

FONKOZE S.A.

Consolidated Financial Statements

September 30, 2018

(With Independent Auditors' Report Thereon)

FONKOZE S.A.
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Independent Auditors' Report

The Board of Directors
Fonkoze S.A.:

Opinion

We have audited the consolidated financial statements of Fonkoze S.A. and its subsidiary Sèvis Finansye Fonkoze, S.A. (SFF) (The Group) which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the year then ended, and the 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 Fonkoze S.A. as of September 30, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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), as well as ethical norms applicable to audit of financial statements in Haiti and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary consolidated information included in **annexes I to IV** 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.



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 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 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
January 23, 2019

FONKOZE S.A.
Consolidated Balance Sheets
September 30, 2018 and 2017
(Expressed in Haïtian Gourdes)

| | Notes | | 2018 | 2017 |
|--|-------|---|---------------|---------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 5 | G | 516,648,207 | 272,594,265 |
| Term deposits | 6 | | 478,589,613 | 205,585,900 |
| Loans | 7 | | 1,296,472,673 | 1,191,495,794 |
| Impairment provision | 7 | | (44,028,465) | (39,014,318) |
| Net loans | | | 1,252,444,208 | 1,152,481,476 |
| OTHER CURRENT ASSETS | | | | |
| Interest receivable on loans | | | 45,837,503 | 41,715,286 |
| Accounts receivable | 8 | | 51,494,245 | 47,332,056 |
| Prepaid expenses and supplies | 9 | | 29,175,000 | 27,777,890 |
| Notes receivable –related parties current portion | 12 | | 6,479,389 | 11,179,286 |
| | | | 132,986,137 | 128,004,518 |
| Total current assets | | G | 2,380,668,165 | 1,758,666,159 |
| NON - CURRENT ASSETS | | | | |
| Equity investments | 10 | | 7,158,687 | 4,174,334 |
| Fixed assets, at cost | 11 | | 395,048,935 | 385,737,169 |
| Accumulated depreciation | | | (130,348,257) | (124,721,238) |
| Fixed assets, net | | | 264,700,678 | 261,015,931 |
| Notes receivable – related parties | 12 | | 12,997,114 | 11,245,496 |
| Other assets | 13 | | 502,826,325 | 326,434,525 |
| TOTAL ASSETS | | G | 3,168,350,969 | 2,361,536,445 |

See accompanying notes to the consolidated financial statements

FONKOZE S.A.
Consolidated Balance Sheets
September 30, 2018 and 2017
(Expressed in Haïtian Gourdes)

| | Notes | 2018 | 2017 |
|---|-------|------------------------|----------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Deposits | 14 | G 1,842,345,424 | 1,605,880,855 |
| Bank lines of credit | 15 | 106,705,789 | 97,125,270 |
| Subordinated notes- current portion | 16 | - | 6,269,000 |
| Other notes payable | 17 | 176,538,844 | 96,652,308 |
| Managed loan fund | 18 | 20,993,220 | 18,807,000 |
| Bank term loan-current portion | 19 | 18,571,428 | - |
| Other current liabilities | 20 | <u>104,227,618</u> | <u>64,094,338</u> |
| Total current liabilities | | 2,269,382,323 | 1,888,828,771 |
| NON-CURRENT LIABILITIES | | | |
| Other notes payable | 17 | 70,388,167 | 153,469,830 |
| Subordinated notes | 16 | 4,114,671 | 4,212,768 |
| Bank term loan | 19 | 108,296,042 | - |
| Other non-current liabilities | 20 | <u>475,856,357</u> | <u>347,197,292</u> |
| Total non-current liabilities | | 658,655,237 | 504,879,890 |
| TOTAL LIABILITIES | | G 2,928,037,560 | 2,393,708,661 |
| SHAREHOLDERS' EQUITY | | | |
| Capital stock: | | | |
| Common shares | 23 | 238,056,100 | 217,432,650 |
| Additional paid-in capital | | 327,255,866 | 264,128,249 |
| Accumulated deficit | | (394,261,828) | (564,713,657) |
| Legal reserve | | 19,362,171 | - |
| Revaluation reserve- land and buildings | 20 | 47,093,059 | 48,172,501 |
| Accumulated other comprehensive income | | 2,808,041 | 2,808,041 |
| Total shareholders' equity | | 240,313,409 | (32,172,216) |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | G 3,168,350,969 | 2,361,536,445 |

See accompanying notes to the consolidated financial statements

FONKOZE S.A.
Consolidated Statements of Income
Years ended September 30, 2018 and 2017
(Expressed in Haïtian Gourdes)

| | Notes | 2018 | 2017 |
|--|-------|--------------------|--------------------|
| INTEREST AND OTHER FINANCIAL INCOME | | | |
| Loans | G | 637,445,326 | 471,598,804 |
| Other | | <u>9,077,121</u> | <u>5,141,014</u> |
| Total interest income | | 646,522,447 | 476,739,818 |
| INTEREST EXPENSES | | | |
| Deposits | | 12,065,583 | 8,507,632 |
| Debt (lines of credit, notes payable) | | <u>45,931,887</u> | <u>33,241,085</u> |
| Total interest expense | | 57,997,470 | 41,748,717 |
| NET INTEREST INCOME | | | |
| | | 588,524,977 | 434,991,101 |
| Provision for loan losses | 7 | 76,708,930 | 78,145,693 |
| Net interest income after provision for loan losses | | 511,816,047 | 356,845,408 |
| OTHER OPERATING INCOME | | | |
| Income from foreign exchange - Trading | | 69,579,061 | 50,275,008 |
| Commissions and penalties on loans | | 111,537,481 | 73,772,090 |
| Payroll services | | - | 25,029,847 |
| Income from remittance services | | 22,935,284 | 22,319,834 |
| Savings accounts fees | | 15,138,922 | 17,771,266 |
| Recoveries of loans written off | 7 | 6,433,824 | 2,916,145 |
| Other | | <u>9,022,558</u> | <u>9,283,432</u> |
| | | 234,647,130 | 201,367,622 |
| Net interest and other income | | 746,463,177 | 558,213,030 |
| OPERATING EXPENSES | | | |
| Personnel expenses | 22 | 357,008,602 | 286,116,158 |
| Premises and equipment expenses | | 46,162,744 | 40,304,332 |
| Depreciation | | 43,326,551 | 37,762,957 |
| Other expenses | 25 | <u>154,068,942</u> | <u>163,171,283</u> |
| Total operating expenses | | 600,566,839 | 527,354,730 |
| PROFIT NET FROM OPERATIONS BEFORE OTHER INCOME AND INCOME TAXES | | | |
| | | 145,896,338 | 30,858,300 |
| OTHER INCOME (EXPENSES) | | | |
| Unrealized gain on foreign exchange | | 20,400,170 | 13,628,553 |
| Grants | 24 | 2,930,554 | 28,939,117 |
| Interest income on receivable from related party | 12 | 1,353,068 | 1,736,147 |
| Other non-operating income, net | 26 | <u>17,720,482</u> | <u>36,086,545</u> |
| Total other expenses | | 42,404,274 | 80,390,362 |
| Net operating profit before income taxes | | 188,300,612 | 111,248,662 |
| INCOME TAX | 21 | 1,655,101 | - |
| NET PROFIT | G | 186,645,511 | 111,248,662 |
| Net profit per share | G | 20.91 | 12.91 |

See accompanying notes to the consolidated financial statements

FONKOZE S.A.**Consolidated Statements of Changes in Shareholders' Equity****Years ended September 30, 2018 and 2017****(Expressed in Haitian Gourdes)**

| | Notes | Common stock | Additional paid-capital | Accumulated deficit | Legal reserve | Revaluation reserve – land and buildings | Accumulated other comprehensive income | Total equity |
|--|-----------|----------------------|----------------------------|------------------------|-------------------|--|--|----------------------|
| Balance as of September 30, 2016 | 20 | G 211,688,600 | 251,590,716 | (677,041,761) | - | 49,251,943 | 2,808,041 | (161,702,461) |
| Shares issued during the year: 229,762 common shares (par value G 25) | | 5,744,050 | 12,537,533 | - | - | - | - | 18,281,583 |
| Transfer of revaluation reserve to accumulated deficit | | - | - | 1,079,442 | - | (1,079,442) | - | - |
| Net profit for the year | | - | - | 111,248,662 | - | - | - | 111,248,662 |
| Balance as of September 30, 2017 | 20 | G 217,432,650 | 264,128,249 | (564,713,657) | - | 48,172,501 | 2,808,041 | (32,172,216) |
| Fair value adjustment - local investments | 10 | - | - | <u>2,089,047</u> | - | - | - | <u>2,089,047</u> |
| Balance as of September 30, 2017, restated | G | 217,432,650 | 264,128,249 | (562,624,610) | - | 48,172,501 | 2,808,041 | (30,083,169) |
| Shares issued during the year: 824,938 common shares (par value G 25) | | 20,623,450 | 63,127,617 | - | - | - | - | 83,751,067 |
| Transfer of revaluation reserve to accumulated deficit | | - | - | 1,079,442 | - | (1,079,442) | - | - |
| Transfer to legal reserve | | - | - | (19,362,171) | 19,362,171 | - | - | - |
| Net profit for the year | | - | - | 186,645,511 | - | - | - | 186,645,511 |
| Balance as of September 30, 2018 | 20 | G 238,056,100 | 327,255,866 | (394,261,828) | 19,362,171 | 47,093,059 | 2,808,041 | 240,313,409 |

See accompanying notes to the consolidated financial statements

FONKOZE S.A.
Consolidated Statements of Cash Flows
Years ended September 30, 2018 and 2017
(Expressed in Haïtian Gourdes)

| | Notes | 2018 | 2017 |
|--|-------|----------------------|----------------------|
| CASH FROM OPERATING ACTIVITIES | | | |
| Net profit | G | 186,645,511 | 111,248,662 |
| <i>Adjustments to reconcile net profit to net cash provided by operating activities:</i> | | | |
| Depreciation | 11 | 43,326,551 | 37,762,957 |
| Impairment provision | 7 | 76,708,930 | 78,145,693 |
| Gain on disposals of fixed assets | | (1,009,613) | (991,798) |
| Fair value on equity investments net | | 2,089,047 | - |
| Interest income on receivables from related parties | | (1,353,068) | (1,736,147) |
| Income of interest receivable on loans | | (4,122,217) | (13,036,690) |
| Increase of accounts receivable | | (4,162,189) | (11,519,979) |
| Income of prepaid expenses and supplies | | (1,397,110) | (3,451,097) |
| Decrease in notes receivable – related parties | | 4,301,347 | 1,017,984 |
| Decrease in other assets | | 271,608,200 | 98,305 |
| (Decrease) increase in other liabilities | | <u>(279,207,655)</u> | <u>7,532,866</u> |
| Net cash provided by operating activities | | 293,427,734 | 205,070,756 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of fixed assets | 11 | (48,053,409) | (42,657,803) |
| Proceeds from disposal of fixed assets | | 2,051,724 | 1,960,164 |
| Increase in term deposits and investments | | (275,988,066) | (8,690,565) |
| Increase in loans (including write-offs) | | <u>(176,671,662)</u> | <u>(489,597,510)</u> |
| Net cash used in investing activities | | (498,661,413) | (538,985,714) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 122,704,888 | (67,918,109) |
| Payments on debt | | 6,367,097 | 1,917,795 |
| Shares issued | | 83,751,067 | 18,281,583 |
| Increase in deposits | | <u>236,464,569</u> | <u>204,228,507</u> |
| Net cash provided by financing activities | | 449,287,621 | 156,509,776 |
| Net increase (decrease) in cash and cash equivalents | | 244,053,942 | (177,405,182) |
| Cash and cash equivalents at beginning of year net of foreign exchange effect | | 248,735,643 | 466,808,268 |
| Foreign exchange effect on cash and cash equivalents at beginning of year | | <u>23,858,622</u> | <u>(16,808,821)</u> |
| Cash and cash equivalents at end of year | 5 G | 516,648,207 | 272,594,265 |

See accompanying notes to the consolidated financial statements

FONKOZE S.A.
Notes to Consolidated Financial Statements

(1) ORGANIZATION

Fonkoze S.A. is a holding company incorporated on February 25, 2002, under the laws of the Republic of Haiti as published in Le Moniteur no. 49 dated June 24, 2002. It was established to facilitate the creation of Sèvis Finansye Fonkoze, S.A. (SFF) and owns 99.99% of that entity.

