipment	10%

Residual value, useful life and depreciation methods of the various categories of fixed assets are reviewed at each reporting period.

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

Gains or losses realized on disposals of fixed assets are recognized in the consolidated statement of income. When revalued land and buildings are sold, the related surplus reflected in the revaluation reserve, is transferred to retained earnings.

(i) Assets under rights of use and lease liabilities

Leases are recognized in accordance with the requirements of IFRS 16, starting October 1, 2019.

At the commencement date, the Bank records a right-of-use assets and a lease liability for qualifying leases in accordance with IFRS 16.

Initial measurement of the right-of-use asset includes the amount of the initial measurement of lease liabilities, prepaid rent payments, initial direct costs incurred by the lessee and an estimate of dismantling costs of the underlying asset, less any lease incentives. This non-monetary asset is expressed in the functional currency of the Bank and is amortized on a straight-line basis, over the shortest period between the useful life of the underlying asset and the expected duration of the lease.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Assets under rights of use and lease liabilities (continued)

The lease liability is initially valued at the present value of the lease payments that have not yet been paid at the initial recognition date. The lease payments are discounted using the lessee incremental borrowing rate. This monetary liability is expressed in the currency of the corresponding lease contract and is remeasured when there is a change in the lease terms, a change in the assessment of an option to purchase the underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. The adjustment to the lease liability is recorded as an adjustment to the related right-of-use asset or is recorded in consolidated net income if the right-of-use asset has a zero balance.

In the case of variable contracts, which are valued as a function of an index, such as the exchange rate, the effect of indexation is capitalized in the right-of-use asset and amortized over the remaining term of the contract.

Depreciation of the right-of-use asset as well as the finance expense according to the effective interest rate method, relating to lease liabilities are recognized in the consolidated statement of net income.

Accounting for leases, under IFRS 16 involves judgment and requires the Bank to apply assumptions and estimates, to determine:

- That the appropriate interest rates are used to discount lease liabilities.

- That the duration of the lease contracts are adequate. The Bank must therefore assess whether it has reasonable certainty that the option to renew or terminate the contract will be exercised, taking into account certain aspects such as: the contract terms, the nature and location of the asset, the existence of significant rental improvements, and the availability of alternate locations in the same area.

Method applicable before October 1, 2019

Rental payments relating to operating leases were recorded on a straight-line basis as rental expense in the Consolidated Statement of Income.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Properties held for sale

In accordance with IFRS 5, properties held for sale, reflected in real estate properties, consist of land and buildings repossessed in settlement of unpaid loans plus interest receivable at the time of default, plus recovery fees incurred by the Bank. They are recorded at their estimated fair value, at the date of transaction.

The Bank has established a sales program where by these properties will be actively marketed in their current state for a period not exceeding one year, unless circumstances beyond the control of the Bank arise. The properties that do not meet these criteria are reclassified in 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 estimated based on appraisals from independent real estate appraisers.

In conformity with banking regulations, a reserve on real estate properties **(note 3 s)** is recorded in the consolidated statement of changes in shareholders' equity.

(k) Investments properties

Investment properties, reflected in real estate properties, represent land and buildings held by the Bank, and land held by the subsidiary Capital Immobilier, S.A. for an unspecified period and use, with the objective that these properties will have an increase in value compared to their original book value.

These land and buildings are kept at fair value and are not depreciated, in conformity with IAS 40. The fair values were estimated based on appraisals carried out by independent real estate appraisers.

All increases or decreases in value resulting from a change in fair value of these investment properties are recorded in the consolidated statement of income.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Investments properties (continued)

Rental income and expenses related to the management of these properties are recorded directly in the consolidated statement of income.

In conformity with banking regulations, a reserve on real estate is recorded in the consolidated statement of changes in shareholders' equity **(note 3 u)**.

(l) Real estate development

During the fiscal year ended September 30, 2020, the Board of Directors decided to proceed with a real estate development on the property of Capital-Immobilier in Tabarre. Until September 30, 2019, this property, which was leased to third parties, was classified as a real estate investment.

Real estate development includes the costs of land, at fair value, transferred from real estate investments and infrastructure work carried out by the Company. The book value of this property development is analyzed at each reporting period to determine if there is any indication of impairment. If such an indication exists, the book value is reduced to the net realizable value corresponding to the estimated selling price in the normal course of business.

(m) Acceptances

The Bank's potential liability with respect to trade acceptances is reflected as a liability on the consolidated 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, loans and subordinated debt

Deposits, loans and subordinated debt are financial liabilities which are initially measured at fair value and presented net of transaction costs directly attributable to the issuance of these instruments and then recorded at amortized cost using the effective interest rate method. The fair value of these financial liabilities is comparable to the book value, since interest rates are indexed to market rates. Interest expenses on these securities are recorded in other interest costs in the consolidated statement of income.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Paid-in capital

Paid-in capital, reflected in shareholders' equity, is comprised of common shares. Direct costs related to the issuance of new shares are recorded, net of income taxes, in retained earnings.

Dividends on ordinary shares are recorded in retained earnings when approved by the General Assembly of shareholders.

(p) Paid-in surplus

The excess over par value received by the Bank in capital stock transactions is recorded in paid-in surplus. The excess of purchase price over the par value of treasury shares is charged to paid-in surplus, then to retained earnings when the paid-in surplus is depleted.

(q) Treasury shares

Treasury shares represent shares repurchased by the Bank and stated at par value.

(r) Legal reserve

In agreement with the Law on financial institutions, an amount of 10% of income before income taxes, reduced by prior years losses, if any, 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 paid-in capital of each subsidiary. As authorized by the Central Bank, the legal reserve is used upon the increase of share capital, as approved by the Boards of the Bank and its subsidiaries.

(s) General reserve for loan losses

The general reserve for loan losses established by Management is comprised of appropriations of retained earnings and represents the excess of the provision required by the Central Bank compared to the provisions calculated according to the International Financial Reporting Standard IFRS 9. This reserve is not subject to distribution and is excluded from the calculation of regulatory capital.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revaluation reserve-land and buildings

The revaluation surplus on land and buildings is reflected, net of deferred tax, in the revaluation reserve-land and buildings, a component of shareholders' equity. On an annual basis, the difference between depreciation calculated on the revalued amount of buildings and depreciation calculated on the original cost is transferred to retained earnings.

All revaluation losses are recorded directly as expenses in the consolidated statement of income unless they relate to an existing revaluation surplus for the same property, in which case the revaluation loss will first be applied to the revaluation reserve-land and buildings in shareholders' equity.

This surplus is not subject to distribution and is excluded from the calculation of regulatory capital.

(u) Reserve on real estate properties

The reserve on real estate properties, required by banking regulations, is comprised of appropriations of retained earnings and represents the reserves required by BRH on real estate properties according to the Banking Law of July 20, 2012. They consist of the following:

- At the time of recording, 30% of the estimated fair value of real estate properties received as collateral payment of loans starting at the effective date of the law.

- An annual provision of 20% of the book value of the real estate property not sold after two years, up to 100%. This addition to the reserve has been considered only after December 3, 2015 according to BRH interpretation Note no. 1 dated December 3, 2015 on the application of Article 189 of the Banking Law.

This reserve is not subject to distribution and is not considered in the calculation of regulatory capital. When the Bank disposes of these properties, the reserves already booked on these assets are transferred to retained earnings.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Interest

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

(w) Commissions

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

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

(x) Income taxes

As per IAS 12, income taxes are recognized in the consolidated statement of income except for income taxes generated by items recognized in other comprehensive income or directly in equity. In those circumstances, the related income tax impact is also recorded in shareholders' equity and in the consolidated statement of comprehensive income.

Income taxes include current and deferred income taxes, when applicable. Current tax is payable on the taxable income for the year using statutory tax rates, including any other adjustments that may affect income taxes payable.

Deferred income taxes resulting from timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes are reflected in other assets and/or liabilities.

The Bank has recorded, in other liabilities:

- The deferred tax resulting from the revaluation of land and buildings which is annually amortized over the useful lives of the revalued buildings.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Income taxes (continued)

- The deferred tax on real estate purchased by the bank or held by Capital Immobilier that will be reversed upon the sale of these investments.

- The deferred tax on user-right-assets and lease liabilities which is depreciated annually over the life of the lease contracts.

- The deferred tax receivable for the temporary differences between the present value of the advances to CapInvest service stations and their nominal value. The deferred taxes receivable will be reversed with the passage of time through the recording of the increase in value of these advances until maturity.

(y) Regulatory reserve

According to the reserve requirements of the Central Bank, as of September 30, 2020 and 2019, 40% and 45% of liabilities in local currency and 51% of liabilities in foreign currencies, must be held in deposits at the Central Bank. Reserves on liabilities denominated in foreign currencies must be maintained in gourdes at the rate of 12.5%.

Starting June 2015, the reserve requirement rate for deposits of nonfinancial public enterprises is 100%.

(z) Net income per equivalent share of paid-in capital for shareholders of Capital Bank S.A.

Net income per equivalent share of paid-in capital is calculated by dividing net income for the year attributable to shareholders of the Bank by the weighted average of equivalent common shares outstanding during the year.

(aa) Standards, amendments and interpretations not yet adopted

As of the date of these financial statements, certain standards, modifications and interpretations have been issued but have not yet come in effect as of September 30, 2020. These standards have not been taken into account in the preparation of the consolidated financial statements of the Group.

(Continued)

(4) RISK MANAGEMENT

Risk management is of crucial importance in the operations of the Bank.

Among the financial risks that the Bank must manage are included the risks of liquidity, credit and market risks that include foreign exchange and interest rate risks, as well as operational risks.

Money laundering risk remains crucial to the operations of the Bank. To this end, the Anti-Money Laundering Committee covers all issues related to money laundering (AML) and terrorism financing. Thus, it ensures that the operations of CAPITAL BANK S.A. are conducted in a manner consistent with the laws, rules, regulations and treaties established both nationally and internationally so that its facilities and its network are not used for criminal purposes. This committee is managed by the AML Director who answers to the Board of Directors that is kept informed, on a regular basis, of the work performed by this committee and the related department.

Reports generated from the existing software and the AML Department enable the various departments of the Bank to daily manage the risk of money laundering and thus ensure Bank's management that the anti-money laundering operational procedures are performant.

The assessment by Management of the main risks of CAPITAL BANK, S.A. is as follows:

A) LIQUIDITY RISK

The Bank is exposed to liquidity risk when it does not have, on a timely basis, the liquidity to meet all its cash commitments. Effective management of liquidity is essential to maintain the confidence of the market and protect the Bank's capital.

To manage this risk, the Bank performs daily cash surveillance through the Treasury Committee that monitors the maturities of deposits, loans, investments and subordinated debt as well as the resources and commitments to ensure proper matching between resources and commitments, while complying with the statutory requirements applicable to the Bank.

At September 30, 2020 and 2019, the Bank complies with the prudential norms of the Central Bank with regards to regulatory reserves required by Circular III.

