

HEMISPHERE BANK, INC., LTD.
(Turks and Caicos Islands)

Financial Statements

December 31, 2016

(With Independent Auditors' Report)

HEMISPHERE BANK, INC., LTD.
(Turks and Caicos Islands)

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INDEPENDENT AUDITORS' REPORT

To the Directors of Hemisphere Bank, Inc., Ltd.:

Opinion

We have audited the financial statements of Hemisphere Bank, Inc., Ltd. ("the Bank"), which comprise the statement of financial position as at December 31, 2016, the statements of profit or loss and other comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2016, and of its financial performance and its 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 Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Turks and Caicos Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Emphasis of Matter

We draw attention to notes 2 and 14 of these financial statements, which describe that the going concern basis of preparing the financial statements has not been used because, subsequent to the Bank's year end, but prior to the approval of these financial statements, the Bank took the decision to start planning the voluntary cessation of its operations. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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



Hemisphere Bank, Inc., Ltd.
Independent Auditors' Report
December 31, 2016

Intended Use of Report

This report is intended solely for the information and use of the board of directors and shareholder of the Bank and should not be used by anyone other than these specified parties.

KPMG Ltd.

Chartered Accountants

Providenciales, Turks and Caicos Islands

24 March, 2017

HEMISPHERE BANK, INC., LTD.

(Turks and Caicos Islands)

Statement of Financial Position

At December 31, 2016

with comparative figures at December 31, 2015

(Expressed in U.S. Dollars)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
<u>Assets:</u>			
Demand deposits		15,748,270	15,164,729
Term deposits		27,000,000	27,000,000
Total bank deposits	6, 10	42,748,270	42,164,729
Available-for-sale securities	7	5,036,361	6,317,983
Loans, net	8	2,136,683	8,754,710
Accrued interest receivable		76,242	171,432
Other assets		53,333	0
Total assets		<u>50,050,889</u>	<u>57,408,854</u>
Liabilities and Shareholder's Equity			
<u>Liabilities:</u>			
Demand deposits		16,940,762	21,850,687
Term deposits		16,063,948	17,594,007
Total customer deposits		33,004,710	39,444,694
Accrued interest payable		286,859	380,886
Other liabilities		4,503	100,006
Total liabilities		<u>33,296,072</u>	<u>39,925,586</u>
Shareholder's Equity:			
Common shares	9	10,000,000	10,000,000
Regulatory reserves	12	167,730	145,613
Reserve for revaluation of available-for-sale securities		49,773	220,640
Retained earnings		6,537,314	7,117,015
Total shareholder's equity		<u>16,754,817</u>	<u>17,483,268</u>
Total liabilities and shareholder's equity		<u>50,050,889</u>	<u>57,408,854</u>

The accompanying notes are an integral part of these financial statements.

These financial statements were approved on behalf of the Board of Directors on March 24, 2017 by the following:

Isaac Alberto Btsh

Director

HEMISPHERE BANK, INC., LTD.

(Turks and Caicos Islands)

Statement of Profit or Loss

Year ended December 31, 2016

with comparative figures for year ended December 31, 2015

(Expressed in U.S. Dollars)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Interest and commission income:			
Interest:			
Term deposits	10	874,608	1,374,306
Loans		351,674	537,820
Securities		275,489	328,532
Commissions on loans		6,343	8,884
Total interest and commission income		<u>1,508,114</u>	<u>2,249,542</u>
Interest expense:			
Deposits		<u>(603,892)</u>	<u>(688,600)</u>
Total interest expense		<u>(603,892)</u>	<u>(688,600)</u>
Net interest and commission income		<u>904,222</u>	<u>1,560,942</u>
Reversal of provision for loan losses	8	12,332	19,835
Net interest and commission income, after provision		<u>916,554</u>	<u>1,580,777</u>
Income from banking and other services		11,555	13,950
General and administrative expenses:			
Professional fees		(1,358,265)	(1,420,472)
Taxes, other than income		(40,813)	(27,577)
Other		<u>(86,615)</u>	<u>(126,705)</u>
Total general and administrative expenses		<u>(1,485,693)</u>	<u>(1,574,754)</u>
Net (loss)/profit for year		<u><u>(557,584)</u></u>	<u><u>19,973</u></u>

All of the activities are classed as discontinuing as the Board of Directors have the intent to voluntarily cease the Bank's operations within 12 months from the date of these financial statements.

The accompanying notes are an integral part of these financial statements.

HEMISPHERE BANK, INC., LTD.

(Turks and Caicos Islands)

Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2016

with comparative figures for year ended December 31, 2015

(Expressed in U.S. Dollars)

	<u>2016</u>	<u>2015</u>
Net (loss) /profit for year	(557,584)	19,973
Other comprehensive income/(loss):		
Items that are or may be reclassified to statement of profit or loss		
Net changes in fair value of available-for-sale securities	<u>(170,867)</u>	<u>33,144</u>
Total comprehensive (loss)/profit for year	<u><u>(728,451)</u></u>	<u><u>53,117</u></u>

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The accompanying notes are an integral part of these financial statements.