Sèvis Finansye Fonkoze, S.A. (SFF) is a financial services company incorporated on May 14, 2004, under the laws of the Republic of Haiti as published in Le Moniteur no. 56 dated August 26, 2004. It was established to provide capital and a full range of financial and banking services (including savings, currency exchange and money transfers) as well as other technical services to peasant organizations, women's collectives, cooperatives, credit unions and street vendors.

The consolidated financial statements include those of Fonkoze S.A. and those of its subsidiary SFF.

The headquarters of Fonkoze S.A. and SFF are located at 119, Ave Christophe, Port-au-Prince, Haiti.

(2) BASIS OF FINANCIAL STATEMENTS PREPARATION

(a) Accounting framework

The accompanying consolidated financial statements were prepared in conformity with International Financial Reporting Standards (IFRS).

The consolidated financial statements were approved by management on February 8, 2019.

(b) Basis of consolidation

The consolidated financial statements of Fonkoze S.A. include the assets and liabilities as well as the results of operations and cash flows of Fonkoze S.A. and its subsidiary Sèvis Finansye Fonkoze, S.A. All material intercompany balances and transactions have been eliminated upon consolidation.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for land and buildings which are measured under the revaluation model (**note f**) which is an allowed alternate method under IFRS 16.

The method used to measure the fair value is described in the corresponding note.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(2) BASIS OF FINANCIAL STATEMENTS PREPARATION (CONTINUED)

(d) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(e) Functional and presentation currency

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

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(2) BASIS OF FINANCIAL STATEMENTS PREPARATION (CONTINUED)

(f) Use of estimates and judgment

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

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

| | |
|----------------|---|
| Note 7 | Loans – Provision for impairment |
| Note 8 | Accounts receivable – Impairment |
| Note 10 | Equity investments - Impairment |
| Note 11 | Fixed assets – Valuation and depreciation |
| Note 12 | Notes receivable – Related parties |
| Note 13 | Other assets – valuation and impairment |
| Note 21 | Tax credit |

Estimates at September 30, 2018 under IFRS are consistent with those made in 2017.

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.

(g) Subsequent events

The Group has assessed subsequent events through January 23, 2019 which is the last date of the field work of the auditors.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES

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

(a) Conversion in foreign currency

Assets and liabilities stated in foreign currencies are converted in Haïtian Gourdes at exchange rates prevailing at year end. Gains and losses resulting from this conversion are included in the consolidated statement of income.

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

The consolidated financial statements presented in schedules III and IV were translated in US dollars according to the requirements of International Financial Reporting Standards. Under the requirements of this standard, assets and liabilities are translated at the year-end exchange rate. Net assets accounts other than net income for the year are translated at the year-end exchange rate. Income and expenses are translated at the average rate of exchange. All exchange differences resulting from such translation are included in shareholders' equity accounts.

(b) Cash and cash equivalents

Cash and cash equivalents include cash balances and deposits in banks.

(c) Loans

Loans are categorized as: Solidary Groups, Business Development and SME Portfolio. Solidarity Group consist of the core segment of the Group's customers and represent credit granted to solidarity groups. Business Development and SME Portfolio are loans granted to individual customers which are differentiated based on the amounts and other credit conditions.

Loans are stated at amortized - cost, net of provision for impairment. This provision is increased by the charge for impairment loss recorded in the consolidated statement of income and decreased by write-offs. In general, impaired loans are those for which payments are past due more than 90 days, except for Ti Kredi loans which are considered impaired after 30 days. The Group establishes an impairment provision on loans based on specific rates of provision policy taking into consideration industry standards for microfinance. The provision rates applied to the outstanding balances of the loans, net of any cash collateral for installment loans, and shorter period (i.e. Ti Kredi loans) or are as follows as of September 30, 2018 and 2017:

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Loans (continued)

Installment loans

| | |
|-----------------------------|------|
| Current loans | 0% |
| 1 – 30 days past due | 5% |
| 31 – 60 days past due | 25% |
| 61 – 90 days past due | 50% |
| 91 – 180 days past due | 75% |
| More than 180 days past due | 100% |

Shorter period payment loans

| | |
|----------------------------|------|
| Current loans | 0% |
| 1 – 15 days past due | 5% |
| 16 – 30 days past due | 25% |
| 31 – 45 days past due | 50% |
| 46 – 90 days past due | 75% |
| More than 90 days past due | 100% |

Restructured loans

An impairment provision of 50% is applied on current restructured loans and 100% when payment is past due.

The provision for impairment is evaluated on a regular basis by Management and is based upon Management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. The evaluation is subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Loans are written-off against the impairment provision when all restructuring and collection efforts are completed and that it is unlikely that other amounts will be recovered. Installment loans are written off when they are more than 180 days past due; shorter period loans are written off when they are more than 90 days past due. Subsequent recoveries, if any, are recorded in the consolidated statement of income.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Interest

Interest income and expense are accounted for using the accrual method of accounting. However, when a loan is classified as non-accrual (past due 90 days or more) - except Ti Kredi loans which are classified as non-accrual when they are past due 30 days or more, and solidarity loans when they are past due 60 days or more, interest ceases to be recognized and accrued, and uncollected interest is reversed against income of the current period. Interest payments received thereafter are recognized as revenue.

(e) Equity investments

The Company values its 0.62% equity investment in SNI Minoterie at fair value.

Fair value fluctuation and gains or losses realized on sales of long-term corporate investments are included in the determination of the consolidated results of the year in which they occur.

(f) Fixed assets

Fixed assets are recorded at cost except for land and buildings (**note 11**) which have been revalued and stated at fair value in accordance with International Financial Reporting Standard (no. 16) and depreciated using the straight-line method over the estimated useful life of the assets as follows:

| | |
|------------------------|---------------------|
| Buildings | 20 years - 50 years |
| Vehicles | 2-4 years |
| Equipments | 5 years |
| Computer equipment | 5 years |
| Leasehold improvements | 5 years |
| Software and others | 5 years |

Construction in progress, if any, will be depreciated over their estimated useful life from the time they are ready to be put in use.

Depreciation method, useful lives and residual values are reassessed periodically.

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

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fixed assets (continued)

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

The fair value of land and buildings has been determined based on an appraisal undertaken by professional qualified appraisers at the end of 2016. The reevaluation surplus was reflected net of deferred income taxes in the consolidated statement of comprehensive income. Revaluation losses are reflected in the consolidated statement of income.

The buildings life duration were estimated at 20 years and they will be depreciated over that period with a residual value of 15% starting in October 2016.

(g) Revaluation reserve – land and buildings

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.

Revaluation losses are recorded directly to expenses unless they relate to an existing revaluation surplus for the same property in which case, the revaluation loss will be first applied to the revaluation reserve/building in the consolidated shareholder's equity.

This revaluation reserve is not subject to distribution.

(h) Deposits

Deposits are recorded at cost. The estimated fair value of these liabilities is assumed to be equal to their carrying value since interest rates are in line with the current market rates.

(i) Deferred income taxes

The deferred income tax from the revaluation surplus of buildings **(3g)** is transferred yearly on a straight-line basis to income taxes payable at the tax rate applicable to the depreciation of the revaluation.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income taxes

Income taxes are calculated on the consolidated income before income taxes for the year and comprise current and deferred income taxes when applicable. Current income taxes are taxes payable on the taxable income for the year using statutory tax rates and other adjustments that may affect income taxes payable. Deferred income taxes, if any, 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 or liabilities as need be.

Income tax expense is recognized in the consolidated statement of income except to the extent that it relates to items of comprehensive income, in which case it is recorded therein. Items of comprehensive income are reflected net of income taxes. The Group has recorded in other liabilities the deferred income taxes resulting from the revaluation of land and buildings. The related amounts will be reversed upon sale of the related assets.

Losses can be carried forward up to five years. The Group records a deferred tax asset if it is probable that the asset will be realized.

(k) Capital stock

Capital stock reported in shareholders' equity is composed of common shares.

(l) Additional paid-in capital

The excess over par value received in capital stock transactions is recorded in additional paid-in capital.

(m) Legal reserve

In agreement with the law on financial institutions, an amount of 10% of income before income taxes, reduced by prior year's 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.

(n) Net profit per equivalent share of paid-in capital

Net profit per equivalent share of paid-in capital is calculated by dividing net profit by the weighted average of the number of shares outstanding.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As of the date of these consolidated financial statements, some standards, amendments to standards, and interpretations have been issued but not yet adopted as of September 30, 2018. They have not been applied in the preparation of these consolidated financial statements and should not have a significant impact on The Group's consolidated financial position nor results of operations.

However, Management believes that the application of the amended standards IFRS 9 on Financial Instruments, IFRS 15 on Revenue, effective for years beginning on or after January 1, 2018, and IFRS 16 on lease contracts effective for years beginning on or after January 1, 2019, could have an impact on the financial statements of the Group. These standards, could affect the measurement of the provision and the general allowance for loan losses, interest receivable, presentation of some financial assets and liabilities and recognition of some revenue and commissions.

(4) RISK MANAGEMENT

By the nature of its activities, The Group is primarily exposed to a variety of financial risks, including liquidity risk, credit risk and market risks including foreign exchange risk and interest rate risk.

A) LIQUIDITY RISK

Liquidity risk is the risk that The Group is not able to meet its financial obligations as they become due, or can only do so at excessive cost. The Group's growth is financed through a combination of the cash flows from operations as well as shareholders and other financing. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure The Group has financing sources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to The Group's reputation.