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

A) LIQUIDITY RISK (CONTINUED)

The maturity profile of the Bank's financial liabilities is as follows as of September 30:

September 30, 2020

	Current	1 -3 months	4-6 months	7 months -1 year	More than a year	Total
Deposits **(note 16)**:						
Demand deposits	G 4,237,111,078	-	-	-	-	**4,237,111,078**
Savings deposits checking	3,603,180,527	-	-	-	-	**3,603,180,527**
Saving deposits	4,619,928,724	-	-	-	243,083,702	**4,863,012,426**
Term deposits	-	1,228,713,710	4,905,040,914	165,589,177	746,111,025	**7,045,454,826**
	12,460,220,329	1,228,713,710	4,905,040,914	165,589,177	989,194,727	**19,748,758,857**
Lease liabilities **(note 12)**	-	-	-	56,286,351	282,701,957	**338,988,308**
Loans **(note 17)**	-	12,393,252	12,393,252	24,786,504	573,578,869	**623,151,877**
Special funds **(note 10)**	-	-	-	-	2,709,005	**2,709,005**
Other liabilities **(note 18)**	1,311,045,117	224,995,240	-	-	-	**1,536,040,357**
Subordinated debt **(note 19)**	-	-	-	-	721,736,246	**721,736,246**
Commitments - acceptances	-	4,733,599	-	-	-	**4,733,599**
G	**13,771,265,446**	**1,470,835,801**	**4,917,434,166**	**246,662,032**	**2,569,920,804**	**22,976,118,249**

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

4) RISK MANAGEMENT (CONTINUED)

A) LIQUIDITY RISK (CONTINUED)

September 30, 2019

		Current	1 -3 months	4-6 months	7 months - 1 year	More than a year	Total
Deposits **(note 16)**:							
Demand deposits	G	5,461,501,057	-	-	-	-	**5,461,501,057**
Savings deposits -checking		3,733,587,009	-	-	-	-	**3,733,587,009**
Savings accounts		5,176,400,602	-	-	-	404,028,876	**5,580,429,478**
Term deposits		-	5,789,348,334	1,398,056,814	1,350,266,104	93,457,286	**8,631,128,538**
		14,371,488,668	5,789,348,334	1,398,056,814	1,350,266,104	497,486,162	**23,406,646,082**
Loans **(note 17)**		-	10,256,007	410,256,007	20,512,015	568,585,959	**1,009,609,988**
Special funds **(note 10)**		-	-	-	-	2,611,247	**2,611,247**
Other liabilities **(note 18)**		2,019,021,708	243,634,637	-	-	-	**2,262,656,345**
Subordinated debt **(note 19)**		-	-	-	-	894,788,983	**894,788,983**
Commitments - acceptances		-	19,425,401	6,703,135	-	-	**26,128,536**
		2,019,021,708	**273,316,045**	**416,959,142**	**20,512,015**	**1,465,986,189**	**4,195,795,099**
	G	**16,390,510,376**	**6,062,664,379**	**1,815,015,956**	**1,370,778,119**	**1,963,472,351**	**27,602,441,181**

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK

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

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

This risk includes the following key financial assets:

		2020	2019
Cash and cash equivalents: (note 5)			
Deposits with BRH and BNC	G	**9,673,828,138**	10,703,503,350
Deposits in foreign banks		**3,688,182,615**	3,706,995,702
Deposits in local banks		**42,815,783**	-
Items in transit		**148,427,782**	27,937,076
		13,553,254,318	14,438,436,128
Investments:			
Treasury bonds **(note 6)**		**-**	24,999,375
Foreign investments **(note 7)**		**685,550,137**	1,034,756,473
Local investments **(note 8)**		**200,595,899**	267,471,569
		886,146,036	1,327,227,417
Credit:			
Loans, net **(note 9)** :		**8,078,561,747**	11,138,407,153
Guaranteed loans – special funds **(note 10)**		**4,065,296**	3,673,973
Acceptances		**4,733,599**	26,128,536
		8,087,360,642	11,168,209,662
Other assets (note 15):			
Duties and taxes to be recovered, net		**703,238,554**	570,103,051
Receivables – CapInvest customers, net		**96,948,761**	168,485,893
Advance to petroleum distributors, net		**81,820,188**	149,334,662
Receivable from customers, net		**78,407,097**	98,073,665
Receivable from Western Union, net		**64,905,710**	38,999,608
Guarantee deposits, net		**10,258,048**	14,066,703
		1,035,578,358	1,039,063,582
Total	G	**23,562,339,354**	27,972,936,789

(Continued)

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK (CONTINUED)

i) Cash and cash equivalents

Cash and cash equivalents are held at important financial institutions that the Bank considers as being solid. The financial health of these institutions is reviewed periodically by Management. As of September 30, 2020, and 2019, 71% and 74% of these cash and cash equivalents are kept at the Central Bank and BNC, as reserve coverage.

ii) Investments

This risk arises when investment securities lose value due to poor financial performance, real or expected, of the issuer.

The Bank considers Treasury bonds, representing 2% of investments at September 30, 2019, as non-risk financial instruments.

The Bank considers as moderate the risk of foreign investments, which represent 77% and 78% of investments at September 30, 2020 and 2019. To manage this risk, CAPITAL BANK, S.A., and its subsidiaries invest in instruments where the Bank monitors the operational and financial aspects, with a return proportional to the risk.

The Bank considers as low the risk on investments in local companies which represent 23% and 20% of investments at September 30, 2020 and 2019. The financial information on these institutions are periodically reviewed by Management to determine the viability of these investments.

iii) Credit

To manage this risk, the Bank has set up a Credit Committee which is mandated to supervise, on an operational basis, the overall credit risk management. The Bank performs a rigorous and systematic monitoring of its loan portfolio by different mechanisms and policies. Policies that have been adopted by the Bank's credit risk management ensure a proper risk assessment and weighting of the Bank rates accordingly.

Within its policies, the Bank is in compliance at September 30, 2020 and 2019 with the requirements and prudential norms of Central Bank Circular no. 87 on loans classification and calculation of provisions for loan losses, and Circular no. 83-4 on credit concentration, which limits the credit, by borrower and by economic sector, to a percentage of the Bank’s statutory capital.

(Continued)

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK (CONTINUED)

iv) Other assets

The Bank considers the risk of non-payment on other financial assets as follows:

- For CapInvest, a low risk on duties and taxes to be recovered from the Government that are continuously monitored with the Government.
- A low risk on accounts receivable from customers that mainly represent insurance costs and notary fees paid on behalf of credit customers.
- CapInvest accounts receivable are analyzed regularly by management to identify the expected credit losses based on to a provision matrix taking into account the repayment history and the potential risks.
- A low risk on accounts receivable from Western Union representing transfer operations that are settled on short notice.
- A moderate risk on receivables and advances made to petroleum distributors.
- A low risk on recoverable security deposits.

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

		2020	2019
Cash and cash equivalents			
Haïti	G	**9,865,071,703**	10,731,440,426
United States		**3,369,038,120**	3,263,590,028
Canada		**318,548,330**	442,196,408
Europe		**596,165**	1,209,266
		13,553,254,318	14,438,436,128
Investments			
United States		**685,550,137**	1,034,756,473
Haïti		**200,595,899**	292,470,944
		886,146,036	1,327,227,417
Credit:			
Haïti		**8,087,360,642**	11,168,209,662
Other assets:			
Haïti		**970,672,648**	1,000,063,974
United States		**64,905,710**	38,999,608
		1,035,578,358	1,039,063,582
Total financial assets	G	**23,562,339,354**	27,972,936,789

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

C) MARKET RISK

Market risk arises from changes in market conditions affecting prices and mainly includes foreign currency risk and 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 depositors' assets.

i) Foreign exchange risk

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

Circular no. 81-6 of the Central Bank on the foreign exchange risk, which stipulates that the unconsolidated foreign exchange position at September 30, 2020 and 2019, in absolute value, must not exceed, 0.5% of net assets on a daily basis, limits the gain or loss the Bank could incur on its foreign currency position. As of September 30, the Bank is in compliance with these requirements.

As of September 30, the net positions of the Bank by currency were as follows:

September 30, 2020

		Gourdes	Other currencies	Total
Cash and cash equivalents	G	4,808,935,134	9,956,061,809	**14,764,996,943**
Investments		35,225,000	850,921,036	**886,146,036**
Loans, net		3,987,924,942	4,090,636,805	**8,078,561,747**
Guaranteed loans-special funds		4,065,296	-	**4,065,296**
Acceptances		-	4,733,599	**4,733,599**
Other assets, net		830,581,927	204,996,431	**1,035,578,358**
Total financial assets		**9,666,732,299**	**15,107,349,680**	**24,774,081,979**
Deposits		6,298,821,062	13,449,937,795	**19,748,758,857**
Lease liabilities		282,612,526	56,375,782	**338,988,308**
Loans		623,151,877	-	**623,151,877**
Special funds		2,709,005	-	**2,709,005**
Subordinated debt		-	721,736,246	**721,736,246**
Acceptances		-	4,733,599	**4,733,599**
Other liabilities		926,574,245	609,466,112	**1,536,040,357**
Total financial liabilities		8,133,868,715	14,842,249,534	**22,976,118,249**
Assets, nets	**G**	**1,532,863,584**	**265,100,146**	**1,797,963,730**

(Continued)

(4) MARKET RISK (CONTINUED)

C) CREDIT RISK (CONTINUED)

i) Foreign exchange risk (continued)

September 30, 2019

	Gourdes	Other currencies	Total
Cash and cash equivalents	G 3,067,659,880	12,277,435,186	**15,345,095,066**
Investments	35,225,000	1,267,003,042	**1,302,228,042**
Treasury bonds	24,999,375	-	**24,999,375**
Loans, net	4,118,823,549	7,019,583,604	**11,138,407,153**
Guaranteed loans-special funds	3,673,973	-	**3,673,973**
Acceptances	-	26,128,536	**26,128,536**
Other assets, net	766,699,812	272,363,770	**1,039,063,582**
Total financial assets	**8,017,081,589**	**20,862,514,138**	**28,879,595,727**
Deposits	4,997,703,551	18,408,942,531	**23,406,646,082**
Loans	1,009,609,988	-	**1,009,609,988**
Special funds	2,611,247	-	**2,611,247**
Subordinated debt	-	894,788,983	**894,788,983**
Acceptances	-	26,128,536	**26,128,536**
Other liabilities	796,460,554	1,466,195,791	**2,262,656,345**
Total financial liabilities	**6,806,385,340**	**20,796,055,841**	**27,602,441,181**
Assets nets	**G 1,210,696,249**	**66,458,297**	**1,277,154,546**

Net positions in foreign currencies as of September 30, 2020 and 2019 amount to US$ 4,021,586 and US$ 71,184 respectively. As of September 30, 2020, and 2019, for every fluctuation of a gourde versus the US dollar, the currency position in US dollars would result in an exchange gain or loss of approximately G 4 million and G 712 thousand, as the case may be.

(Continued)

(4) RISK MANAGEMENT (CONTINUED)

C) MARKET RISK (CONTINUED)

i) Foreign exchange risk (continued)

The foreign exchange rates for the US dollar compared to the gourde were as follows:

	2020	2019
US dollar	**G 65.9193**	93.3162
Euro	**77.2838**	101.9853
Average rates		
US dollar	**G 99.0000**	85.0000

ii) Interest rate risk

This risk is related to the potential impact of interest rates fluctuations on net income and consequently, on net assets. It results from the inability to adjust interest rates as the market evolves, to the extent that net interest margin decreases significantly or becomes negative. The risk depends on the magnitude and the evolution of interest rate changes, and on the importance and the maturities of the related financial instruments.

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

- Loans and deposits from the Bank's customers
- Local investments and Treasury bonds
- Foreign investments
- Loans and subordinated debt.

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

C) MARKET RISK (CONTINUED)

ii) Interest rate risk (continued)

The positions on these portfolios are continuously reviewed by the Treasury Committee that establishes the positioning of the Bank in light of anticipated movements in interest rates and recommends hedging the risk of unwanted or unexpected rates.