Management of The Group through its executive Management, its Management Asset Liability Committee (ALCO) and its Board Capital Committee (BCC) ensures appropriate monitoring of its liquidity and a dynamic management of its liquidity needs based on scheduled maturity of its obligations. The ALCO and BCC each meet monthly and, as needed, to analyze the liquidity position and to take the appropriate decisions.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

A) LIQUIDITY RISK (CONTINUED)

The maturity profile of Fonkoze S.A. financial liabilities, (which do not include deferred amounts) based on their initial contractual maturity is as follows:

September 30, 2018

| | | Current | Less than a year | More than a year | Total |
|----------------------|----------|----------------------|-----------------------------|-----------------------------|---------------------------|
| Deposits | G | 1,704,253,324 | 138,092,100 | - | 1,842,345,424 |
| Bank lines of credit | | 106,705,789 | - | - | 106,705,789 |
| Subordinated notes | | - | - | 4,114,671 | 4,114,671 |
| Other notes payable | | - | 81,816,176 | 165,110,835 | 246,927,011 |
| Bank term loan | | - | 18,571,428 | 108,296,042 | 126,867,470 |
| Managed loan fund | | - | 20,993,220 | - | 20,993,220 |
| Other liabilities | | <u>77,662,076</u> | <u>26,565,542</u> | <u>448,699,774</u> | <u>552,927,392</u> |
| Total | G | 1,888,621,189 | 286,038,466 | 726,221,322 | 2,900,880,977 |

September 30, 2017

| | | Current | Less than a year | More than a year | Total |
|----------------------|----------|----------------------|-----------------------------|-----------------------------|---------------------------|
| Deposits | G | 1,510,435,808 | 95,445,047 | - | 1,605,880,855 |
| Bank lines of credit | | 97,125,270 | - | - | 97,125,270 |
| Subordinated notes | | - | 6,269,000 | 4,212,768 | 10,481,768 |
| Other notes payable | | - | 96,652,308 | 153,469,830 | 250,122,138 |
| Managed loan fund | | - | 18,807,000 | - | 18,807,000 |
| Other liabilities | | <u>54,648,227</u> | <u>9,446,111</u> | <u>320,626,900</u> | <u>384,721,238</u> |
| Total | G | 1,662,209,305 | 226,619,466 | 478,309,498 | 2,367,138,269 |

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK

Credit risk is the risk of financial loss to The Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk as of September 30, 2018 and 2017 is as follows:

| | Notes | 2018 | 2017 |
|--------------------------------------|-------|------------------------|----------------------|
| <u>Cash and cash equivalents</u> | | | |
| Deposits with banks | 5 | G 386,386,380 | <u>192,213,599</u> |
| <u>Credit</u> | | | |
| Loans, net | 7 | 1,252,444,208 | 1,152,481,476 |
| Interest receivable on loans | | 45,837,503 | <u>41,715,286</u> |
| | | 1,298,281,711 | <u>1,194,196,762</u> |
| <u>Investments:</u> | | | |
| Term deposits | 6 | 478,589,613 | 205,585,900 |
| Interest receivable on term deposits | 8 | 3,761,379 | <u>2,759,605</u> |
| | | 482,350,992 | <u>208,345,505</u> |
| <u>Other assets</u> | | | |
| Accounts receivable | | 47,732,866 | 44,572,451 |
| Equity investments | 10 | 7,158,687 | 4,174,334 |
| Notes receivable – related parties | 12 | 19,476,503 | 22,424,782 |
| Other assets | 13 | 489,966,595 | <u>313,574,795</u> |
| TOTAL | | G 2,731,353,734 | <u>1,979,502,228</u> |

Management regularly reviews The Group's exposure to these risks in view of The Group's risk management policies.

- Bank accounts and term deposits are considered low risk instruments since they are held at financial institutions that are under the supervision of the BRH. These funds are not assessed as risky although there is no deposit insurance for accounts held in Haitian banks. However, deposits held with Self Help Credit Union (**note 8**) are insured by the National Credit Union Administration (NCUA) up to USD 250,000.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK (CONTINUED)

- To reduce the risks associated with customers or counterparties, SFF's risk management policies provide that appropriate eligibility criteria together with procedures for client selection, initial marketing, and client need assessment shall be followed. These procedures and guidelines include the assessment and analysis of a customer's ability and willingness to repay, the appropriateness of the size of the loan, its terms, and repayment schedule. The level of indebtedness and past repayment history are also important factors in lending decisions related to existing customers.

Debt restructuring (rescheduling) is pursued as the final solution to settling existing or anticipated delinquency resulting from factors including, but not limited to, the following:

- Customers with severe health conditions
- Customers whose business becomes subject to extreme, unforeseen damages due to natural disasters.

In rescheduling cases, the rescheduled amount will equal the total accumulated loan obligations consisting of penalties, overdue interest, and the overdue principal amounts. Loans are considered for rescheduling on a case-by-case basis. Loan rescheduling requests are processed by the respective branch and are approved by the credit committee and the CEO.

The impairment provision at year end reflects Management's estimate of loan losses inherent in the loan portfolio at the balance sheet date. Management considers the respective impairment provision of G 44,028,465 and of G 39,014,318 adequate to cover loan losses inherent in the loan portfolio at September 30, 2018 and 2017. After Hurricane Mathew on October 4, 2016, loans in the amount of G 44.1 million were rescheduled. In addition, SFF approved new loans for a total of G 24.9 million to customers located in the affected areas to enable them to continue or rebuild commercial activities.

- The notes receivable – related parties as of September 30, 2018, relate to: the note receivable from Fonzoze USA of US\$ 400,000 (G 26,214,720) which does not bear interest. It is scheduled to be repaid over a period of 4 years with 4 annual payments of US\$ 100,000. As of September 30, 2018, it is discounted at market rate of 8% (**note 12**).
- Other assets include mainly a receivable from the Central Bank of Haiti on which the associated risk is nil.
- Accounts receivable are generally short term and do not present a significant risk of recoverability.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK (CONTINUED)

The geographic location of credit risk is as follows:

| | 2018 | 2017 |
|---|------------------------|----------------------|
| Cash and cash equivalents : | | |
| Haïti | G 328,371,306 | 191,959,18 |
| USA | <u>58,015,074</u> | <u>254,419</u> |
| | <u>386,386,380</u> | <u>192,213,599</u> |
| Credit : | | |
| Haïti | <u>1,298,281,711</u> | <u>1,194,196,762</u> |
| Investments: | | |
| Haiti | 454,962,762 | 184,247,155 |
| USA | <u>27,388,230</u> | <u>24,098,350</u> |
| | <u>482,350,992</u> | <u>208,345,505</u> |
| Accounts receivable : | | |
| Haiti | 47,325,775 | 44,090,441 |
| USA | <u>407,091</u> | <u>482,010</u> |
| | <u>47,732,866</u> | <u>44,572,451</u> |
| Notes receivable – related parties : | | |
| USA | <u>19,476,503</u> | <u>22,424,782</u> |
| Equity investments : | | |
| Haiti | <u>7,158,687</u> | <u>4,174,334</u> |
| Other assets : | | |
| Haïti | <u>489,966,595</u> | <u>313,574,795</u> |
| | G 2,731,353,734 | 1,979,502,228 |

C) MARKET RISKS

The Group's activities expose it to a variety of market risks including foreign exchange risk, interest rate risk and concentration risk.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

C) MARKET RISKS (CONTINUED)

i. Foreign exchange risk

Foreign exchange risk results from mismatch between assets and liabilities denominated in foreign currency which could lead to a long or short position impacted by fluctuations in exchange rates of the Haïtian gourde to the US dollar.

As of September 30, 2018, The Group maintained the following positions:

| | | Gourdes | US Dollars (equivalent in gourdes) | Total |
|------------------------------------|----------|----------------------|--|---------------------------|
| Cash and cash equivalents | G | 115,460,375 | 401,187,832 | 516,648,207 |
| Term deposits | | - | 478,589,613 | 478,589,613 |
| Net loans | | 1,252,444,208 | - | 1,252,444,208 |
| Interest receivable on loans | | 45,837,503 | - | 45,837,503 |
| Accounts receivable | | 25,765,859 | 25,728,386 | 51,494,245 |
| Note receivable-related parties | | - | 19,476,503 | 19,476,503 |
| Equity investment | | 7,158,687 | - | 7,158,687 |
| Other assets | | <u>124,795</u> | <u>489,841,800</u> | <u>489,966,595</u> |
| Total financial assets | G | 1,446,791,427 | 1,414,824,134 | 2,861,615,561 |
| Deposits | G | 1,132,539,409 | 709,806,015 | 1,842,345,424 |
| Bank lines of credit | | 106,705,789 | - | 106,705,789 |
| Subordinated notes | | - | 4,114,671 | 4,114,671 |
| Managed loan fund | | - | 20,993,220 | 20,993,220 |
| Bank term loan | | 126,867,470 | - | 126,867,470 |
| Other notes payable | | - | 246,927,011 | 246,927,011 |
| Other liabilities | | <u>499,393,388</u> | <u>53,534,004</u> | <u>552,927,392</u> |
| Total financial liabilities | G | 1,865,506,056 | 1,035,374,921 | 2,900,880,977 |
| Short long position | G | (418,714,629) | 379,449,213 | (39,265,416) |

Based on the foreign exchange position as of September 30, 2018, for each variation of one gourde versus the US dollar, the currency position in US dollars converted results in an exchange gain or loss of G 5,422,454 as the case maybe.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

C) MARKET RISKS (CONTINUED)

i. Foreign exchange risk (continued)

As of September 30, 2017, The Group maintained the following positions:

| | | Gourdes | US Dollars (equivalent in gourdes) | Total |
|------------------------------------|----------|----------------------|---|---------------------------|
| Cash and cash equivalents | G | 67,350,007 | 205,244,258 | 272,594,265 |
| Term deposits | | - | 205,585,900 | 205,585,900 |
| Net loans | | 1,152,481,476 | - | 1,152,481,476 |
| Interest receivable on loans | | 41,715,286 | - | 41,715,286 |
| Accounts receivable | | 25,567,773 | 21,764,283 | 47,332,056 |
| Note receivable-related parties | | - | 22,424,782 | 22,424,782 |
| Equity investments | | 4,174,334 | - | 4,174,334 |
| Other assets | | <u>124,795</u> | <u>313,450,000</u> | <u>313,574,795</u> |
| Total financial assets | G | 1,291,413,671 | 768,469,223 | 2,059,882,894 |
| Deposits | | 995,661,759 | 610,219,096 | 1,605,880,855 |
| Bank lines of credit | | 97,125,270 | - | 97,125,270 |
| Subordinated notes | | - | 10,481,768 | 10,481,768 |
| Managed loan fund | | - | 18,807,000 | 18,807,000 |
| Other notes payable | | - | 250,122,138 | 250,122,138 |
| Other liabilities | | <u>350,297,557</u> | <u>34,423,681</u> | <u>384,721,238</u> |
| Total financial liabilities | G | 1,443,084,586 | 924,053,683 | 2,367,138,269 |
| Short position | G | (151,670,915) | (155,584,460) | (307,255,375) |

Based on the foreign exchange position as of September 30, 2017, for each variation of one gourde versus the US dollar, the currency position in US dollars converted results in an exchange gain or loss of G 2,481,807, as the case maybe

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

C) MARKET RISKS (CONTINUED)

i. Foreign exchange risk (continued)

The exchange rates versus the gourde were as follows:

| | 2018 | 2017 |
|----------------------------------|----------------|-------------|
| <u>As of September 30</u> | | |
| US dollar | 69.9774 | 62.6900 |
| <u>Average rate for the year</u> | | |
| US dollar | 65.4822 | 65.5202 |

ii. Interest rate risk

This risk is related to the impact of interest rates fluctuations on the net profit and consequently shareholders' equity. It results from the inability to adjust interest rates as market evolves to the extent that net interest margins are impacted significantly. This risk varies based on the magnitude of the uncompensated change in interest rates and the size and maturity of the related financial instruments.

Interest rates on term deposits notes receivable and on the outstanding loan portfolio are fixed, as are the interest rates on the outstanding debts (deposits, notes payable and subordinated debt). Interest rates on bank lines of credit and term loan are variable. Due to the short-term nature of its loan portfolio, the Group bears only limited interest rate risk as it is able to re-price its loans in response to any changes in market interest rates.

iii. Concentration risk

Loans to Solidarity groups account for 56% of the loan portfolio which is SFF's basic method of extending credit and high concentration is observed in the commercial sector based on the economic profile of the clients groups. However, the risk is spread out among different geographic regions.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

D) CAPITAL RISK MANAGEMENT

Capital risk is related to the management of the share capital. Management's objectives on capital are to safeguard The Group's ability to continue as a going concern and to provide acceptable returns for the shareholders. The objectives are normally achieved by prudently managing capital generated through internal growth and optimizing the use of lower cost capital to fund growth initiatives, thus maintaining creditors and shareholders' confidence.

Fonkoze S.A. and Sèvis Finansye Fonkoze, S.A. are currently not subject to capital regulation and therefore there are no external legal constraints on capital. However, for its own risk management purposes and in preparation for expected future regulation, Sèvis Finansye Fonkoze, S.A. targets maintaining a Capital Adequacy Ratio (as defined in the draft of the Central Bank of Haiti's microfinance Regulations) of at least 15%.

(5) CASH AND CASH EQUIVALENTS

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

| | | 2018 | 2017 |
|---------------------------|----------|--------------------|-------------|
| Cash | G | 130,261,827 | 80,380,666 |
| Deposits in foreign banks | | 58,015,074 | 254,419 |
| Deposits in local banks | | 328,371,306 | 191,959,180 |
| Total | G | 516,648,207 | 272,594,265 |

The deposits are short-term and do not bear interest.

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

| | | 2018 | 2017 |
|------------------|----------|--------------------|-------------|
| Cash: | | | |
| In Gourdes | G | 88,785,197 | 57,360,356 |
| In US dollars | | 41,476,630 | 23,020,310 |
| | | 130,261,827 | 80,380,666 |
| Deposits: | | | |
| In Gourdes | | 26,675,178 | 9,989,651 |
| In US dollars | | 359,711,202 | 182,223,948 |
| | G | 386,386,380 | 192,213,599 |
| Total | G | 516,648,207 | 272,594,265 |

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(6) TERM DEPOSITS

Term deposits in US dollars are held in three financial institutions as follows:

| | | 2018 | 2017 |
|-----------------------------------|----------|--|--------------------------------------|
| Banque de l'Union Haïtienne (BUH) | G | 170,489,438 | 96,856,050 |
| Maturity date | | October 8, 2018 and December 5, 2018 | December 29, 2017 |
| Interest rate | | 3.00% and 1.50% | 3.00% |
| Sogebank | G | 280,711,945 | - |
| Maturity date | | October 14, 2018 and February 2, 2019 | - |
| Interest rate | | 2.25% and 3.10% | - |
| Self Help Credit Union | G | 27,388,230 | 24,098,350 |
| Maturity date | | November 16, 2020 and May 12, 2022 | November 16,2020 and May 12, 2022 |
| Interest rate | | 1.82% | 1.82% |
| Banque Nationale de Crédit (BNC) | | - | 84,631,500 |
| Maturity date | | - | October 8, 2017 |
| Interest date | | - | 3.00% |
| Total | G | 478,589,613 | 205,585,900 |

As of September 30, 2018 and 2017, the term deposits at BUH are held as collateral on the Bank lines of credit (**note 15**) and the term deposits at Sogebank are held as collateral on the bank term loan (**note 19**).

(7) LOANS

Loans are disbursed solely in gourdes. The composition of loans by segment is as follows:

| | | 2018 | 2017 |
|----------------------|----------|----------------------|---------------|
| Solidarity groups | G | 728,709,782 | 695,749,275 |
| Business development | | 449,682,341 | 375,656,297 |
| SME portfolio | | 118,080,550 | 120,090,222 |
| Total | G | 1,296,472,673 | 1,191,495,794 |

Solidarity groups include the Ti Kredi loans (loans in amounts of G 3,000 for 3 months in 2018 and in 2017) for an amount of G 4,472,439 and G 6,721,234 as of September 30, 2018 and 2017, respectively.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(7) LOANS (CONTINUED)

Included in the loan portfolio are non-accrual loans as follows:

| | | 2018 | 2017 |
|----------------------|----------|-------------------|----------------|
| Solidarity groups | G | 20,323,923 | 11,541,617 |
| Business development | | 21,150,232 | 4,378,228 |
| SME portfolio | | <u>4,114,924</u> | <u>721,248</u> |
| Total | G | 45,589,079 | 16,641,093 |

Loans are contracted for a period up to 12 months. The average term of the portfolio is 8 months.

The balance of restructured loans amounts to G 50,962 and G 11,168,170 at September 30, 2018 and 2017 respectively. The average return on the portfolio was 61% and 56% for 2018 and 2017, respectively. Unrecorded interest on non-accrual loans was G 3,467,239 and G 6,929,092 in 2018 and 2017, respectively.

The impairment provision has evolved as follows:

| | | Solidarity groups | SME portfolio | Business development | Total |
|---|----------|----------------------|--------------------|-------------------------|---------------------|
| Balance as of September 30, 2016 | G | 9,481,052 | 1,556,364 | 1,168,504 | 12,205,920 |
| Provisions | | 53,180,175 | 9,247,947 | 15,717,571 | 78,145,693 |
| Write-offs | | <u>(37,923,389)</u> | <u>(6,800,196)</u> | <u>(6,613,710)</u> | (51,337,295) |
| Balance as of September 30, 2017 | G | 24,737,838 | 4,004,115 | 10,272,365 | 39,014,318 |
| Provisions | | 32,072,632 | 9,114,762 | 35,521,536 | 76,708,930 |
| Write-offs | | <u>(38,758,415)</u> | <u>(8,142,124)</u> | <u>(24,794,244)</u> | <u>(71,694,783)</u> |
| Balance as of September 30, 2018 | G | 18,052,055 | 4,976,753 | 20,999,657 | 44,028,465 |

Recoveries of loans previously written off were G 6,433,824 and G 2,916,145 in 2018 and 2017, respectively. Recoveries are included in other operating income in the consolidated statement of income.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(7) LOANS (CONTINUED)

As of September 30, 2018, aging analysis of the current and past due loans, net of cash collateral by category is as follows:

| | Solidarity groups | Business development | SME portfolio | Total |
|--|----------------------|-------------------------|--------------------|---------------------------|
| Current, net of cash collateral G | 550,306,724 | 316,855,453 | 104,072,965 | 971,235,142 |
| Cash collateral (a) | <u>66,800,747</u> | <u>55,053,287</u> | - | <u>121,854,034</u> |
| Total current | 617,107,471 | 371,908,740 | 104,072,965 | 1,093,089,176 |
| Aging, net of cash collateral: | | | | |
| 1-30 days | 68,281,695 | 36,733,754 | 6,755,118 | 111,770,567 |
| 31-60 days | 10,980,119 | 5,038,191 | 2,189,748 | 18,208,058 |
| 61-90 days | 6,716,399 | 4,153,284 | 947,796 | 11,817,479 |
| 91-180 days | 10,188,858 | 10,927,694 | 1,989,041 | 23,105,593 |
| More than 180 days | 485,486 | 7,214,989 | 2,125,882 | 9,826,357 |
| Cash collateral (a) | <u>14,949,754</u> | <u>13,705,689</u> | - | <u>28,655,443</u> |
| Total past due | 111,602,311 | 77,773,601 | 14,007,585 | 203,383,497 |
| Total loans | G 728,709,782 | 449,682,341 | 118,080,550 | 1,296,472,673 |

(a) The value of loans in arrears of cash collateral is presented net in each of the aging categories and is therefore added back as part of the current portfolio.

As of September 30, 2017, aging analysis of the current and past due loans, net of cash collateral by category is as follows:

| | Solidarity groups | Business development | SME portfolio | Total |
|--|----------------------|-------------------------|--------------------|--------------------------|
| Current, net of cash collateral G | 563,356,828 | 338,664,280 | 87,516,846 | 989,537,954 |
| Cash collateral (a) | <u>12,402,520</u> | <u>110,000</u> | - | <u>12,512,520</u> |
| Total current | 575,759,348 | 338,774,280 | 87,516,846 | 1,002,050,474 |
| Aging, net of cash collateral: | | | | |
| 1-30 days | 79,784,149 | 25,766,082 | 23,198,647 | 128,748,878 |
| 31-60 days | 16,546,084 | 3,914,802 | 8,058,361 | 28,519,247 |
| 61-90 days | 9,886,698 | 3,386,765 | 629,607 | 13,903,070 |
| 91-180 days | 10,521,986 | 3,794,958 | 686,361 | 15,003,305 |
| More than 180 days | 22,410 | 19,410 | - | 41,820 |
| Cash collateral (a) | <u>3,228,600</u> | - | <u>400</u> | <u>3,229,000</u> |
| Total past due | 119,989,927 | 36,882,017 | 32,573,376 | 189,445,320 |
| Total loans | G 695,749,275 | 375,656,297 | 120,090,222 | 1,191,495,794 |

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(8) ACCOUNTS RECEIVABLE

Accounts receivable are composed of the following:

| | | 2018 | 2017 |
|--|----------|--------------------------|------------------|
| Transfers receivable | G | 14,719,374 | 9,482,923 |
| Receivable from Unigestion Holding S.A. (a) (note 27) | | 11,464,892 | 18,167,480 |
| Interest receivable on term deposits | | 3,761,379 | 2,759,605 |
| Dividends receivable – SNI Minoterie S.A. | | 2,238,717 | - |
| Receivable – The Foundation (note 27) | | 2,738,264 | 4,376,175 |
| Receivable – Fonkoze USA (note 27) | | 407,091 | 482,010 |
| Receivable – payroll services | | 11,016 | 5,784,754 |
| Others | | <u>16,153,512</u> | <u>6,279,109</u> |
| Total | G | 51,494,245 | 47,332,056 |

(a) Represents transactions made through mobile phones (Digicel Mon Cash), a related party.

(9) PREPAID EXPENSES AND SUPPLIES

Prepaid expenses and supplies are composed of the following:

| | | 2018 | 2017 |
|-----------------------|----------|-------------------------|------------------|
| Prepaid expenses | G | 17,527,032 | 20,116,909 |
| Supplies | | 7,112,932 | 3,010,100 |
| Advances to suppliers | | <u>4,535,036</u> | <u>4,650,881</u> |
| Total | G | 29,175,000 | 27,777,890 |

(10) EQUITY INVESTMENTS

As of September 30, 2018, equity investments represent a minority share ownership in a local entity presented at fair value. During the year 2018, the fair value of these equity instruments has been determined based on recent sales transactions of the same instruments. Since it was not possible to determine precisely the effects of this adjustment on prior years. The related fair value adjustment is presented as an adjustment of beginning accumulated deficit net of deferred taxes as follows:

| | | |
|---|----------|--------------------|
| Fair value as of September 30, 2018 | G | 7,158,687 |
| Cost | | <u>(4,174,334)</u> |
| Revaluation gain | | 2,984,353 |
| Less – deferred tax (note 20) | | <u>(895,306)</u> |
| Net adjustment to beginning accumulated deficit | G | <u>2,089,047</u> |

Fair value adjustments there after will be recorded in the statement of income.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(11) FIXED ASSETS

During the year, fixed assets at cost have evolved as follows:

Cost

| | | Balance | | | Balance |
|-------------------------|----------|--------------------|---------------------|---------------------|--------------------------|
| | | 09/30/17 | Acquisitions | Disposals | 09/30/18 |
| Land | G | 15,226,843 | - | - | 15,226,843 |
| Buildings | | 155,414,186 | 3,027,457 | - | 158,441,643 |
| Vehicles | | 64,537,389 | 13,244,615 | (31,464,356) | 46,317,648 |
| Electrical equipment | | 41,074,513 | 13,262,476 | (5,269,776) | 49,067,213 |
| Leasehold improvements | | 28,362,637 | 9,517,773 | (1,474,747) | 36,405,663 |
| Computer equipment | | 31,132,201 | 6,221,184 | (66,961) | 37,286,424 |
| Furniture and equipment | | 14,242,910 | 2,779,904 | (143,491) | 16,879,323 |
| Software and others | | <u>35,746,490</u> | <u>-</u> | <u>(322,312)</u> | <u>35,424,178</u> |
| | G | 385,737,169 | 48,053,409 | (38,741,643) | 395,048,935 |

During the year, accumulated depreciation has evolved as follows:

Accumulated depreciation

| | | Balance | | | Balance |
|-------------------------|----------|--------------------|---------------------|---------------------|--------------------------|
| | | 09/30/17 | Depreciation | Disposals | 09/30/18 |
| Buildings | G | 3,108,111 | 3,156,334 | - | 6,264,445 |
| Vehicles | | 47,274,499 | 12,096,939 | (30,713,632) | 28,657,806 |
| Electrical equipment | | 20,925,908 | 8,056,003 | (5,079,942) | 23,901,969 |
| Leasehold improvements | | 8,257,798 | 6,105,448 | (1,428,995) | 12,934,251 |
| Computer equipment | | 22,921,799 | 5,457,370 | (11,160) | 28,368,009 |
| Furniture and equipment | | 6,452,473 | 2,316,691 | (143,491) | 8,625,673 |
| Software and others | | <u>15,780,650</u> | <u>6,137,766</u> | <u>(322,312)</u> | <u>21,596,104</u> |
| | G | 124,721,238 | 43,326,551 | (37,699,532) | 130,348,257 |
| Fixed assets, net | G | 261,015,931 | | (1,042,111) | 264,700,678 |

At the end of the year 2016, in conformity with the alternative option allowed under IFRS 16, The Group updated the appraisals of its land and buildings. Land and buildings are henceforth stated at appraised value for individual assets resulting in revaluation surplus, recorded net of deferred income tax (**note 20**) in shareholders' equity as revaluation reserve as follows:

| | | |
|---------------------------------|----------|--------------------------|
| Land – revaluation surplus | G | 2,830,510 |
| Land – Fair value loss | | <u>(7,402,874)</u> |
| Net revaluation of land | | <u>(4,572,364)</u> |
| Buildings – revaluation surplus | | <u>67,529,407</u> |
| | G | <u>62,957,043</u> |

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(11) FIXED ASSETS (CONTINUED)

The revaluation surplus from buildings include the following components:

| | | |
|---|----------|--------------------------|
| Gross cost adjustment | G | 59,582,156 |
| Reversal of depreciation at time of valuation | | <u>7,947,251</u> |
| | G | <u>67,529,407</u> |

The net amount recorded in Revaluation Reserve is explained in **note 20**.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

Cost

| | | 2018 | 2017 |
|--------------------------|----------|----------------------------|--------------------|
| Land | G | <u>20,830,775</u> | <u>20,830,775</u> |
| Buildings | | 94,800,462 | 94,800,462 |
| Accumulated depreciation | | <u>(12,004,589)</u> | <u>(9,975,920)</u> |
| | | 82,795,873 | 84,824,542 |
| Net cost | G | <u>103,626,648</u> | 105,655,317 |

(12) NOTES RECEIVABLE – RELATED PARTIES

At September 30, 2018 and 2017, SFF has a note receivable from Fonkoze USA for an amount of US\$ 400,000 (G 26,214,719) repayable through annual installment payments of US\$ 100,000 from 2017 through 2020. The installment payment for the year 2018 was received subsequent to September 30, 2018.

The note receivable from Fonkoze USA is presented at the discounted present value of projected payments using a discount rate of 8%:

| | Face amount | Financing discount | Net present value | |
|--------------------------------|------------------------|-------------------------------|--------------------------|---------------------------|
| | | | 2017 | 2018 |
| Fonkoze USA (note 27) | 26,214,720 | 4,508,101 | 22,424,782 | 19,476,503 |
| Less current portion | | | <u>(11,179,286)</u> | <u>(6,479,389)</u> |
| Non current portion | | | 11,245,496 | 12,997,114 |

The finance cost of G 4.5 million was recognized in 2016. Interest income is accrued annually at the same rate subsequently.

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(13) OTHER ASSETS

Other assets are composed of the following:

| | | 2018 | 2017 |
|--|----------|--------------------|----------------|
| Account receivable on a foreign currency forward contract (a) | G | 489,841,800 | 313,450,000 |
| Land held for sale (b) | | 12,859,730 | 12,859,730 |
| Guarantee deposits | | <u>124,795</u> | <u>124,795</u> |
| | G | 502,826,325 | 326,434,525 |

(a) On June 26, 2017, Sèvis Finansye Fonkoze, S.A. and the Central Bank of Haiti (Banque de la République d’Haiti – BRH) (referred collectively has the parties) entered into a foreign currency forward agreement for a period of three years ending June 22, 2020. In accordance with the terms of the agreement, BRH agreed to make available to SFF an amount of G 320,000,000 (**note 20**) in exchange for an equivalent amount of US\$ 5,000,000 (G 313,450,000) by SFF.

On February 10, 2018, the parties contracted an additional foreign currency forward agreement with effective date December 21, 2017, for a period of three years ending December 21, 2020. In accordance with the terms of the contract BRH agreed to make available to SFF an amount of G 128,000,000 (**note 20**) in exchange for an equivalent amount of US\$ 2,000,000 by SFF.

The exchange transactions were both calculated at the rate of exchange of G 64 to US\$ 1.

The foreign currency forward contracts are subject to a rate of interest of 1%, payable to BRH on a yearly basis during the three year period. The equivalent of US dollars receivable (US\$ 7,000,000 and US\$ 5,000,000) respectively at September 30, 2018 and 2017 is reflected in non-current assets at the rate of exchange prevailing at year end and SFF’s obligation in gourdes (G 320,000,000 and G 448,000,000) is reflected in other non-current liabilities (**note 20**).

(b) The land held for sale represents a repossessed parcel of land for which a debtor of Fonkoze S.A. has transferred title to The Group in settlement of the debt. The land is valued at cost, less valuation loss of G 4,116,285, as per appraisal report of an independent appraiser dated September 4, 2016.

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FONKOZE S.A.
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(14) DEPOSITS

Deposits consist of the following:

| | 2018 | 2017 |
|-----------------------|-----------------------------|-----------------------------|
| Savings accounts: | | |
| In Gourdes | G 1,012,646,471 | 910,258,710 |
| In US dollars | <u>691,606,853</u> | <u>600,177,098</u> |
| | <u>1,704,253,324</u> | <u>1,510,435,808</u> |
| Term deposits: | | |
| In Gourdes | 119,892,938 | 85,403,049 |
| In US dollars | <u>18,199,162</u> | <u>10,041,998</u> |
| | 138,092,100 | 95,445,047 |
| Total deposits | G 1,842,345,424 | 1,605,880,855 |

Average interest rates on deposits are as follows:

| | 2018 | 2017 |
|-------------------|----------------------|---------------|
| Savings accounts: | | |
| In Gourdes | G 0.50% | 0.50% |
| In US dollars | 0.10% | 0.10% |
| Term deposits: | | |
| In Gourdes | 5.75% - 7.50% | 5.75% – 7.50% |
| In US dollars | 0.15% - 0.40% | 0.15% – 0.40% |

Accounts with average quarterly balances below G 100 and US\$ 20 are not subject to interest.

Deposits from related parties as of September 30, 2018 and 2017 were G 24,449,530 and G 26,963,680 respectively (**note 27**).

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FONKOZE S.A.
Notes Consolidated to Financial Statements

(15) BANK LINES OF CREDIT

Bank lines of credit in gourdes with local banks are as follows:

| | 2018 | 2017 |
|--|----------------------|-------------|
| Banque de l'Union Haïtienne (BUH) line of credit of G 200,000,000 and G 105,000,000 in 2018 and 2017 | G 106,705,789 | 97,125,270 |
| Interest rate on drawings | 13,25% | 13.25% |

(16) LONG-TERM SUBORDINATED NOTES

Subordinated notes payable consist of notes due to individuals and organizations with balances of US\$ 58,800 (G 4,114,671) and US\$ 167,200 (G 10,481,768) as of September 30, 2018 and 2017, respectively. These notes bear interest at the rate of 5% per annum. Interest is paid semi-annually in US dollars. These notes are subordinated and junior to all creditors. Maturities are as follows:

| | |
|----------------------|---------------------------|
| 2020 | G 1,175,620 |
| 2021 | <u>2,939,051</u> |
| | 4,114,671 |
| Less current portion | <u>-</u> |
| | G <u>4,114,671</u> |

Subordinated notes held by shareholders amount to G 4,114,671 and G 4,212,768 as of September 30, 2018 and 2017, respectively (**note 27**).

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FONKOZE S.A.
Notes Consolidated to Financial Statements

(17) OTHER NOTES PAYABLE

Other notes payable in US dollars consist of the following:

| | 2018 | 2017 |
|--|----------------------|---------------------|
| Notes payable to Fonkoze USA, related party, with interest at fixed annual percentage rates from 1.00% up to 3.00%, and maturities from January 19, 2017 to March 20, 2023 (a) | G 206,882,445 | 185,065,582 |
| Note payable to Global Partnership Social Investment fund bearing 8.50% fixed quarterly interest and maturity dates of November 1, 2018 and November 1, 2019 | 26,241,524 | 50,935,625 |
| Notes payable to investors living abroad with interest at fixed annual percentage rates from up to 3% and maturities between October 29, 2018 and June 15, 2023 (b) | <u>13,803,042</u> | <u>14,120,931</u> |
| Total notes payable | 246,927,011 | 250,122,138 |
| Less current portion | <u>(176,538,844)</u> | <u>(96,652,308)</u> |
| | G 70,388,167 | 153,469,830 |

- a) Fonkoze USA raises those funds from US based organizations and individuals interested in supporting The Group's social mission. Those funds are provided to SFF by Fonkoze USA. SFF pays Fonkoze USA an annual administration fee equal to 1% of the outstanding balance of the notes payable amounting to G 1,953,478 and G 1,808,151 in 2018 and 2017, respectively. This fee is recorded as interest expense on debt in the consolidated statement of income.
- b) The direct loans from investors living abroad are from individuals interested in supporting The Group's social mission. Some of these investors are related parties to the Group. SFF pays Fonkoze USA an annual administration fee equal to 1% of the outstanding balance of the notes payable, amounting to G 147,766 and G 152,467 in 2018 and 2017, respectively.

The maturity of the notes payable as of September 30, 2018 are as follows:

| | |
|------|-----------------------------|
| 2019 | G 81,816,176 |
| 2020 | 115,645,910 |
| 2021 | 8,822,051 |
| 2022 | 22,168,840 |
| 2023 | <u>18,474,034</u> |
| | G <u>246,927,011</u> |

(Continued)

FONKOZE S.A.
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(18) MANAGED LOAN FUND

Under the terms of an agreement dated June 23, 2015, Partners Worldwide, Inc, a US based non profit Corporation authorized to operate under the laws of the State of Michigan, provided US\$ 300,000 (equivalent to G 20,993,220 and G 18,807,000 respectively) to SFF for an initial period of two years later extended contract May 1st , 2019 for the purpose of on-lending to local businesses as part of Partners Worldwide's effort to stimulate job creation in Haiti. Sèvis Finansye Fonkoze, S.A. assumes the credit risk associated with the loans extended.