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

	%		2020	%	2019
Fixed interest rates:					
Financial assets	**15%**	**G**	**1,919,335,564**	14%	2,263,255,510
Financial liabilities	**58%**		**(7,668,606,703)**	60%	(9,640,738,526)
Net			**(5,749,271,139)**		(7,377,483,016)
Variable interest rate:					
Financial assets	**85%**		**10,491,481,389**	86%	13,597,820,302
Financial liabilities	**42%**		**(5,584,748,672)**	40%	(6,475,218,461)
Net			**4,906,732,717**		7,122,601,841
Total interest-bearing financial assets	**100%**		**12,410,816,953**	100%	15,861,075,812
Total interest-bearing financial liabilities	**100%**		**(13,253,355,375)**	100%	(16,115,956,987)
NET		**G**	**(842,538,422)**		(254,881,175)

Based on the following observations, the Bank estimates that a fluctuation of interest rate would not have a significant impact on the future results:

- The majority of financial assets of the Bank at fixed interest rates are short-term. However, the Bank is able to adjust its risk given the composition of assets at variable rates.

- 85% of financial assets are at variable interest rates.

(Continued)

(4) RISK MANAGEMENT (CONTINUED)

D) CAPITAL MANAGEMENT

Capital is defined as paid-in-capital, paid-in surplus, reserves and retained earnings. The Bank periodically evaluates its return on capital and aims at paying a reasonable level of dividends to its shareholders, while maintaining a stable capital position to sustain its future development.

The Central Bank in its capacity as regulator of all banks operating in Haiti sets and monitors capital requirements. Banks must adhere to the following capital ratios under Central Bank Circular no. 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 should 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 in permanent Tier 1 capital attributable to ordinary shareholders excluding the general reserve for loan losses, the reserve on real estate and the revaluation reserve, and Tier 2 capital consisting essentially of subordinated debt.

As of September 30, the ratios were as follows:

	2020	2019
Ratio of assets/capital	**5.9**	7.8
Ratio of capital/risk-weighted assets	**40.00%**	28.91%

According to circular 115-1 dated June 30, 2020 in connection with Covid-19, BRH has prohibited dividends distribution for the 2019-2020 fiscal year in order to consolidate the capital of financial institutions given the risks arising from this health crisis. On February 22, 2021, this requirement has been lifted given the non-objection of BRH prior to any dividend distribution.

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(5) CASH AND CASH EQUIVALENTS

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

		2020	2019
Cash	G	**1,211,742,625**	906,658,938
Deposits in BRH and BNC		**9,673,828,138**	10,703,503,350
Deposits in foreign banks		**3,688,182,615**	3,706,995,702
Deposits in foreign banks		**42,815,783**	-
Items in transit		**148,427,782**	27,937,076
TOTAL CASH AND CASH EQUIVALENTS	G	**14,764,996,943**	15,345,095,066

Cash and deposits with BRH (Central Bank) and BNC (Banque Nationale de Crédit) are part of the cash reserve requirements on total liabilities 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 in foreign banks are as follows:

		2020	2019
Non-interest-bearing deposits	G	**369,174,402**	489,213,494
Interest-bearing deposits		**3,319,008,213**	3,217,782,208
	G	**3,688,182,615**	3,706,995,702

The interest-bearing accounts are overnight deposits bearing interest of 0.1% and 1.00% on average at September 30, 2020 and 2019, respectively.

At September 30, 2020 and 2019, deposits with foreign banks include amounts pledged as guarantees on letters of credit totaling G 21.2 million (US$ 321 thousand) and G 43.9 (US$ 470 thousand), respectively.

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

		2020	2019
In gourdes	G	**4,808,935,134**	3,067,659,880
US dollars		**9,956,061,809**	12,277,435,186
TOTAL CASH AND CASH EQUIVALENTS	G	**14,764,996,943**	15,345,095,066

(Continued)

(6) TREASURY BONDS, NET

As of September 30, Treasury bonds are debt instruments recorded at amortized cost and are as follows:

		2020	2019
Treasury bonds **(a)**	G	-	25,125,000
Interest rate		-	*6%*
Maturity		-	*5 months*
TOTAL TREAURY BONDS	G	-	25,125,000
Provision for expected credit losses		-	(125,625)
TOTAL TREASURY BONDS, NET	G	-	24,999,375

The provision for expected credit losses on Treasury bonds has changed as follows:

		Stage 1 Non impaired assets	
		2020	**2019**
Balance at beginning of year	G	**(125,625)**	-
Impact of IFRS 9 application **(note 21)**		**-**	(2,706,599)
Recovery of credit losses for the year **(note 22)**		**125,625**	2,580,974
Balance at the end of year	G	**-**	(125,625)

(a) These Treasury bonds were issued on March 30, 2015 under the memorandum of understanding signed on January 30, 2015 by the Ministry of Economy and Finance, the Ministry of National Education and the Central Bank. This agreement concerns the issuance of Treasury bonds aimed at financing the education sector of which G 250 million were awarded to CAPITAL BANK, S.A. These bonds are dematerialized of which bear interest at 6% per annum. They are repayable in 60 monthly equal installments, beginning on March 30, 2015, based on an agreed repayment schedule with the Central Bank.

Thus, the cumulative interest to be earned on these bonds amounts to G 38 million, of which G 312 thousand and G 2.9 million were recognized in 2020 and 2019.

These Treasury bonds are deducted from liabilities when calculating the regulatory reserves.

(Continued)

(7) FOREIGN INVESTMENTS

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

		2020	2019
Investments held to maturity, at fair value through profit or loss	G	**681,397,401**	1,026,569,539
Interest receivable		**4,152,736**	8,186,934
TOTAL FOREIGN INVESTMENTS	G	**685,550,137**	1,034,756,473

These investments include the following debt instruments:

		2020	2019
Bonds in financial and private companies in the United States:			
Fair value	G	**646,130,207**	903,879,188
Maturity		***3 months to 11 years***	*3 months to 11 years*
Interest rates		***1.20% to 5.25%***	*5.14% to 7.70%*
Term deposits in financial institutions (a):			
Fair value	G	**35,267,194**	57,412,123
Maturity		***4 months to 2 years***	*2 months to 2 years*
Interest rates		***1.20% to 2.60%***	*2.00% to 2.60%*
US Treasury bills			
Fair value	G	**-**	65,278,228
Maturity		*-*	*1 month*
Total investments at fair value	G	**681,397,401**	1,026,569,539

(a) Term deposits in financial institutions are guaranteed by the Federal Deposit Insurance Corporation (FDIC).

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(8) LOCAL INVESTMENTS, NET

As of September 30, local investments, net are as follows:

		2020	2019
Local investment at amortized cost:			
Bonds held in private companies	G	**164,798,250**	233,290,500
Interest receivable		**2,243,062**	1,301,994
		167,041,312	234,592,494
Provision for expected credit losses		**(1,670,413)**	(2,345,925)
TOTAL INVESTMENTS AT AMORTIZED COST, NET		**165,370,899**	232,246,569
Equity instruments		**35,225,000**	35,225,000
TOTAL LOCAL INVESTMENTS, NET	G	**200,595,899**	267,471,569

Bonds held in private companies include the following instruments:

US dollar bonds held in a Financial institution for development **(a)**	G	**32,959,650**	46,658,100
Interest rate		***3.00%***	*5.33%*
Maturity		***3 years***	*1 month*
US dollar bonds held in a commercial enterprise **(b)**	G	**131,838,600**	186,632,400
Interest rate		***6%***	6%
Maturity		***4 years***	5 years
	G	**164,798,250**	233,290,500

The provision for expected credit losses on local investments has evolved as follows:

		Stage 1 Non impaired assets	
		2020	**2019**
Balance at beginning of year	G	**(2,345,925)**	-
Impact of IFRS 9 application **(note 21)**		**-**	(354,599)
Credit losses for the year (**note 22)**		**(13,233)**	(1,873,061)
Foreign exchange effect		**688,745**	(118,265)
Balance at end of year	G	**(1,670,413)**	(2,345,925)

(Continued)

(8) LOCAL INVESTMENTS, NET (CONTINUED)

(a) In accordance with the Law of August 30, 1982 on financial institution for development, investments in these institutions are deductible from taxable income. For 2020, the related tax effect of these deductions amounted to G 9,887,895 **(note 24)**.

(b) This amount represents a bond issued by in E-Power S.A. According to article 34-1 of the contract between the Haitian Government and E-Power S.A., this investment is deductible from taxable income, and related interest revenue is exonerated from income tax **(note 23)**. This investment is subordinated to the rights of privileged debtors concerning the reimbursement of capital and interest as provided for in the various financial agreements. In 2019, the related exemption on the investment amounted to G 55.9M and in 2020 and 2019, G 3.5M and G 202 thousand respectively for the interest **(note 23)**.

Equity instruments are as follows:

		2020	2019
PORT LAFITO S.A.			
66,500 class A voting shares	G	**34,455,000**	34,455,000
HÔPITAL DU CANAPÉ VERT			
75 common shares		**750,000**	750,000
BANQUE DE L'UNION HAÏTIENNE			
80 common shares		**20,000**	20,000
	G	**35,225,000**	35,225,000

(Continued)

(9) LOANS

As of September 30, loans are categorized as follows:

		2020	2019
Commercial loans	G	**3,796,115,419**	6,106,238,999
Overdrafts		**1,257,128,801**	1,918,158,106
Credit card loans		**907,164,644**	961,168,021
Micro-credit loans		**696,641,357**	807,861,019
Mortgage loans		**418,011,122**	516,759,074
Consumer loans		**106,472,573**	157,971,995
Unsecured loans to employees		**193,868,092**	163,664,145
Mortgage loans to employees		**72,362,107**	77,033,716
Restructured loans **(a)**		**221,951,942**	50,965,687
		7,669,716,057	10,759,820,762
Loans financed by BRH:			
Residential real estate projects		**165,321,216**	179,054,152
Capital Housing loans **(b)**		**347,616,032**	328,241,600
		512,937,248	507,295,752
Current loans		**8,182,653,305**	11,267,116,514
Non-performing loans		**62,959,783**	91,317,676
	G	**8,245,613,088**	11,358,434,190
Interest receivable		**36,436,596**	61,651,572
TOTAL LOANS AND INTEREST RECEIVABLE		**8,282,049,684**	11,420,085,762
Provision for expected credit losses		**(203,487,937)**	(281,678,609)
TOTAL LOANS, NET	G	**8,078,561,747**	11,138,407,153

As of September 30, loans in US dollars and in gourdes are as follows:

		2020	2019
Loan in gourdes	G	**3,987,924,942**	4,118,823,549
Loan in US dollars		**4,090,636,805**	7,019,583,604
TOTAL LOANS, NET	G	**8,078,561,747**	11,138,407,153

(a) As of September 30, 2020, and 2019, restructured loans include amounts of G 201,140,347 and G 3,299,379 for the micro-credit portfolio.

(Continued)

(9) LOANS (CONTINUED)

(b) The Capital Housing Portfolio is a product related to the financing of middle-class mortgage loans for the construction or rehabilitation of residential buildings. In an agreement signed on December 11, 2014, the Bank of the Republic of Haiti (BRH) has pledged to support the financing of Capital Bank through this program aimed at granting housing loans in gourdes to its clientele of private individuals for a period not exceeding 30 years. The interest rate on these loans may not exceed 10% during the first ten years of the loans. After this period, the interest rate will be variable and revisable by Capital Bank, by mutual agreement with BRH, taking into account the prevailing interest rate on the market. Borrowings relating to these projects and the related terms and conditions are described in **note 17**.

As of September 30, 2020, and 2019, housing loans for the construction or rehabilitation of residential buildings included a loan to a related party for G 105,215,463 and G 116,405,698, respectively.