These funds received from Partners Worldwide are used to provide loans to Partners Worldwide's business affiliates located in the same region as SFF branches. SFF manages the loan fund established as part of their 100,000 jobs initiative and provides the loans in Haitian gourdes to qualified members according to SFF's policies and procedures. All interest collected remain the property of SFF.

Upon termination of the agreement, the full US\$ 300,000 of the loan fund is payable in US dollars to Partners Worldwide Inc.

(19) BANK TERM LOAN

On May 24, 2018 a term loan agreement was signed between SFF and a local bank for an amount of G 130,000,000 for a period of seven years subject to a variable interest rate. As of September 30, 2018, the interest rate is 13%. Maturities are as follows:

| | | |
|----------------------|----------|---------------------|
| 2019 | G | 18,571,428 |
| 2020 | | 18,571,428 |
| 2021 | | 18,571,428 |
| 2022 | | 18,571,428 |
| 2023 and after | | <u>52,581,758</u> |
| | | 126,867,470 |
| Less current portion | | <u>(18,571,428)</u> |
| | G | <u>108,296,042</u> |

(Continued)

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(20) OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current liabilities consist of the following:

| | | 2018 | 2017 |
|-------------------------------------|----------|--------------------------|--------------------------|
| Transfers payable to customers | G | 21,833,125 | 10,189,874 |
| Bonus payable | | 16,794,576 | - |
| Salaries payable | | 10,183,144 | 10,857,007 |
| Prepayment on loans | | 9,119,233 | 5,217,999 |
| Taxes payable | | 8,125,441 | 6,539,680 |
| Payable to Fonkoze USA (note 27) | | 7,246,288 | 4,422,130 |
| Interests payable | | 5,835,317 | 3,903,982 |
| Income tax payable | | 2,302,765 | 551,931 |
| Payable to the Foundation (note 27) | | 221,912 | 611,430 |
| Payable to Partners Worldwide Inc. | | - | 3,860,621 |
| Others | | <u>22,565,817</u> | <u>17,939,684</u> |
| | G | 104,227,618 | 64,094,338 |

Other non-current liabilities are as follows:

| | | 2018 | 2017 |
|--|----------|-----------------------|-----------------------|
| Foreign currency forward contracts-BRH (note 13) | G | 448,000,000 | 320,000,000 |
| Deferred income tax (a) | | 21,355,616 | 20,556,043 |
| Deferred income (b) | | 5,800,967 | 6,014,349 |
| Deposits of guarantee | | <u>699,774</u> | <u>626,900</u> |
| | G | 475,856,357 | 347,197,292 |

(a) Deferred income tax at a rate of 30% includes:

- i) Deferred income on fair value adjustment of equity investments - G 895,306 (note 10).

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FONKOZE S.A.
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(20) OTHER CURRENT AND NON-CURRENT LIABILITIES (CONTINUED)

- ii) 30% withholding tax on land and buildings revalued at September 30, 2016 (**note 11**) and is justified as follows:

| | Cost | Deferred income tax | Revaluation reserve (net) |
|---|---------------------|--------------------------------|--------------------------------------|
| Revaluation surplus land | G 2,830,510 | 849,153 | 1,981,357 |
| Revaluation surplus buildings, gross of reversed depreciation | <u>67,529,408</u> | <u>20,258,822</u> | <u>47,270,586</u> |
| | 70,359,918 | 21,107,975 | 49,251,943 |
| Depreciation | <u>-</u> | <u>(647,665)</u> | <u>(2,158,884)</u> |
| Net deferred income tax | G 70,359,918 | 20,460,310 | 47,093,059 |

Deferred income tax on buildings and equity investment is transferred to income taxes payable over the useful life of the assets starting October 2016.

- b) Deferred income is composed of two grants from the following institutions for the system upgrade in 2015:
- HIFIVE, US\$ 175,000 (G 8,208,918) received in March 2015
 - The Foundation, US\$ 25,971 (G 1,352,354) received in September 2015.

The income is recognized as grant income progressively over the useful life of the asset for which the funds were granted. The amounts recognized in income in 2018 and 2017 amount to G 1,850,569 (**note 24**).

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(21) INCOME TAX

Income tax expense (tax credit) including current and deferred income taxes, is calculated based on the consolidated loss before income taxes and differs from the amounts computed using the statutory rates as follows:

| | | 2018 | 2017 |
|--|----------|--------------------|---------------------|
| Net profit before income tax | G | 188,300,611 | 111,248,662 |
| Current income tax based on enacted tax rate 30% | | 56,490,183 | (33,374,598) |
| <i>Effect of elements not considered in the tax basis:</i> | | | |
| Transfer to legal reserve | | (5,808,651) | - |
| Provision on accounts receivable at 1% of receivable | | (350,424) | - |
| Current income tax | | 50,331,108 | - |
| Effect of loss carried forward not yet realized (a) | | 48,754,738 | (33,374,598) |
| Income tax | | 1,576,370 | - |
| Other (CFGDCT and value added taxes) | | 78,730 | - |
| Total income taxes | G | 1,655,100 | - |

(a) In 2018 and 2017, SFF realized the effect of losses carry over from previous years which were not initially recognized.

(22) SALARIES AND BENEFITS

Salaries and benefits are as follows:

| | | 2018 | 2017 |
|---|----------|--------------------|-------------|
| Salaries | G | 217,959,612 | 174,779,121 |
| Bonus and commissions | | 93,930,929 | 76,715,957 |
| Payroll taxes | | 23,139,651 | 18,687,743 |
| Employee retirement savings contributions | | 5,602,437 | 4,577,781 |
| Others | | 16,375,973 | 11,355,556 |
| Total | G | 357,008,602 | 286,116,158 |

(Continued)

FONKOZE S.A.
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(22) SALARIES AND BENEFITS (CONTINUED)

The employees retirement savings program was funded initially by a grant of \$240,000 and covers employees of The Group and those of its related foundation. (The Foundation). The program is open to all employees having successfully completed their three months probationary period with The Group or the Foundation. Employees contribute to the Program based on their age at the following rate:

| <u>Employee age</u> | <u>% of salary withheld</u> |
|----------------------------|------------------------------------|
| Less than 45 | 5% |
| 45-50 | 6% |
| Greater than 50 | 10% |

The Group and The Foundation will match their respective employees' contributions subject to the following vesting scheme:

| <u>Number of years of service</u> | <u>% of matching funds vested</u> |
|--|--|
| Less than 1 year | 0% |
| 1-3 years | 30% |
| 3-5 years | 50% |
| Greater than 5 years | 100% |

The Group's retirement expenses for matching funds under this program were G 5,602,437 and G 4,577,781 for 2018 and 2017, respectively. These funds are invested with the Association of Specialists in Microfinance (ASMF) who manages the program. Employees have the option of borrowing against the funds they have accumulated in their savings and loan account.

(23) CAPITAL STOCK

As voted in an Extraordinary General Assembly on March 18, 2016 and effective at this date, the authorized Share Capital of The Group was increased to G 413,701,675 representing 16,548,067 common shares, with a par value per share of G 25.

During 2016, common shares authorized and issued were increased through issuance of 1,384,244 common shares and conversion of 2,500,000 authorized preferred shares into 1,780,191 common shares.

(Continued)

FONKOZE S.A.
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(23) CAPITAL STOCK (CONTINUED)

As of September 30, the authorized and paid-in capital is as follows:

| | 2018 | 2017 |
|---|----------------------|----------------------|
| AUTHORIZED CAPITAL | | |
| Common shares – per value of G 25: 16,548,067 in 2018 and 2017 | G 413,701,675 | <u>413,701,675</u> |
| UNPAID CAPITAL | | |
| 7,025,823 common shares in 2018 and 7,850,761 in 2017 | (175,645,575) | <u>(196,269,025)</u> |
| PAID-IN CAPITAL | | |
| 9,522,244 common shares in 2018 and 8,697,306 in 2017 | 238,056,100 | 217,432,650 |
| CAPITAL STOCK, NET | G 238,056,100 | 217,432,650 |

(24) GRANTS

Grants were received by SFF from the following entities:

Salaries and benefits are as follows:

| | 2018 | 2017 |
|--|-----------------------|------------------|
| Amortization of deferred income (note 20) | G 1,850,569 | 1,850,569 |
| Fonkoze – USA (note 27) | 914,207 | 11,018,584 |
| Whole Planet Foundation | - | 13,565,340 |
| Oiko Credit | - | 705,002 |
| Others grants | <u>165,778</u> | <u>1,799,622</u> |
| | G 2,930,554 | 28,939,117 |

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FONKOZE S.A.
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(25) OTHER EXPENSES

Other expenses are as follows:

| | 2018 | 2017 |
|------------------------------|--------------------------|------------------|
| Maintenance and repairs | G 43,060,119 | 41,322,492 |
| Professional services | 22,430,191 | 32,813,852 |
| Travel and expenses | 22,100,276 | 24,109,409 |
| Fuel and lubricants | 13,834,940 | 10,772,849 |
| Office supplies | 8,975,873 | 9,499,197 |
| Printing | 7,336,720 | 6,507,971 |
| Miscellaneous losses - fraud | 6,226,381 | 11,865,115 |
| Transportation | 6,193,515 | 747,114 |
| Administration costs | 4,789,055 | 5,173,076 |
| Rental | 3,773,966 | 9,974,207 |
| Communications | 3,656,568 | 3,046,942 |
| Property taxes | 429,780 | 429,780 |
| Bank fees | 129,087 | 979,083 |
| Others | <u>11,132,471</u> | <u>5,930,196</u> |
| | G 154,068,942 | 163,171,283 |

(26) OTHER NON-OPERATING INCOME, NET

Other non-operating income, net consists mainly of sub-contracts with the Foundation, professional services and rental services provided to the Foundation. They are as follows:

| | 2018 | 2017 |
|---|--------------------------|------------------|
| The Foundation (note 27): | | |
| Professional assistance and rental services | | |
| To The Foundation | G 7,605,053 | 7,605,053 |
| AKSYON project with The Foundation (a) | 4,858,589 | 20,133,676 |
| Use of space in SFF branches by the Foundation | 3,544,754 | 1,372,978 |
| W.K. Kellogg Foundation project P3033325 – | | |
| The Foundation (b) | 1,487,035 | 4,135,605 |
| Impact Monitoring Services | - | <u>2,750,000</u> |
| | <u>17,495,431</u> | 35,997,312 |
| Others | <u>225,051</u> | <u>89,233</u> |
| | G 17,720,482 | 36,086,545 |

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Notes Consolidated to Financial Statements

(26) OTHER NON-OPERATING INCOME, NET (CONTINUED)

- a) In the context of an agreement signed between The Foundation and USAID to provide support for a community health program to provide nutrition (AKSYON). SFF was retained as a subcontractor of The Foundation from September 1st 2016 to July 31st 2018 under the terms of a fixed fee contract. SFF provided the uptake of micro finance services by poor women in rural areas where AKSYON is operating as a way to reduce food insecurity and prevent malnutrition. SFF received a fixed fee of US\$ 350,000 for services performed since inception of the program.
- b) In 2016, a service contract was signed between The Foundation and W.K. Kellogg Foundation (WKKF) to implement a project from July 1, 2016 to June 30, 2018 to increase family economic security, create permanent jobs and quality self-employment in the Haitian handicraft sector in the Central area of Haiti providing craftsmen with financial services, business skills training, technical assistance and connections to domestic and international markets. SFF was subcontracted by the Foundation to provide financial services to the artisans and to actively contribute to the overall success of the project and report to WKKF.

In both of these contracts, revenue is recognized as earned upon submission of deliverables.

(27) RELATED PARTIES

The Companies disclosed below are related parties to Fonkoze, S.A. and its subsidiary Sèvis Finansye Fonkoze, S.A. because they are shareholders of SFF or Fonkoze S.A., or share common Management. They are as follows:

- The Foundation
- Fonkoze USA
- Unigestion Holding S.A./Digicel
- Other shareholders

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(27) RELATED PARTIES (CONTINUED)

Transactions and balances with these related parties as of and for the years ended September 30 are as follows:

| | Notes | | 2018 | 2017 |
|--|-----------|----------|---------------------------|--------------------|
| <u>Assets</u> | | | | |
| Notes Receivable – Related Parties | 12 | | | |
| Fonkoze USA | G | | <u>19,476,503</u> | <u>22,424,782</u> |
| <u>Accounts receivable</u> | | | | |
| Unigestion Holding S.A. | 8 | G | 11,464,892 | 18,167,480 |
| The Foundation | 8 | | 2,738,264 | 4,376,175 |
| Fonkoze USA | 8 | | <u>407,091</u> | <u>482,010</u> |
| Total assets | | G | <u>34,086,750</u> | <u>45,450,447</u> |
| <u>Liabilities</u> | | | | |
| <i>Deposits:</i> | | | | |
| Fonkoze USA | 14 | G | 829,193 | 869,067 |
| The Foundation | | | <u>23,620,337</u> | <u>26,094,613</u> |
| | | | <u>24,449,530</u> | <u>26,963,680</u> |
| Notes payable - Fonkoze USA | 17 | | <u>206,882,445</u> | <u>185,065,582</u> |
| Subordinated notes - Other shareholders | 16 | | <u>4,114,671</u> | <u>4,212,768</u> |
| <u>Other current liabilities</u> | | | | |
| The Foundation | 20 | | 221,912 | 611,430 |
| Fonkoze USA | 20 | | <u>7,246,288</u> | <u>4,422,130</u> |
| Total liabilities | | G | <u>242,914,846</u> | <u>221,275,590</u> |
| <u>Revenue</u> | | | | |
| <i>Grants:</i> | | | | |
| Fonkoze USA | 24 | G | <u>914,207</u> | <u>11,018,584</u> |
| Unigestion Holding S.A. – Other operating income | | | <u>5,910,412</u> | <u>5,421,567</u> |
| <u>Other non operating revenue:</u> | | | | |
| The Foundation | 26 | | <u>17,495,431</u> | <u>35,997,312</u> |
| Total revenues | | G | <u>23,405,843</u> | <u>52,437,463</u> |

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(27) RELATED PARTIES (CONTINUED)

| | | 2018 | 2017 |
|---|----------|---------------------------|--------------------|
| <u>Expenses</u> | | | |
| <i>Finance income:</i> | | | |
| Fonkoze – USA | G | <u>(1,353,068)</u> | <u>(1,736,147)</u> |
| The Foundation – other expenses | | <u>1,194,060</u> | <u>1,479,425</u> |
| Interest expense on debt (notes payable): | | | |
| Fonkoze – USA : | | | |
| Interest expense | | 3,663,335 | 2,942,451 |
| Loan-administrative fees | | <u>2,191,244</u> | <u>1,960,618</u> |
| | | 5,854,579 | 4,903,069 |
| Other shareholders | | <u>207,002</u> | <u>271,581</u> |
| | | <u>6,061,581</u> | <u>5,174,650</u> |
| Total expenses | G | 5,902,573 | 4,917,928 |

(28) COMMITMENTS

The Group leases office space on a long-term basis. Some leases are payable in US dollars while others are payable in Gourdes. Future obligations under these leases as of September 30, 2018 are as follows:

| Years | Payable in USD | | Gourdes équivalent | Gourdes | Total |
|--------------|-------------------|----------|-----------------------|------------------|-------------------------|
| 2019 | \$ 149,328 | G | 10,449,585 | 1,724,833 | 12,174,418 |
| 2020 | 110,678 | | 7,744,959 | 1,450,417 | 9,195,376 |
| 2021 | 77,862 | | 5,448,581 | 1,068,121 | 6,516,702 |
| 2022 | 26,185 | | 1,832,358 | 666,000 | 2,498,358 |
| 2023-2029 | <u>9,667</u> | | <u>676,471</u> | <u>1,510,833</u> | <u>2,187,304</u> |
| Total | \$ 373,720 | G | 26,151,954 | 6,420,204 | 32,572,158 |

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2018 and 2017
(Expressed in Haïtian Gourdes)

| | | Sèvis Finansye Fonkoze, S.A. | Fonkoze S.A. | Reclassifications/ eliminations | 2018 Consolidated | 2017 Consolidated |
|--|----------|---------------------------------|--------------------|------------------------------------|-----------------------------|----------------------|
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents | G | 516,518,638 | 129,569 | - | 516,648,207 | 272,594,265 |
| Term deposits | | 478,589,613 | - | - | 478,589,613 | 205,585,900 |
| Loans | | 1,296,472,673 | - | - | 1,296,472,673 | 1,191,495,794 |
| Impairment provision | | <u>(44,028,465)</u> | <u>-</u> | <u>-</u> | <u>(44,028,465)</u> | <u>(39,014,318)</u> |
| Net loans | | 1,252,444,208 | - | - | 1,252,444,208 | 1,152,481,476 |
| OTHER CURRENT ASSETS | | | | | | |
| Interest receivable on loans | | 45,837,503 | - | - | 45,837,503 | 41,715,286 |
| Accounts receivable | | 85,207,744 | 9,174,630 | (42,888,129) | 51,494,245 | 47,332,056 |
| Prepaid expenses and supplies | | 29,175,000 | - | - | 29,175,000 | 27,777,890 |
| Notes receivable – related parties current portion | | <u>6,479,389</u> | <u>-</u> | <u>-</u> | <u>6,479,389</u> | <u>11,179,286</u> |
| | | 166,699,636 | 9,174,630 | (42,888,129) | 132,986,137 | 128,004,518 |
| Total current assets | G | 2,414,252,095 | 9,304,199 | (42,888,129) | 2,380,668,165 | 1,758,666,159 |
| NON-CURRENT ASSETS | | | | | | |
| Equity investments | | 7,158,687 | 578,670,942 | (578,670,942) | 7,158,687 | 4,174,334 |
| Fixed assets, at cost | | 395,048,935 | - | - | 395,048,935 | 385,737,169 |
| Accumulated depreciation | | <u>(130,348,257)</u> | <u>-</u> | <u>-</u> | <u>(130,348,257)</u> | <u>(124,721,238)</u> |
| Fixed assets, net | | 264,700,678 | - | - | 264,700,678 | 261,015,931 |
| Notes receivable – Related party | | 12,997,114 | - | - | 12,997,114 | 11,245,496 |
| Other assets | | 502,826,325 | - | - | 502,826,325 | 326,434,525 |
| TOTAL ASSETS | G | 3,201,934,899 | 587,975,141 | (621,559,071) | 3,168,350,969 | 2,361,536,445 |

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2018 and 2017
(Expressed in Haïtian Gourdes)

| | | Sèvis Finansye Fonkoze, S.A. | Fonkoze S.A. | Reclassifications/ eliminations | 2018 Consolidated | 2017 Consolidated |
|---|----------|---------------------------------|--------------------|------------------------------------|---------------------------|----------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Deposits | G | 1,842,345,424 | - | - | 1,842,345,424 | 1,605,880,855 |
| Bank lines of credit | | 106,705,789 | - | - | 106,705,789 | 97,125,270 |
| Long-term subordinated notes - current portion | | - | - | - | - | 6,269,000 |
| Other notes payable | | 176,538,844 | - | - | 176,538,844 | 96,652,308 |
| Managed loan fund | | 20,993,220 | - | - | 20,993,220 | 18,807,000 |
| Bank term loan-current portion | | 18,571,428 | - | - | 18,571,428 | - |
| Other current liabilities | | <u>111,352,459</u> | <u>35,763,288</u> | <u>(42,888,129)</u> | <u>104,227,618</u> | <u>64,094,338</u> |
| Total current liabilities | | 2,276,507,164 | 35,763,288 | (42,888,129) | 2,269,382,323 | 1,888,828,771 |
| NON-CURRENT LIABILITIES | | | | | | |
| Other notes payable | | 70,388,167 | - | - | 70,388,167 | 153,469,830 |
| Long-term subordinated notes | | - | 4,114,671 | - | 4,114,671 | 4,212,768 |
| Bank term loan | | 108,296,042 | - | - | 108,296,042 | - |
| Other non-current liabilities | | <u>475,856,357</u> | <u>-</u> | <u>-</u> | <u>475,856,357</u> | <u>347,197,292</u> |
| Total non-current liabilities | | 654,540,566 | 4,114,671 | - | 658,655,237 | 504,879,890 |
| TOTAL LIABILITIES | G | 2,931,047,730 | 39,877,959 | (42,888,129) | 2,928,037,560 | 2,393,708,661 |
| SHAREHOLDERS' EQUITY | | | | | | |
| Capital stock: | | | | | | |
| Common shares | | 87,910,525 | 237,978,200 | (87,832,625) | 238,056,100 | 217,432,650 |
| Additional paid-in capital | | 491,027,966 | 327,066,217 | (490,838,317) | 327,255,866 | 264,128,249 |
| Accumulated deficit | | (377,314,593) | (16,947,235) | - | (394,261,828) | (564,713,657) |
| Legal reserve | | 19,362,171 | - | - | 19,362,171 | - |
| Revaluation reserve-land and buildings | | 47,093,059 | - | - | 47,093,059 | 48,172,501 |
| Accumulated other comprehensive income | | 2,808,041 | - | - | 2,808,041 | 2,808,041 |
| Total shareholders' equity | | 270,887,169 | 548,097,182 | (578,670,942) | 240,313,409 | (32,172,216) |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | G | 3,201,934,899 | 587,975,141 | (621,559,071) | 3,168,350,969 | 2,361,536,445 |