As of September 30, the loan portfolio by aging categories is as follows:

September 30, 2020

		Currents	1-30 days	31-60 days	61-90 days	Total
Current loans						
Overdrafts	G	1,236,675,917	-	20,418,032	34,852	**1,257,128,801**
Micro-credit (including restructured loans)		828,437,180	43,191,022	24,309,702	1,843,800	**897,781,704**
Credit card loans		678,322,985	139,987,879	49,966,810	38,886,970	**907,164,644**
Other loans		4,204,232,502	455,398,915	396,902,928	64,043,821	**5,120,578,166**
	G	**6,947,668,584**	**638,577,816**	**491,597,472**	**104,809,443**	**8,182,653,315**
%		**85%**	**8%**	**6%**	**1%**	**100%**

		90-180 days	181-360 days	More than 360 days	Total
Non-performing loans					
Overdrafts	G	84,132	1,105,740	477,542	**1,667,414**
Micro-credit loans		20,429,022	1,697,331	-	**22,126,353**
Credit card loans		15,256,522	14,944,337	-	**30,200,859**
Other loans		4,201,011	4,764,146	-	**8,965,157**
	G	**39,970,687**	**22,511,554**	**477,542**	**62,959,783**
%		**63%**	**36%**	**1%**	**100%**

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(9) LOANS (CONTINUED)

September 30, 2019

		Current	1-30 days	31-60 days	61-90 days	Total
Current loans						
Overdrafts	G	1,886,606,583	-	24,663,713	6,887,810	1,918,158,106
Micro-credit (including restructured loans)		702,149,161	89,575,143	12,618,740	6,817,354	811,160,398
Credit card loans		633,476,029	196,243,756	82,345,330	49,102,906	961,168,021
Other loans		5,976,540,450	1,272,611,216	124,769,437	202,708,886	7,576,629,989
	G	**9,198,772,223**	**1,558,430,115**	**244,397,200**	**265,516,956**	**11,267,116,514**
%		**82%**	**14%**	**2%**	**2%**	**100%**

		90-180 days	181-360 days	More than 360 days	Total
Non-performing loans					
Overdrafts	G	854,488	5,006,922	1,905,848	7,767,258
Micro-credit loans		23,028,527	4,155,180	-	27,183,707
Credit		38,968,385	11,968,020	-	50,936,405
Other loans		3,202,684	2,227,622	-	5,430,306
	G	**66,054,084**	**23,357,744**	**1,905,848**	**91,317,676**
%		**72%**	**26%**	**2%**	**100%**

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

September 30, 2020

		Mortgages	Cash collateral (note 16) (a)	Vehicles	Others	Total
Current loans	G	4,430,366,616	282,992,716	180,217,353	38,035,436	**4,931,612,121**

September 30, 2019

		Mortgages	Cash collateral (note 16) (a)	Vehicles	Others	Total
Current loans	G	**5,620,083,526**	**893,533,038**	**182,411,712**	**44,419,033**	**6,744,745,688**

(Continued)

(9) LOANS (CONTINUED)

(a) Loans to Board Members and their related companies totaled G 683,6 million and G 1.1 billion respectively as of September 30, 2020 and 2019. Interest rates on these loans average 8% to 18% in 2020 and of 8% to 23% in 2019, for loans in gourdes, and interest of 6% to 12% in 2020 and 7% to 13% in 2019 for loans in dollars. The majority of these loans is secured by mortgages or pledged funds.

The average yield of the loan portfolio are as follows:

	2020	**2019**
Commercial loans		
Gourdes	**16%**	17%
US dollars	**11%**	9%
Overdrafts		
Gourdes	**20%**	23%
US dollars	**17%**	13%
Mortgage loans		
Gourdes	**14%**	14%
Dollars US	**13%**	11%
Capital housing in gourdes	**10%**	10%
Credit card loans in gourdes	**31%**	31%
Micro-credit loans in gourdes	**42%**	48%
Consumer loans		
Gourdes	**18%**	21%
US dollars	**17%**	18%
Loans to employees	**8%**	8%

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(9) LOANS (CONTINUED)

a) The provision for expected credit losses on **entire portfolio** evolved as follows:

		Total 2020	Total 2019
Balance at beginning of year	G	**(281,678,609)**	(33,202,333)
Impact of IFRS 9 **(note 21)**		**-**	(166,008,435)
Balance at beginning of year, restated		**(281,678,609)**	(199,210,768)
Expected credit losses for the year **(note 22)**		**(99,841,232)**	(123,079,975)
Effect of change		**33,819,895**	(29,763,269)
Transfer of provision from off- balance sheet to liabilities **(note 18)**		**46,405,013**	-
Write-offs		**97,806,996**	70,375,403
Balance at end of year	G	**(203,487,937)**	(281,678,609)

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

		Non impaired loans Stage 1	Impaired loans Stage 2	Default loans Stage 3	Total
Balance as of September 30, restated					
Loans and interest receivable	G	8,705,766,078	544,643,929	57,769,946	**9,308,179,953**
Provision		(160,631,783)	(16,920,444)	(21,658,541)	**(199,210,768)**
Total net		**8,545,134,295**	**527,723,485**	**36,111,405**	**9,108,969,185**
Variations of the year 2018-2019					
Loans and interest receivable		1,597,033,696	464,447,556	50,424,557	**2,111,905,809**
Provision		(44,346,015)	(21,055,879)	(17,065,947)	**(82,467,841)**
Total net	G	**1,552,687,681**	**443,391,677**	**33,358,610**	**2,029,437,968**

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(9) LOANS (CONTINUED)

		Non impaired loans	Impaired loans	Default loans	Total
		Stage 1	**Stage 2**	**Stage 3 (Note i)**	
Balance as of September 30, 2019					
Loans and interest receivable	G	10,302,799,774	1,009,091,485	108,194,503	**11,420,085,762**
Provision		(204,977,798)	(37,976,323)	(38,724,488)	**(281,678,609)**
Total net		**10,097,821,976**	**971,115,162**	**69,470,015**	**11,138,407,153**
Variations of the year 2019-2020					
Loans and interest receivable		(3,284,532,109)	190,169,070	(43,673,039)	**(3,138,036,078)**
Provision		90,964,881	(4,134,222)	(8,639,987)	**78,190,672**
Total net		**(3,193,567,228)**	**186,034,848**	**(52,313,026)**	**(3,059,845,405)**
Balance as of September 30, 2020					
Loans and interest receivable		7,018,267,665	1,199,260,555	64,521,464	**8,282,049,684**
Provision		(114,012,917)	(42,110,545)	(47,364,475)	**(203,487,937)**
Total net	G	**6,904,254,748**	**1,157,150,010**	**17,156,989**	**8,078,561,747**

As of September 30, 2020 and 2019, default loans include :

		2020	2019
Non-performing loans	G	**62,959,783**	91,317,676
Other loans		**1,561,681**	16,876,827
	G	**64,521,464**	108,194,503

The other loans are classified in phase 3 although they are up to date because in management's judgment, based on the criteria described in note 3c they require larger provisions.

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(9) LOANS (CONTINUED)

b) The provision for expected credit losses on **other loans** has evolved as follows:

		Total 2020	Total 2019
Balance at beginning of year	G	**(175,839,385)**	(6,855,707)
Impact of IFRS 9 application		-	(131,769,306)
Balance at beginning of year, restated	G	**(175,839,385)**	(138,625,013)
Expected credit losses for the year		**31,235,533**	(28,187,306)
Foreign exchange effect		**16,771,968**	(14,420,957)
Write-offs		**10,860,814**	5,393,896
Off-balance sheet provision transfer to liabilities		**28,059,752**	-
Balance at end of the year	G	**(88,911,318)**	(175,839,385)

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

		Non impaired Loans	Impaired loans	Default Loans	TOTAL
		Stage 1	**Stage 2**	**Stage 3**	
Balance as of September 30, 2018, restated					
Loans and interests receivable	G	7,295,012,198	321,670,053	40,135,753	**7,656,818,004**
Provision		(124,932,212)	(5,323,106)	(8,369,695)	**(138,625,013)**
Total net		**7,170,079,986**	**316,346,947**	**31,766,058**	**7,518,192,991**
Variations of the year 2018-2019					
Loans and interests receivable		1,579,699,599	338,442,264	(10,061,361)	**(1,908,080,502)**
Provision		(31,666,712)	(6,782,872)	1,235,212	**(37,214,372)**
Total net	G	**1,548,032,887**	**331,659,392**	**(8,826,149)**	**1,870,866,130**

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(9) LOANS (CONTINUED)

		Non impaired loans	Impaired loans	Default loans	TOTAL
		Stage 1	Stage 2	Stage 3	
Balance as of September 30, 2019					
Loans and interests receivable	G	8,874,711,797	660,112,317	30,074,392	9,564,898,506
Provision		(156,598,924)	(12,105,978)	(7,134,483)	(175,839,385)
Total net		**8,718,112,873**	**648,006,339**	**22,939,909**	**9,389,059,121**
Variations of the year 2019-2020					
Loans and interests receivable		(3,407,259,335)	282,479,329	(17,880,140)	**(3,142,660,146)**
Provision		90,366,240	(7,172,875)	3,734,702	**86,928,067**
Total net		**(3,316,893,095)**	275,306,454	(14,145,438)	**(3,055,732,079)**
Balance as of September 30, 2020					
Loans and interests receivable		5,467,452,472	942,591,646	12,194,252	**6,422,228,370**
Provision (i)		(66,232,684)	(19,278,853)	(3,399,781)	**(88,911,318)**
Total net	G	**5,401,219,788**	**923,312,793**	**8,794,471**	**6,333,327,052**

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

		2020	2019
Non-performing loans	G	**10,632,572**	13,197,564
Other loans		**1,561,680**	16,876,828
	G	**12,194,252**	30,074,392

The other loans classified in **phase 3** although they are up to date because in management's judgment based on the criteria described in **note 3c**, they require larger provisions.

(i) During the year ended September 30, 2020, the Bank granted significant moratoriums to 11% (G 714 million) of the portfolio because of the economic situation related to political unrest and Covid-19. Additional provisions for credit losses have been recorded on this portfolio

(Continued)

(9) LOANS (CONTINUED)

c) The provision for expected credit losses on **micro credit loans** evolved as follows:

	Total 2020	Total 2019
Balance at beginning of year	**(44,038,827)**	**(12,106,877)**
Impact of IFRS 9 application	-	(9,331,176)
Balance at beginning of year restated	**(44,038,827)**	**(21,438,053)**
Expected credit losses for the year	**(97,134,439)**	(56,204,028)
Foreign exchange effects	**12,492,737**	(5,572,123)
Write-offs	**48,587,728**	39,175,377
Balance at the end of year	**(80,092,801)**	**(44,038,827)**

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

		Non impaired loans	Impaired loans	Default loans	TOTAL
		Stage 1	Stage 2	Stage 3	
Balance at beginning of year restated					
Loans and interests receivable	G	767,168,098	11,830,251	11,236,188	**790,234,537**
Provision		(10,791,612)	(3,755,600)	(6,890,841)	**(21,438,053)**
Total net		**756,376,486**	**8,074,651**	**4,345,347**	**768,796,484**
Variations of the year 2018-2019					
Loans and interests receivable		(27,443,851)	9,456,924	15,947,519	**52,848,294**
Provision		(7,239,078)	(2,630,552)	(12,731,144)	**(22,600,774)**
Total net	G	**(20,204,773)**	**6,826,372**	**3,216,375**	**30,247,520**

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(9) LOANS (CONTINUED)

		Non impaired loans	Impaired loans	Default loans	TOTAL
		Stage 1	**Stage 2**	**Stage 3**	
Balance as of September 2019					
Loans and interest receivable	**G**	794,611,949	21,287,175	27,183,707	**843,082,831**
Provision		(18,030,690)	(6,386,152)	(19,621,985)	**(44,038,827)**
Total net		**776,581,259**	**14,901,023**	**7,561,722**	**799,044,004**
Variations of the year 2019-2020					
Loans and interests receivable		77,880,270	(6,540,076)	(5,057,355)	**79,362,991**
Provision		(21,270,948)	(13,012,915)	(1,770,111)	**(36,053,974)**
Total net		**56,609,321**	**(6,472,839)**	**(6,827,466)**	**43,309,017**
Balance as of September 2020					
Loans and receivable		872,492,219	27,827,251	22,126,352	**922,445,822**
*Provision **(i)***		(39,301,638)	(19,399,067)	(21,392,096)	**(80,092,801)**
Total net	**G**	**833,190,581**	**8,428,184**	**734,256**	**842,353,021**

(i) During the year ended September 30, 2020, the Bank granted significant moratoriums to 24% (G 221 million) of the portfolio because of the economic situation related to political unrest and Covid-19. Additional provisions for credit losses have been recorded on this portfolio.

(Continued)

(9) LOANS (CONTINUED)

d) The provision for expected credit losses for the **credit cart** evolved as follows:

		Total 2020	Total 2019
Balance at beginning of the year	**G**	**(61,800,397)**	(14,239,744)
Impact of IFRS 9 application		**-**	(24,907,958)
Balance at beginning of year, restated	**G**	**(61,800,397)**	(39,147,702)
Expected credit losses for the year		**(33,942,326)**	(38,688,635)
Expected credit losses for the year		**4,555,190**	(9,770,190)
Write-offs		**38,358,454**	25,806,130
Off balance sheet provision transfer to liabilities		**18,345,261**	-
Balance at end of year	**G**	**(34,483,818)**	(61,800,397)

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

		Non impaired Loans	Impaired loans	Default	TOTAL
		Stage 1	**Stage 2**	**Stage 3**	
Balance as of September 2018, restated					
Loans and interests receivable	**G**	643,585,782	211,143,625	6,398,005	**861,127,412**
Provision		(24,907,959)	(7,841,738)	(6,398,005)	**(39,147,702)**
Total net		**618,677,823**	**203,301,887**	**-**	**821,979,710**
Variations of the year 2018-2019					
Loans and interests receivables		(10,109,754)	116,548,368	44,538,399	**150,977,013**
Provision		(5,440,225)	(11,642,455)	(5,570,015)	**(22,652,695)**
Total net	**G**	**(15,549,979)**	**104,905,913**	**38,968,384**	**128,324,318**

(Continued)

(9) LOANS (CONTINUED)

		Non impaired loans	Impaired loans	Default loans	TOTAL
		Stage 1	Stage 2	Stage 3	
Balance as of September 2019					
Loans and interests receivable	G	633,476,028	327,691,993	50,936,404	**1,012,104,425**
Provision		(30,348,184)	(19,484,193)	(11,968,020)	**(61,800,397)**
Total net		**603,127,844**	**308,207,800**	**38,968,384**	**950,304,028**
Variations of the year 2019- 2020					
Loans and interests receivable		44,846,956	(98,850,335)	(20,735,544)	**(74,738,923)**
Provision		21,869,589	16,051,568	(10,604,578)	**27,316,579**
Total net		**66,716,545**	**(82,798,767)**	**(31,340,122)**	**(47,422,343)**
Balance as of September 2020					
Loans and interest receivable		678,322,984	228,841,658	30,200,860	**937,365,502**
Provision		(8,478,595)	(3,432,625)	(22,572,598)	**(34,483,818)**
Total net	G	**669,844,389**	**225,409,033**	**7,628,262**	**902,881,684**

As at September 30, 2020 and 2019, defaulted loans consist exclusively of non-performing loans.

The provision for loan losses required under Circular 87 of the Central Bank totaled G 171.5 million and G 216 million respectively as of September 30, 2020 and 2019. This provision is covered by the following financial statement captions:

This balance includes:

		2020	2019
Balance sheet amounts **(note 9)**	G	**203,487,937**	235,273,596
Off-balance sheet amounts **(notes 27)**		**35,558,243**	2,606,960
Total provision	G	**239,046,180**	237,880,556

(10) GUARANTEED LOANS - SPECIAL FUNDS

Capital Bank manages some mortgage loans granted by the Employee Pension Fund of Telecommunications of Haiti (TELECO) to its members. Management fees, representing a percentage of the effective interest rate on these loans are levied by the Bank.

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

11) FIXED ASSETS, NET

Fixed assets, at cost, have evolved as follows:

Costs		Balance as 09/30/19	Acquisitions	Transfers	Transfers to real estate investments (notes 14)	Revaluation surplus	Disposals	Balance as 09/30/20
Lands	G	87,310,070	-	-	(52,668,470)	15,821,589	-	**50,463,189**
Buildings		146,551,203	-	-	-	81,157,540	-	**227,708,743**
Computer software		86,710,799	10,873,911	-	-	-	(12,182,229)	**85,402,481**
Furniture and office equipment		220,208,929	29,607,018	1,527,211	-	-	(19,922,715)	**231,420,443**
Installations		123,343,443	-	2,734,202	-	-	(8,283,217)	**117,794,428**
Computer equipment		69,384,242	10,529,735	283,362	-	-	(5,006,938)	**75,190,401**
Vehicles		66,023,414	7,960,949	-	-	-	(15,653,913)	**58,330,450**
Leasehold improvements – CapInvest		49,130,122	863,805	71,606,729	-	-	-	**121,600,656**
Petroleum equipment		174,284,331	3,454,040	142,331,985	-	-	-	**320,070,356**
Investments in progress **(a)**		152,149,965	208,469,718	(218,483,489)	(14,814,000)	-	(57,975)	**127,264,219**
	G	**1,175,096,518**	**271,759,176**	**-**	**(67,482,470)**	**96,979,129**	**(61,106,987)**	**1,415,245,366**

Accumulated depreciation has evolved as follows:

Accumulated depreciation		Balance as 09/30/19	Depreciation of the year	Revaluation surplus	Disposals	Balance as 09/30/20
Buildings	G	21,103,372	5,275,843	(26,379,215)	-	**-**
Computer software		48,409,175	24,231,319	-	(12,182,229)	**60,458,265**
Furniture and office equipment		86,779,317	35,658,411	-	(17,381,451)	**105,056,277**
Installations		44,937,664	11,363,828	-	(8,283,217)	**48,018,275**
Computer equipment		36,657,474	13,591,574	-	(5,006,937)	**45,242,111**
Vehicles		30,554,080	11,299,916	-	(15,653,912)	**26,200,084**
Leasehold improvements – CapInvest		6,093,694	8,975,789	-	-	**15,069,483**
Petroleum equipment		15,481,833	22,035,581	-	-	**37,517,414**
	G	**290,016,609**	**132,432,261**	**(26,379,215)**	**(58,507,746)**	**337,561,909**
IMMOBILISATIONS, NET	**G**	**885,079,909**		**123,358,344**	**(2,599,241)**	**1,077,683,457**

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(11) FIXED ASSETS, NET (CONTINUED)

(a) Ongoing investments include advances on the implementation of new software as well as the fitting out of new branches, and construction work at gas stations.

As at September 30, excluding the effect of revaluation, the net book value of land and buildings is as follows:

		2020	2019
Land	G	**46,963,087**	46,963,087
Transfers to real estate investments		**(46,130,087)**	-
		833,000	46,963,087
Buildings		**11,720,982**	12,608,928
	G	**12,553,982**	59,572,015

(12) RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES

Rights-of-use assets

Rights-of-use assets have evolved as follows :

Cost

Balance as of September, 2019	G	662,110,335
Effect of indexation on variable contracts		(133,811,793)
Balance as of September 2020	G	**528,298,542**

Accumulated amortization

Balance as of October 1, 2019	G	-
Amortization		(104,049,734)
Balance as of September 2020	G	**(104,049,734)**
Rights-of-use assets, net	G	**424,248,808**

(Continued)

(12) RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Lease liabilities

Lease liabilities have evolved as follows :

Lease liabilities		**Gourdes**	**Converted US dollars**	**Total**
Balance as of October 1, 2019	G	534,389,492	127,720,843	**662,110,335**
Effect of indexation on variable contracts		(133,811,793)	-	**(133,811,793)**
Rent payments		(174,990,643)	(36,763,373)	**(211,754,016)**
Foreign exchange effect on contracts in US dollars		-	(39,938,037)	**(39,938,037)**
Interest on lease liabilities		57,025,470	5,356,349	**62,381,819**
Balance as of September 30, 2020		**282,612,526**	**56,375,782**	**338,988,308**
Short-Term cost portion		(49,428,607)	(6,857,744)	**(56,286,351)**
Long-Term long portion	**G**	**233,183,919**	**49,518,038**	**282,701,957**

Undiscounted contractual payments to be made for lease liabilities are as follows :

		Gourdes	**Dollars USD convertis**	**Total**
Less than 1 year	**G**	91,935,687	10,632,709	102,568,396
Between 2 and 5 years		233,765,945	37,257,292	271,023,237
More than 5 years		70,477,008	67,132,007	137,609,015
Total	**G**	**396,178,640**	**115,022,008**	**511,200,648**

Lease expenses recognized in the consolidated statement of income, under the premises, and equipment caption are as follows :

Interest on lease liabilities	**G**	62,381,819
Depreciation of rights-of-use assets		104,049,734
Total	**G**	**166,431,553**

The tax expense for the year relating to these leases is G 154,885,636, resulting in a difference of G 11,545,917 causing a deferred tax of G 3,586,393 **(note 24).**

(Continued)

(13) REAL ESTATE DEVELOPMENT – CAPITAL IMMOBILIER

The real estate development includes land and building improvements in Tabarre. They are as follows:

		2020	2019
Balance at the beginning of the year	G	**-**	-
Transfers from real estate properties **(note 14)**		**155,236,576**	-
Addition of the year		**1,959,984**	-
Balance at end of the year	**G**	**157,196,560**	-

In 2020, the Board of Directors decided to make a real estate development on this property, hence this classification.

(14) REAL ESTATE PROPERTIES

As of September 30, real estate properties include:

		2020	2019
Properties held for sale	G	**-**	75,733,474
Real estate investments:			
Real estate investments – other	G	**128,974,850**	53,750,074
Real estate investments acquired by the bank		**254,763,873**	132,622,853
Real estate investments – Capital Immobilier		**62,727,179**	187,921,505
Total real estate investment	**G**	**446,465,902**	374,294,432
TOTAL BIENS IMMOBILIERS HORS EXPLOITATION	**G**	**446,465,902**	450,027,906

Properties held for sale have evolved as follows:

		2020	2019
Balance at beginning of year	G	**75,733,474**	42,650,284
Transfer to real estate properties – other		**(75,733,474)**	-
Change in value for the year		**-**	33,083,190
Balance at end of year	**G**	**-**	75,733,474

(Continued)

(14) REAL ESTATE (CONTINUED)

Investment properties have evolved as follows:

		2020	2019
Balance at beginning of the year	G	53,750,074	60,689,961
Transfer from properties held for sale		75,733,474	-
Sales of the year		-	(12,600,000)
Change in value for the year		(508,698)	5,660,113
Balance at end of the year	G	128,974,850	53,750,074

Sales in 2019 generated gains of G 2,167,614.