FONKOZE S.A. and Subsidiary
Consolidated Statements of Income
For the years ended September 30, 2018 and 2017
(Expressed in Haïtian Gourdes)

| | Sèvis Finansye Fonkoze, S.A. | Fonkoze S.A. | Reclassifications/ eliminations | 2018 Consolidated | 2017 Consolidated |
|--|---------------------------------|--------------------|------------------------------------|----------------------|----------------------|
| INTEREST AND OTHER FINANCIAL INCOME | | | | | |
| Loans | G 637,445,326 | - | - | 637,445,326 | 471,598,804 |
| Other | 9,077,121 | - | - | 9,077,121 | 5,141,014 |
| Total interest income | 646,522,447 | - | - | 646,522,447 | 476,739,818 |
| INTEREST EXPENSES | | | | | |
| Deposits | 12,065,583 | - | - | 12,065,583 | 8,507,632 |
| Debt (lines of credit, notes payable) | 45,447,878 | 484,009 | - | 45,931,887 | 33,241,085 |
| Total interest expense | 57,513,461 | 484,009 | - | 57,997,470 | 41,748,717 |
| NET INTEREST INCOME (EXPENSE) | 589,008,986 | (484,009) | - | 588,524,977 | 434,991,101 |
| Provision for loan losses | 76,708,930 | - | - | 76,708,930 | (78,145,693) |
| Net interest income (expense) after provision for loan losses | 512,300,056 | (484,009) | - | 511,816,047 | 356,845,408 |
| OTHER OPERATING INCOME | | | | | |
| Income from foreign exchange-Trading | 69,579,061 | - | - | 69,579,061 | 50,275,008 |
| Commissions and penalties on loans | 111,537,481 | - | - | 111,537,481 | 73,772,090 |
| Payroll services | - | - | - | - | 25,029,847 |
| Income from remittance services | 22,935,284 | - | - | 22,935,284 | 22,319,834 |
| Savings accounts fees | 15,138,922 | - | - | 15,138,922 | 17,771,266 |
| Recoveries of loans written off | 6,433,824 | - | - | 6,433,824 | 2,916,145 |
| Other | 9,022,558 | - | - | 9,022,558 | 9,283,432 |
| | 234,647,130 | - | - | 234,647,130 | 201,367,622 |
| Net interest and other Income (expense) | 746,947,186 | (484,009) | - | 746,463,177 | 558,213,030 |
| OPERATING EXPENSES | | | | | |
| Personnel expenses | 357,008,602 | - | - | 357,008,602 | 286,116,158 |
| Premises and equipment expenses | 46,162,744 | - | - | 46,162,744 | 40,304,332 |
| Depreciation | 43,326,551 | - | - | 43,326,551 | 37,762,957 |
| Other expenses | 152,857,936 | 1,211,006 | - | 154,068,942 | 163,171,283 |
| Total operating expenses | 599,355,833 | 1,211,006 | - | 600,566,839 | 527,354,730 |
| PROFIT (LOSS) NET FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAXES | | | | | |
| | 147,591,353 | (1,695,015) | - | 145,896,338 | 30,858,300 |
| OTHER INCOME (EXPENSES) | | | | | |
| Unrealized gain (loss) on Foreign exchange | 24,026,254 | (3,626,084) | - | 20,400,170 | 13,628,553 |
| Grants | 2,930,554 | - | - | 2,930,554 | 28,939,117 |
| Interest income on receivable from related party | 1,353,068 | - | - | 1,353,068 | 1,736,147 |
| Other non-operating income | 17,720,482 | - | - | 17,720,482 | 36,086,545 |
| Total other income (expenses) | 46,030,358 | (3,626,084) | - | 42,404,274 | 80,390,362 |
| Net operating profit (loss) before income taxes | 193,621,711 | (5,321,099) | - | 188,300,612 | 111,248,662 |
| INCOME TAX (TAX CREDIT) | 8,781,521 | (7,126,420) | - | 1,655,101 | - |
| NET PROFIT (LOSS) | G 184,840,190 | 1,805,321 | - | 186,645,511 | 111,248,662 |

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2018 and 2017
(Expressed in US Dollars)

| | Sèvis Finansye Fonkoze, S.A. | Fonkoze S.A. | Reclassifications/ eliminations | 2018 Consolidated | 2017 Consolidated |
|--|---------------------------------|------------------|------------------------------------|---------------------------|----------------------|
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 7,381,221 | 1,852 | - | 7,383,073 | 4,348,289 |
| Term deposits | 6,839,203 | - | - | 6,839,203 | 3,279,405 |
| Loans | 18,527,020 | - | - | 18,527,020 | 19,006,154 |
| Impairment provision | <u>(629,181)</u> | <u>-</u> | <u>-</u> | <u>(629,181)</u> | <u>(622,337)</u> |
| Net loans | 17,897,839 | - | - | 17,897,839 | 18,383,817 |
| OTHER CURRENT ASSETS | | | | | |
| Interest receivable on loans | 655,033 | - | - | 655,033 | 665,422 |
| Accounts receivable | 1,217,647 | 131,108 | (612,886) | 735,869 | 781,514 |
| Prepaid expenses and supplies | 416,918 | - | - | 416,918 | 443,099 |
| Notes receivable - related parties current portion | <u>92,593</u> | <u>-</u> | <u>-</u> | <u>92,593</u> | <u>151,830</u> |
| | 2,382,191 | 131,108 | (612,886) | 1,900,413 | 2,041,865 |
| Total current assets | \$ 34,500,454 | 131,108 | (612,886) | 34,020,528 | 28,053,376 |
| NON-CURRENT ASSETS | | | | | |
| Equity investments | 102,300 | 8,269,398 | (8,269,398) | 102,300 | 66,587 |
| Fixed assets, at cost | 5,645,379 | - | - | 5,645,379 | 6,153,089 |
| Accumulated depreciation | <u>(1,862,719)</u> | <u>-</u> | <u>-</u> | <u>(1,862,719)</u> | <u>(1,989,492)</u> |
| Fixed assets, net | 3,782,660 | - | - | 3,782,660 | 4,163,597 |
| Notes Receivable – related parties | 185,733 | - | - | 185,733 | 179,383 |
| Other assets | 7,185,553 | - | - | 7,185,553 | 5,207,123 |
| TOTAL ASSETS | \$ 45,756,700 | 8,402,358 | (8,882,284) | 45,276,774 | 37,670,066 |

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2018 and 2017
(Expressed in US dollars)

| | Sèvis Finansye Fonkoze, S.A. | Fonkoze S.A. | Reclassifications/ eliminations | 2018 Consolidated | 2017 Consolidated |
|---|---------------------------------|------------------|------------------------------------|-------------------------|----------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Deposits | \$ 26,327,720 | - | - | 26,327,720 | 25,616,220 |
| Bank lines of credit | 1,524,861 | - | - | 1,524,861 | 1,549,295 |
| Long-term subordinated notes-current portion | - | - | - | - | 100,000 |
| Other notes payable | 2,522,798 | - | - | 2,522,798 | 1,541,750 |
| Managed loan fund | 300,000 | - | - | 300,000 | 300,000 |
| Bank term loan- current portion | 265,392 | - | - | 265,392 | - |
| Other current liabilities | <u>1,591,263</u> | <u>511,069</u> | <u>(612,886)</u> | <u>1,489,446</u> | <u>1,022,403</u> |
| Total current liabilities | 32,532,034 | 511,069 | (612,886) | 32,430,217 | 30,129,668 |
| NON-CURRENT LIABILITIES | | | | | |
| Other notes payable | 1,005,870 | - | - | 1,005,870 | 2,448,075 |
| Long-term subordinated notes | - | 58,800 | - | 58,800 | 67,200 |
| Bank term loan | 1,547,586 | - | - | 1,547,586 | - |
| Other non-current liabilities | <u>6,800,143</u> | <u>-</u> | <u>-</u> | <u>6,800,143</u> | <u>5,538,320</u> |
| Total non-current liabilities | 9,353,599 | 58,800 | - | 9,412,399 | 8,053,595 |
| TOTAL LIABILITIES | \$ 41,885,633 | 569,869 | (612,886) | 41,842,616 | 38,183,263 |
| SHAREHOLDERS' EQUITY | | | | | |
| Capital stock: | | | | | |
| Common shares | 1,256,270 | 3,400,787 | (1,255,157) | 3,401,900 | 3,468,379 |
| Additional paid-in capital | 7,016,951 | 4,673,884 | (7,014,241) | 4,676,594 | 4,213,243 |
| Accumulated deficit | (5,391,949) | (242,182) | - | (5,634,131) | (9,008,035) |
| Legal reserve | 276,692 | - | - | 276,692 | - |
| Revaluation reserve – land and buildings | 672,975 | - | - | 672,975 | 768,424 |
| Accumulated other comprehensive income | 40,128 | - | - | 40,128 | 44,792 |
| Total shareholders' equity | 3,871,067 | 7,832,489 | (8,269,398) | 3,434,158 | (513,197) |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 45,756,700 | 8,402,358 | (8,882,284) | 45,276,774 | 37,670,066 |

FONKOZE S.A.
Consolidated Statements of Income
For the years ended September 30, 2018 and 2017
(Expressed in US dollars)

| | Sévis Finansye Fonkoze, S.A. | Fonkoze S.A. | Reclassifications/ eliminations | 2018 Consolidated | 2017 Consolidated |
|---|---------------------------------|------------------|------------------------------------|----------------------|----------------------|
| INTEREST AND OTHER FINANCIAL INCOME | | | | | |
| Loans | \$ 9,700,164 | - | - | 9,700,164 | 7,197,762 |
| Other | 138,129 | - | - | 138,129 | 78,465 |
| Total interest income | 9,838,293 | - | - | 9,838,293 | 7,276,227 |
| INTEREST EXPENSES | | | | | |
| Deposits | 183,605 | - | - | 183,605 | 129,847 |
| Debt (lines of credit, notes payable) | 691,592 | 7,365 | - | 698,957 | 507,341 |
| Total interest expense | 875,197 | 7,365 | - | 882,562 | 637,188 |
| NET INTEREST INCOME (EXPENSE) | 8,963,096 | (7,365) | - | 8,955,731 | 6,639,039 |
| Provision for loan losses | 1,167,299 | - | - | 1,167,299 | (1,192,696) |
| Net interest income (expense) after provision for loan losses | 7,795,797 | (7,365) | - | 7,788,432 | 5,446,343 |
| OTHER OPERATING INCOME | | | | | |
| Income from foreign exchange-Trading | 1,058,802 | - | - | 1,058,802 | 767,321 |
| Commissions and penalties on loans | 1,697,294 | - | - | 1,697,294 | 1,125,944 |
| Payroll services | - | - | - | - | 382,017 |
| Income from remittance services | 349,012 | - | - | 349,012 | 340,656 |
| Savings accounts fees | 230,373 | - | - | 230,373 | 271,233 |
| Recoveries of loans written off | 97,905 | - | - | 97,905 | 44,508 |
| Other | 137,299 | - | - | 137,299 | 141,688 |
| | 3,570,685 | - | - | 3,570,685 | 3,073,367 |
| Net interest and other income (expense) | 11,366,482 | (7,365) | - | 11,359,117 | 8,519,710 |
| OPERATING EXPENSES | | | | | |
| Personnel expenses | 5,432,689 | - | - | 5,432,689 | 4,366,839 |
| Premises and equipment expenses | 702,470 | - | - | 702,470 | 615,144 |
| Depreciation | 659,311 | - | - | 659,311 | 576,356 |
| Other expenses | 2,326,077 | 18,428 | - | 2,344,505 | 2,490,397 |
| Total operating expenses | 9,120,547 | 18,428 | - | 9,138,975 | 8,048,736 |
| NET PROFIT (LOSS) FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAXES | | | | | |
| | 2,245,935 | (25,793) | - | 2,220,142 | 470,974 |
| OTHER INCOME (EXPENSES) | | | | | |
| Unrealized gain (loss) on foreign exchange | 365,613 | (55,179) | - | 310,434 | 208,005 |
| Grants | 44,595 | - | - | 44,595 | 441,682 |
| Interest income on receivable from related party | 20,590 | - | - | 20,590 | 26,498 |
| Other non-operating income | 269,657 | - | - | 269,657 | 550,770 |
| Total other income (expense) | 700,455 | (55,179) | - | 645,276 | 1,226,955 |
| Net operating profit (loss) before income taxes | 2,946,390 | (80,972) | - | 2,865,418 | 1,697,929 |
| INCOME TAX (TAX CREDIT) | 133,631 | (108,445) | - | 25,186 | - |
| NET PROFIT (LOSS) | \$ 2,812,759 | 27,473 | - | 2,840,232 | 1,697,929 |