Real estate properties, acquired by the Bank are as follows:

		2020	2019
Balance at the beginning of the year	G	132,622,853	130,000,000
Transfer from fixed assets **(note 11)**		67,482,470	-
Change in value for the year		54,658,550	-
Addition for the year		-	2,622,853
Balance at end of the year	G	254,763,873	132,622,853

Real estate properties held by the Bank have evolved as follows :

		2020	2019
Balance at beginning of the year	G	187,921,505	187,921,505
Transfer to real estate development **(note 13)**		(155,236,576)	-
Change in value for the year		29,194,002	-
Addition of the year		848,248	-
Balance at end of the year	G	62,727,179	187,921,505

Taxes resulting from capital gain during the year on real estate properties acquired by Bank are G 16,978,039 and on investments held by capital immobilier G 8,758,201, are deferred **(note 24)**. There are no reserves on these investments.

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(14) REAL ESTATE PROPERTIES (CONTINUED)

Real estate properties, net of general reserves as required by BRH, are as follows:

		2020	2019
Real estate properties	G	**446,465,902**	374,294,432
Less reserve – 20%		**(27,791,359)**	(18,681,797)
Less reserve – 30%		**(34,502,717)**	(11,935,284)
Total reserves		**(62,294,076)**	(30,617,081)
Balance at end of year, net	G	**384,171,826**	343,677,351
Properties held for sale	G	**-**	75,733,474
Less reserve - 30%		**-**	(22,720,042)
Balance at end of year, net	G	**-**	53,013,432
Total real estate properties	G	**446,465,902**	450,027,906
Total reserve 20%		**(27,791,359)**	(18,681,797)
Total reserve 30%		**(34,502,717)**	(34,655,326)
Reserves real estate properties		**(62,294,076)**	(53,337,123)
Balance at end of the year	G	**384,171,826**	396,690,783

The reserve on real estate have evolved as follows:

		2020	2019
Reserve 30%			
Balance at beginning of the year	G	**34,655,326**	24,397,335
Reversal on sales of the year		**-**	(1,365,000)
Adjustment on previous balances		**(152,609)**	11,622,991
Balance at end of year	G	**34,502,717**	34,655,326
Reserve 20%			
Balance at beginning of the year	G	**18,681,797**	15,148,839
Reserve of the year		**9,109,562**	8,362,958
Reversal on sales of the year		**-**	(4,830,000)
Balance at end of year	G	**27,791,359**	18,681,797
Total reserves	G	**62,294,076**	53,337,123

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(15) OTHER ASSETS

As of September 30, other assets are as follows:

		2020	2019
Duties and taxes receivable – petroleum products, net	G	**705,308,564**	574,950,780
Receivable from customers – CapInvest		**97,914,487**	171,271,857
Advance to petroleum distributors **(a)**		**82,646,655**	150,843,093
Receivable from customers		**79,440,655**	99,265,561
Receivable- Western Union		**64,905,710**	39,393,543
Warranty deposits		**10,361,665**	14,208,792
		1,040,577,736	1,049,933,626
Provision for expected credit losses		**(4,999,378)**	(10,870,044)
		1,035,578,358	1,039,063,582
Stocks and materials – petroleum products		**242,425,458**	399,080,244
Prepaid expenses and others		**79,739,316**	96,164,824
Stationery and office supplies		**30,538,480**	17,576,360
Deferred income taxes **(note 24)**		**6,620,202**	4,067,465
		359,323,456	516,888,893
TOTAL OTHER ASSETS, NET	G	**1,394,901,814**	1,555,952,475

(a) As of September 30, 2019, advances to petroleum distributors include an advance on rent to a third party for US$ 600,000 or the equivalent of G 34,210,281 over a 36-month period at a variable rate of 15.25%, of which the net balance at September 30, 2019 was G 14,460,296. This advance was paid in full in 2020. The other advances are long-term and do not bear interest. They are presented at their net present value, based on future cash flows at the marginal borrowing rate estimated over the period of these advances. The finance costs, net of the foreign exchange effect totaling G 3,327,718 and G 4,530,613 as of September 30, 2020 and 2019, resulted in the respective deferred taxes of (G 1,033,656) and G 1,407,299 **(note 24)**.

The provision for expected credit losses on other assets has evolved as follows :

		Non impaired Stage 1	
		2020	2019
Balance at beginning of the year	G	**(10,870,044)**	(1,868,922)
Impact of IFRS 9 application **(note 21)**		**-**	(5,284,011)
Foreign exchange effect		**(765,053)**	(1,096,864)
Write-off of the year		**-**	5,469,516
Recovery on credit loss for the year **(note 22)**		**6,635,719**	(8,089,763)
Balance at end of yea	G	**(4,999,378)**	(10,870,044)

(Continued)

(16) DEPOSITS

As of September 30, deposits are as follows:

		2020	2019
Demand deposits			
Current accounts :			
Gourdes	G	1,326,137,201	1,367,644,537
US dollars		2,910,973,877	4,093,856,520
		4,237,111,078	5,461,501,057
Savings accounts:			
Gourdes		729,220,983	608,924,982
US dollars		2,873,959,544	3,124,662,027
		3,603,180,527	3,733,587,009
Savings accounts:			
Gourdes		1,829,399,770	1,537,741,291
US dollars		3,033,612,656	4,042,688,187
		4,863,012,426	5,580,429,478
Term deposit:			
Gourdes		2,414,063,108	1,483,392,741
US dollars		4,631,391,718	7,147,735,797
		7,045,454,826	8,631,128,538
TOTAL DEPOSITS	G	19,748,758,857	23,406,646,082
Deposits in gourdes	G	6,298,821,062	4,997,703,551
Deposits in US dollars		13,449,937,795	18,408,942,531
TOTAL DEPOSITS	G	19,748,758,857	23,406,646,082

As of September 30, pledged deposits are as follows:

		2020	2019
Deposits in gourdes	G	4,149,420	6,079,420
Deposits in dollars US		278,843,296	887,453,618
TOTAL (note 9)	G	282,992,716	893,533,038

(Continued)

(16) DEPOSITS (CONTINUED)

Average rates of interest on deposits are as follows:

	2020	2019
Demand deposits (overnight)		
Gourdes	**0.19%**	0.10%
US dollars	**0.24%**	0.14%
Savings deposits - check		
Gourdes	**0.03%**	0.02%
US dollars	**0.06%**	0.03%
Savings deposits **(a)**		
Gourdes	**0.02%**	0.06%
US dollars	**0.20%**	0.37%
Term deposits		
Gourdes	**8.80%**	9.70%
US dollars	**3.72%**	3.34%

Deposits from Board Members of the Bank and their affiliated companies amount to G 2.2 billion and G 4.4 billion respectively as of September 2020 and 2019.

(a) At September 30, 2020 and 2019, savings accounts deposits include G 243 million and G 404 million of retirement savings resulting from pension fund management contracts signed with companies for the benefit for their employees, and the accounts of the Group employees. The interest rates are revised according to market conditions.

The Bank and its subsidiaries contribute to employees' retirement savings at a fixed contribution rate of 2% of gross salary. These contributions are invested in savings deposits in US dollars, remunerated at fixed rates of 3.50% in 2020 and 2019. The contributions, for the years 2020 and 2019, amount to G 9.5 million and G 8.1 million **(note 23)**. The balances of these savings deposits in US dollars as of September 30, 2020 and 2019 are US$ 2,388,650 and US$ 2,183,544, respectively.

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(17) LOANS

As of September 30, loans are in gourdes and comprised of loans from the Central Bank (BRH), disbursed under the financial support program "Capital Housing" **(note 9)** and a loan from the National Bank of Credit (BNC):

		2020	2019
Loans Capital Housing:			
3% fixed-rate loan maturing in March 2026, repayable in monthly installments, capital and interest, of G 729,835	G	**48,169,138**	56,927,162
3% fixed-rate loan maturing in June 2025, repayable in monthly installments, capital and interest, of G 792,146		**45,152,313**	54,658,062
3% fixed-rate loan maturing in September 2025, repayable in monthly installments, capital and interest, of G 616,667		**37,000,000**	44,400,000
3% fixed year loan, maturing in April 2032, repayable in monthly installments, principal and interest, G 175,778		**24,257,333**	26,366,666
3% fixed-rate loan maturing in July 2027, repayable in monthly installments, capital and interest, of G 284,771		**23,066,438**	26,483,687
3% fixed-rate loan maturing in June 2038, repayable in monthly installments, capital and interest, of G 111,615		**23,773,906**	25,113,281
3% fixed-rate loan maturing in February 2036, repayable in monthly installments, capital and interest, of G 95,011		**19,857,317**	20,997,449
Carry over balance	**G**	**221,276,445**	254,946,307

(Continued)

(17) LOANS (CONTINUED)

		2020	2019
Balance brought forward	G	**221,276,445**	254,946,307
Loan Capital Housing (continued):			
3% fixed-rate loan maturing in October 2038, repayable in monthly installments, capital and interest, of G 204,583		**44,394,583**	46,849,583
3% fixed-rate loan maturing in October 2039, repayable in monthly installments, capital and interest, of G 59,125		**13,125,750**	13,835,250
3% fixed-rate loan maturing in July 2039, repayable in monthly installments, capital and interest, of G 80,729		**18,244,792**	19,213,542
1% fixed-rate loan maturing in July 2039, repayable in monthly installments, capital and interest, of G 268,408		**28,182,937**	31,565,306
3% fixed rate loan maturing in October 2039, in monthly installments, capital and interest, of G 62,292		**14,264,792**	-
2% fixed year, maturing in August 2040, repayable in monthly installments, principal and interest of G 44,511		**10,638,088**	-
3% fixed year, maturing in September 2040, repayable in monthly installments, principal and interest of G 70,833		**17,000,000**	-
3% fixed year, maturing in September 2040, repayable in monthly installments, principal and interest of G 70,833		**17,000,000**	-
Carry over balance	G	**384,127,387**	366,409,988

(Continued)

(17) LOANS (CONTINUED)

		2020	2019
Balance brought forward	G	**384,127,387**	366,409,988
Loan Capital Housing – real estate projects:			
3% fixed-rate loan maturing in January 2032, repayable in monthly installments, principal and interest, of G 463,946 from January 2020		**64,024,490**	68,200,000
Partial disbursement of a G 350,000,000 funding at a fixed-rate of 3%, maturing in April 2027, repayable in equal monthly installments. The repayment schedule will be established after the last disbursement		**175,000,000**	175,000,000
		239,024,490	243,200,000
TOTAL LOANS – BRH	G	**623,151,877**	609,609,988
Loan – other local financial institution			
Loan in gourdes from the National Bank of Credit with a fixed-rate of 24%, paid in full in December 2019		**-**	400,000,000
TOTAL LOANS	G	**623,151,877**	1,009,609,988

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(18) OTHER LIABILITIES

As of September 30, other liabilities are as follows:

		2020	2019
Cashiers' checks and certified checks	G	**438,635,223**	383,239,853
Income taxes payable		**264,356,597**	243,634,637
Transfers payable		**198,941,592**	619,806,543
Unclaimed deposits		**189,822,975**	141,533,444
Deferred income taxes **(note 24)**		**149,686,660**	88,259,285
Salaries and benefits payable		**90,441,084**	89,689,430
Payable to the Haitian Government – petroleum products		**72,178,488**	222,320,959
Deposits on prepaid credit cards		**49,604,093**	52,456,099
Provision for expected credit losses on off-balance sheet commitments **(note 27)**		**35,558,243**	2,606,960
Interest payable		**31,474,001**	62,826,735
Duties and taxes payable		**7,453,912**	7,787,695
Project funding - Haïti Home **(a)**		**5,851,459**	8,283,399
Suppliers – petroleum products		**-**	251,206,881
Other		**151,722,690**	177,263,710
TOTAL OTHER LIABILITIES	G	**1,685,727,017**	2,350,915,631

(a) This amount represents a grant of US$ 150,000 received under reference AID-521-A-15-00011 from the ''WORLD COUNCIL OF CREDIT UNIONS'' (WOCCU) – for the Haiti HOME, program, as a support to promote demand for real estate development projects. The duration of the grant was from June 7, 2017 to May 6, 2018.

The unused balance of $ 88,767 was repaid in the 1st quarter of fiscal 2021.

The provision for expected credit losses on off-balance sheet commitments (guarantees) is recorded in other liabilities and has evolved as follows:

		Non impaired assets Stage 1	
		2020	2019
Balance as of September 30, 2019	G	**(2,606,960)**	-
Impact of IFRS 9 application **(note 21)**		**-**	(8,580,974)
Transfer of the provision on off-balance sheet commitments **(note 9)**		**(46,405,013)**	-
Foreign exchange effect		**95,889**	(2,861,919)
Recoveries of the year **(note 22)**		**13,357,841**	8,835,933
Balance as of September 30, 2020	G	**(35,558,243)**	(2,606,960)

(Continued)

(19) SUBORDINATED DEBT

As of September 30, subordinated debt is as follows:

		2020	2019
Subordinated debt issued by Capital Bank S.A. :			
Amount	G	-	46,658,100
Interest rate		-	*8.00%*
Maturity		-	*2023*
Amount		-	128,776,354
Interest rate		-	*5.50%-8.00%*
Maturity		-	*2024*
Amount		**32,959,650**	97,982,010
Interest rate		***5.50%-8.00%***	*5.50%-8.00%*
Maturity		***2025***	*2025*
Amount		**201,632,970**	285,434,199
Interest rate		***4.00%-6.00%***	*4.00%-6.00%*
Maturity		***2026***	*2026*
Amount		**9,887,895**	13,997,430
Interest rate		***4.50%***	*4.50%*
Maturity		***2027***	*2027*
Amount		**46,143,510**	18,663,240
Interest rate		***5.50%***	*5.50%*
Maturity		***2028***	*2028*
Amount		**140,408,109**	69,987,150
Interest rate		***6.00%***	*6.00%*
Maturity		***2029***	*2029*
Amount		**125,905,862**	-
Interest rate		***6.00%***	-
Maturity		***2030***	-
TOTAL SUBORDINATED DEBT ISSUED BY CAPITAL BANK	**G**	**556,937,996**	661,498,483
Subordinated debt issued by CapInvest S.A.			
Amount	G	**164,798,250**	233,290,500
Interest rate		***6.00%***	*6.00%*
Maturity		***2029***	*2029*
TOTAL SUBORDINATED DEBT ISSUED BY CAPINVEST	**G**	**164,798,250**	233,290,500
TOTAL SUBORDINATED DEBT	**G**	**721,736,246**	894,788,983

(Continued)

(19) SUBORDINATED DEBT (CONTINUED)

Subordinated debts with related parties amount to G 240,605,445 and G 345,269,940 respectively as of September 30, 2020 and 2019.

(20) PAID-IN CAPITAL

As of September, authorized and issued capital is composed of the following:

		2020	2019
112,500 class A share with 5 voting rights	G	270,000,000	270,000,000
225,000 class B share with 1 voting right		540,000,000	540,000,000
TOTAL AUTHORIZED AND ISSUED SHARE CAPITAL	**G**	**810,000,000**	810,000,000

The nominal value of class A and B shares is G 2,400.

(21) IMPACT OF IFRS 9 ADOPTION

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

		Initial provision in accordance with IAS 39 as previously reflected in the financial statements of September 30, 2018	IFRS 9 impact adjustments	Provision for expected credit losses under IFRS 9 as reflected in the adjusted financial statements of September 30, 2018
BALANCE SHEET				
Treasury bonds, net **(note 6)**	G	-	(2,706,599)	(2,706,599)
Local investments, net **(note 8)**		-	(354,599)	(354,599)
Loans, net **(note 9)**		(33,202,333)	(166,008,435)	(199,210,768)
Other assets **(note 15)**		(1,868,922)	(5,284,011)	(7,152,933)
Guarantees – other liabilities **(note 18)**		-	(8,580,974)	(8,580,974)
TOTAL BALANCE SHEET	**G**	**(35,071,255)**	**(182,934,618)**	**(218,005,873)**

The reversal of general reserves for loan losses is as follows:

		Balance as 9/30/18 before restatement	Restatement	Balance as 9/30/18 restated
Impact on the general reserve for losses	**G**	**115,864,134**	**(115,864,134)**	**-**

Note: The effect of income tax on these adjustments has not been considered.

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(22) PROVISION FOR CREDIT LOSSES

The provision for expected credit losses on balance sheet and off-balance sheet items are reflected in the consolidated statement of income and are as follows:

		Endowment of year	
		2020	**2019**
Loans :			
Provision for the year **(note 9)**	G	**(99,841,232)**	(123,079,975)
Recuperations – Loans		**12,447,637**	11,554,421
		(87,393,595)	(111,525,554)
Treasury bonds, net **(note 6)**		**125,625**	2,580,974
Local investments, net **(note 8)**		**(13,233)**	(1,873,061)
Other assets **(note 15)**		**6,635,719**	(8,089,763)
Off-balance sheet commitments **(note 18)**		**13,357,841**	8,835,933
TOTAL PROVISION FOR CREDIT LOSSES	G	**(67,287,643)**	(110,071,471)

(23) SALARIES AND OTHER EMPLOYEE BENEFITS

Salaries and other employee benefits are as follows:

		2020	**2019**
Salaries	G	**567,199,996**	526,608,007
Social benefits		**202,623,763**	174,733,572
Payroll taxes		**36,856,708**	31,354,634
Contributions to the retirement savings plan **(note 16)**		**9,449,104**	8,073,569
Other employee expenses		**63,288,710**	60,003,089
TOTAL SALARIES AND EMPLOYEE BENEFITS	G	**879,418,281**	800,772,871

(Continued)

(24) INCOME TAXES

Income tax expense is calculated based on the consolidated income before income taxes and differs from the amounts computed using the statutory rates as follows:

		2020	2019
Income before income taxes	G	1,579,324,518	1,432,582,490
Income taxes based on statutory rate (30%)		473,797,355	429,774,747
Effect of items considered in taxable income:			
Difference between provisions for expected credit losses for tax purpose and provision reflected in the financial statements		(9,868,308)	(13,158,591)
Transfer to legal reserve **(a)**		(58,989,743)	(51,561,807)
Tax exempt investments **(note 8)**		(9,887,895)	(55,989,720)
Tax exempt interest on investments **(note 8)**		(3,571,343)	(202,484)
Territorial taxes and others		14,972,372	10,922,857
TOTAL INCOME TAXES	G	406,452,438	319,785,002

(a) The impact of the transfer to the legal reserve was calculated on transfers of Capital Bank and its subsidiaries totaling G 196,632,477 and G 171,872,689 in 2020 and 2019 respectively.

The tax expense includes:

		2020	2019
Current taxes	G	428,319,571	317,061,333
Deferred income taxes :			
Capital gain on investment in real estate – acquired by the Bank		(16,978,039)	-
Lease contracts		3,586,393	-
Advances to gas stations		(1,033,656)	1,407,299
Capital gain on real estate investments held by Capital Immobilier		(8,758,201)	-
Amortization of capital gains on land and buildings		1,316,370	1,316,370
Total deferred taxes		(21,867,133)	2,723,669
TOTAL INCOME TAXES	G	406,452,438	319,785,002

(Continued)

CAPITAL BANK, S.A.

Notes to Consolidated Financial Statements

(24) INCOME TAXES (CONTINUED)

As of September 30, deferred income taxes reflected in **note 15** are as follows:

		2020	2019
Advances to gas stations :			
Balance at the beginning of the year	G	4,067,465	2,660,166
Financial costs net, currency effect **(note 15)**		(1,033,656)	1,407,299
		3,033,809	4,067,465
Lease contracts :			
Balance at the beginning of the year		-	-
Effect of the difference between accounting depreciation expense and interest on lease liabilities **(note 12)**		3,586,393	-
Balance at the end of the year		3,586,393	-
TOTAL DEFERRED TAX DEBTORS (NOTE 15)	G	6,620,202	4,067,465

As at September 30, deferred tax accounts payable reflected in **note 18** are as follows:

		2020	2019
Lands and buildings :			
Balance at the beginning of the year	G	46,594,532	47,910,902
Depreciation of the year		(1,316,370)	(1,316,370)
Transfers to real estate investments – acquired by the bank		(1,961,515)	-
Effect of revaluation surplus of the year **(note 11)**		37,007,505	-
	G	80,324,152	46,594,532
Real estate investments held by Capital Immobilier			
Balance at the beginning of the year	G	41,664,753	41,664,753
Effect of change in value of the year **(note 14)**		8,758,201	-
	G	50,422,954	41,664,753
Real estate investments acquired by the Bank			
Balance at beginning of the year		-	-
Transfers from lands and buildings	G	1,961,515	-
Effect of change in value of the year **(note 14)**		16,978,039	-
	G	18,939,554	-
TOTAL DEFERRED TAX CREDITS (NOTE 18)	G	149,686,660	88,259,285

(Continued)

(25) GROUP COMPANIES AND MINORITY INTEREST

The parent company of the Group is Capital Bank. Capital Bank's interest in its subsidiaries is as follows as at September 30, 2020 and 2019.

Capital Immobilier, S.A.	**100%**
CapInvest, S.A.	**51%**

The operations with the subsidiaries are summarized as follows:

		2020	2019
CapInvest			
Total assets	G	**2,304,326,139**	2,244,877,494
Total liabilities	G	**619,387,077**	1,259,519,390
Assets net	G	**1,684,939,062**	985,358,104
Net income for the year	G	**700,042,843**	571,719,113
Capital Immobilier			
Total assets	G	**518,868,713**	267,627,965
Total liabilities	G	**52,505,454**	79,857,342
Assets net	G	**466,363,259**	187,770,623
(Loss) income, net of the year	G	**(69,949,614)**	12,091,357

As of September 30, 2020 and 2019, the minority interest (49%) in the subsidiary CapInvest, S.A., are summarized as follows:

PARTICIPATION MINORITAIRE		2020	2019
Investment at acquisition cost		**343,000,000**	146,701,783
Participation in retained earnings		**379,043,862**	280,143,007
Participation in legal reserve		**103,576,279**	55,980,681
TOTAL MINORITY INTEREST	G	**825,620,141**	482,825,471

(26) TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Bank provides banking services to and receives services from related parties to the Board of Directors. These transactions are carried out at conditions similar to those applied to third parties.

(Continued)

(26) TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Loans granted to employees, the subsidiaries of the Bank and Board Members, and their related companies are disclosed in **note 9.**

Deposits and subordinated debt relating to the Members of the Board of Directors of the Bank and its subsidiaries and related companies are disclosed in **notes 16 and 19**.

Expenses incurred with related parties are as follows:

		2020	2019
Insurance	G	**96,779,107**	67,073,280
Rent		**12,103,899**	14,818,300
Repairs and maintenance		**13,439,737**	7,637,321
Advertising		**6,189,068**	5,713,477
Other expenses		**48,610,573**	30,935,028
	G	**177,122,384**	126,177,406

Furthermore, acquisitions of fixed assets from related parties are G 12,110,159 and G 21,747,225 for 2020 and 2019.

(27) COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, the Bank contracts various commitments and assumes contingent liabilities that are not reflected in the consolidated balance sheet.

As of September 30, amounts outstanding in respect of commitments are as follows:

		2020	2019
Guarantees and letters of credit	G	**244,795,701**	372,570,985
Provisions for expected credit losses		**(8,054,173)**	(2,606,960)
Guarantees and letters of credit, net	G	**236,741,528**	369,964,025
Unused credit lines :			
Unused credit lines on overdrafts **(a)**	G	**1,625,320,300**	1,339,915,155
Unused credit lines on credit cards		**1,525,089,712**	1,467,620,901
Total unused credit lines		**3,150,410,012**	2,807,536,056
Provision for expected credit losses		**(27,504,070)**	(46,405,013)
Total unused credit lines, net		**3,122,905,942**	2,761,131,043
Total off-balance sheet commitments, net	G	**3,359,647,470**	3,131,095,068

(Continued)

(27) COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(a) These amounts bear no commitment fees. They are not necessarily representative of credit risk as many of these arrangements are contracted for a limited period of time, usually less than one year, and could expire or be terminated without being used.

The provision for expected credit losses on off-balance sheet commitments is as follows:

		2020	2019
Provision on guarantees and letters of credit	G	**(8,054,173)**	(2,606,960)
Provisions on unused credit lines **(b)**		**(27,504,070)**	(46,405,013)
	G	**(35,558,243)**	(49,011,973)

(b) As of September 30, 2019, the balance of G 46,405,013 was reflected in the provision for expected credit losses on the loan portfolio. In 2020, this balance was transferred to other liabilities **(note 18)**.

At September 30, 2020, the Bank deals with some pending litigation cases brought by or against some customers. The evaluation of the facts to date, in the opinion of the legal counsels, indicates that the positions taken by the Bank are well founded. It is not anticipated that any settlement could materially affect its consolidated financial position or its consolidated results.

As of the date of the consolidated financial statements, the Bank has also entered in annual rental agreements. Commitments not subject to IFRS 16 application for an amount to G 1.3 million.

SCHEDULE I

CAPITAL BANK, S.A.
Consolidated Balance Sheets
September 30, 2020 and 2019
(Expressed in US dollars)

		2020	2019
ASSETS			
CASH AND CASH EQUIVALENTS	US$	223,985,949	164,441,920
TREASURY BONDS, NET		-	267,900
FOREIGN INVESTMENTS		10,399,839	11,088,712
LOCAL INVESTMENTS		3,043,053	2,866,293
LOANS		125,639,224	122,380,527
Provision for expected credit losses		(3,086,925)	(3,018,539)
		122,522,299)	119,361,988
GUARANTEED LOANS-SPECIAL FUNDS		61,671	39,371
FIXED ASSETS, NET		16,348,527	9,484,740
OTHERS			
Right-of-use assets, net		6,435,882	-
Real estate development – Capital Immobilier		2,384,682	-
Real estate properties		6,772,916	4,822,612
Other assets		21,160,749	16,673,980
Acceptances		71,809	280,000
		36,826,038	21,776,592
TOTAL ASSETS		413,217,376	329,327,516
LIABILITIES AND SHAREHOLDERS' EQUITY			
DEPOSITS		299,589,936	250,831,539
OTHERS			
Loans - BRH		9,453,254	10,819,236
Lease liabilities		5,142,474	-
Special funds		41,096	27,983
Other liabilities		25,572,587	25,193,005
Commitments - acceptances		71,809	280,000
		40,281,220	36,320,224
SUBORDINATED DEBT		10,948,785	9,588,785
TOTAL LIABILITIES		350,819,941	296,740,548
SHAREHOLDERS' EQUITY			
Paid-in capital		12,287,752	8,680,165
Paid-in surplus		20,998	14,833
Retained earnings		28,605,500	14,911,943
Reserves		8,958,475	3,805,947
Shareholders' equity - Capital Bank		49,872,725	27,412,888
Minority interest		12,524,710	5,174,080
TOTAL SHAREHOLDERS' EQUITY		62,397,435	32,586,968
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	US$	413,217,376	329,327,516

CAPITAL BANK, S.A.
Consolidated Statements of Income
Years ended September 30, 2020 and 2019
(Expressed in US dollars)

		2020	2019
INTEREST INCOME			
Loans	US$	17,094,994	19,670,421
BRH bonds, investments and others		752,347	1,136,047
		17,847,341	20,806,468
INTEREST EXPENSE			
Deposits		4,082,567	4,215,190
Loans, subordinated debt and others		1,376,985	1,279,893
		5,459,552	5,495,083
NET INTEREST INCOME		12,387,790	15,311,384
Provision for credit losses		(679,673)	(1,294,958)
		11,708,117	14,016,426
OTHER INCOME			
Gross margin on petroleum products – CapInvest		11,717,017	12,806,108
Commissions		11,736,572	11,598,672
Operating expenses		(3,020,337)	(2,946,527)
Exchange gain		2,803,011	1,186,713
Unrealized gain on foreign investments		87,684	433,209
Others		981,106	565,585
		24,305,053	23,643,760
NET INTEREST INCOME AND OTHER INCOME		36,013,170	37,660,186
ADMINISTRATIVE EXPENSES			
Salaries and other employee benefits		8,883,013	9,420,857
Premises and equipments		3,935,290	3,636,167
Depreciation		1,337,700	1,301,779
Other administrative expenses		5,904,395	6,447,471
		20,060,398	20,806,274
INCOME BEFORE INCOME TAXES		15,952,772	16,853,912
INCOME TAXES – CURRENT		4,105,580	3,762,176
NET INCOME FOR THE YEAR	US$	11,847,192	13,091,736
Net income attributable to shareholders of Capital Bank		8,382,334	9,795,943
Net income attributable to minority interest		3,464,858	3,295,793
Net income for the year		11,847,192	13,091,736
Net income per equivalent share of paid-in capital	US$	25	29

CAPITAL BANK, S.A.
Consolidated Statements of Comprehensive Income
Years ended September 2020 and 2019
(Expressed in thousands of Haitian Gourdes)

		2020	2019
Net income attributable to shareholders of Capital Bank	US$	**8,382,334**	9,795,943
Net income attributable to minority interest		**3,464,858**	3,295,793
Net income for the year		**11,847,192**	13,091,736
Components of comprehensive income :			
Excedent of reevaluation lands and buildings		**1,246,044**	-
Effect of income taxes		**(373,813)**	-
Revaluation surplus of land and buildings, net		**872,231**	-
COMPREHENSIVE INCOME OF THE YEAR		**12,719,423**	13,091,736
Comprehensive income attributable to shareholders of Capital Bank		**9,254,565**	9,795,943
Comprehensive income attributable to minority interest		**3,464,858**	3,295,793
COMPREHENSIVE INCOME FOR THE YEAR		**12,719,423**	13,091,736
Comprehensive income for the year per equivalent share of paid-in capital	US$	**27**	29

SCHEDULE IV

CAPITAL BANK, S.A.
Consolidated Statement of Changes in Shareholders' equity
Year ended September 30, 2019
(Expressed in US dollars)

				Reserves						
	Paid-in capital	**Paid-in surplus**	**Retained earnings**	**Legal reserve**	**General reserve for loan losses**	**Revaluation reserve-land and buildings**	**Reserve on real estate properties**	**Total reserves**	**Minority interest**	**Total**
Balance as of September 30, 2018	**US$ 11,575,166**	**19,781**	**13,198,439**	**1,048,700**	**1,655,736**	**1,428,072**	**565,128**	**4,697,636**	**2,938,819**	**32,429,841**
Impact of IFRS 9 adoption										
Provision for expected credit losses	-	-	(2,595,080)	-	-	-	-	-	(19,115)	**(2,614,195)**
Transfer from the general reserve for loan losses	-	-	1,655,736	-	(1,655,736)	-	-	(1,655,736)	-	-
Balance as of September 30, 2018, restated	**11,575,166**	**19,781**	**12,259,095**	**1,048,700**	**-**	**1,428,072**	**565,128**	**3,041,900**	**2,919,704**	**29,815,646**
Components of comprehensive income:										
Net income for the year		-	9,795,943	-	-	-	-	-	3,295,793	**13,091,736**
Transfer to the legal reserve	-	-	(1,563,402)	1,563,402	-	-	-	1,563,402	-	-
Transfer to the reserve – real estate properties	-	-	(162,246)	-	-	-	162,246	162,246	-	-
Transfer from the revaluation reserve-land and buildings	-	-	51,622	-	-	(51,622)	-	(51,622)	-	-
Total	**-**	**-**	**8,121,917**	**1,563,402**	**-**	**(51,622)**	**162,246**	**1,674,026**	**3,295,793**	**13,091,736**
Transactions with shareholders:										
Cash dividends	-	-	(1,823,529)	-	-	-	-	-	-	**(1,823,529)**
Costs related to the capital increase - affiliated company	-	-	(19,962)	-	-	-	-	-	(19,179)	**(39,141)**
Total	**-**	**-**	**(1,843,491)**	-	-	-	-	-	**(19,179)**	**(1,862,670)**
Translation adjustment	**(2,895,001)**	**(4,948)**	**(3,625,578)**	**(401,612)**	**-**	**(352,567)**	**(155,800)**	**(909,979)**	**(1,022,238)**	**(8,457,744)**
Balance as of September 30, 2019	**US$ 8,680,165**	**14,833**	**14,911,943**	**2,210,490**	**-**	**1,023,883**	**571,574**	**3,805,947**	**5,174,080**	**32,586,967**

CAPITAL BANK, S.A.
Consolidated Statement of Changes in Shareholders' equity
Year ended September 30, 2020
(Expressed in US dollars)

				Reserves					
	Paid-in capital	Paid-in surplus	Retained earnings	Legal reserve	Revaluation reserve-land and buildings	Revaluation reserve on real estate	Total reserves	Minority interest	Total
Balance as of September 30, 2019	US$ 8,680,165	14,833	14,911,943	2,210,490	1,023,883	571,574	3,805,947	5,174,080	32,586,968
Components of comprehensive income for the year:									
Net income for the year	-	-	8,382,334	-	-	-	-	3,464,859	**11,847,193**
Transfer to the legal reserve	-	-	(1,505,423)	1,505,423	-	-	1,505,423	-	-
Transfer to the reserve on real estate properties	-	-	(90,474)	-	-	90,474	90,474	-	-
Land and buildings revaluation surplus, net of tax	-	-	-	-	872,231	-	872,231	-	**872,231**
Transfer from the real estate investment reserve	-	-	46,231	-	-	(46,231)	(46,231)	-	-
Transfer from the revaluation reserve-land and buildings	-	-	44,322	-	(44,322)	-	(44,322)	-	-
Total	-	-	6,876,990	1,505,423	827,909	(44,243)	2,377,575	3,464,859	12,719,424
Transactions with shareholders:									
Cash dividends	-	-	(1,868,687)	-	-	-	-	-	**(1,868,687)**
Capital increase costs – affiliated company	-	-	(17,104)	-	-	-	-	(2,286)	**(19,390)**
Total	-	-	(1,885,791)	-	-	-	-	(2,286)	(1,888,077)
Translation adjustment	3,607,587	6,165	8,702,358	1,674,183	771,582	329,188	2,774,953	3,888,057	18,979,120
Balance as of September 30, 2020	US$ 12,287,752	20,998	28,605,500	5,390,096	2,623,374	945,005	8,958,475	12,524,710	62,397,435