Financial Statements

ANDBANK (BAHAMAS) LIMITED

Year ended December 31, 2015

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Financial Statements

Year ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Andbank (Bahamas) Limited:

Report on the financial statements

We have audited the accompanying financial statements of Andbank (Bahamas) Limited ("the Bank") which comprise the statement of financial position as at December 31, 2015, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Andbank (Bahamas) Limited as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

April 4, 2016

ANDBANK (BAHAMAS) LIMITED

Statement of Financial Position

December 31, 2015, with corresponding figures for 2014
(Expressed in thousands of Euros)

	Note		2015	2014
Assets				
Cash at banks	4,14	€	128,263	259,667
Due from banks	4,14		82,820	24,663
Loans and advances to customers	5,14		38,828	30,125
Derivatives	4,11,20		3,052	627
Receivables and other assets	4		1,656	1,972
Fixed assets	6		588	493
Total Assets		€	255,207	317,547
Liabilities and Equity				
Liabilities				
Due to customers	4,14,15	€	209,906	276,432
Derivatives	4,11		3,052	627
Accrued expenses and other liabilities	4		4,326	4,434
Total liabilities			217,284	281,493
Equity				
Share capital	7		21,500	21,500
General banking reserve	8		14,555	12,046
Retained earnings			1,868	2,508
Total equity			37,923	36,054
Commitments and contingencies	11			
Total Liabilities and Equity		€	255,207	317,547

See accompanying notes to financial statements.

These financial statements were authorized for issue by the Board of Directors on April 4, 2016 2016 by the following:

____________________________ Director

____________________________ Director

ANDBANK (BAHAMAS) LIMITED

Statement of Comprehensive Income

Year ended December 31, 2015, with corresponding figures for 2014
(Expressed in thousands of Euros)

	Note		2015	2014
Operating income				
Interest income	4	€	1,574	2,239
Interest expense	4		(689)	(1,097)
Net interest income			885	1,142
Commission income			9,498	8,909
Realized gain on foreign currencies			61	96
Other income			71	35
Net operating income			10,515	10,182
Operating expenses				
Impairment loss/(reversal) on financial assets	5		65	(26)
General and administrative expenses	4,10		1,763	1,677
Personnel expenses	4		2,878	2,167
Depreciation	6		90	86
			4,796	3,904
Net income and total comprehensive income for the year		€	5,719	6,278

See accompanying notes to financial statements.

ANDBANK (BAHAMAS) LIMITED

Statement of Changes in Equity

Year ended December 31, 2015, with corresponding figures for 2014
(Expressed in thousands of Euros)

		Share Capital	General Banking Reserve	Retained Earnings	Total
Balance at December 31, 2013	**€**	**21,500**	**7,851**	**4,195**	**33,546**
Total comprehensive income for the year:					
Net income		–	–	6,278	6,278
		–	–	6,278	6,278
Transactions with owners, recorded directly in equity:					
Dividends (note 9)		–	–	(3,770)	(3,770)
				(3,770)	(3,770)
Transfer to reserve (note 8)		–	4,195	(4,195)	–
		–	4,195	(4,195)	–
Balance at December 31, 2014		**21,500**	**12,046**	**2,508**	**36,054**
Total comprehensive income for the year:					
Net income		–	–	5,719	5,719
		–	–	5,719	5,719
Transactions with owners, recorded directly in equity:					
Dividends (note 9)		–	–	(3,850)	(3,850)
		–	–	(3,850)	(3,850)
Transfer to reserve (note 8)		–	2,509	(2,509)	–
		–	2,509	(2,509)	–
Balance at December 31, 2015	**€**	**21,500**	**14,555**	**1,868**	**37,923**

See accompanying notes to financial statements.

ANDBANK (BAHAMAS) LIMITED

Statement of Cash Flows

Year ended December 31, 2015, with corresponding figures for 2014
(Expressed in thousands of Euros)

	Note		2015	2014
Cash flows from operating activities:				
Net income for the year		€	5,719	6,278
Adjustments for:				
Impairment loss/(reversal) on financial assets	5		65	(26)
Depreciation	6		90	86
Cash provided from operations before changes in assets and liabilities			5,874	6,338
(Increase)/decrease in due from banks, net of cash equivalents			(14,662)	53,638
(Increase)/decrease in loans and advances to customers, net			(8,768)	21,033
Decrease in receivables and other assets			316	159
(Decrease)/increase in due to customers			(66,526)	44,330
Decrease in accrued expenses and other liabilities			(188)	(46)
Net cash (used in)/from operating activities			(83,954)	125,452
Cash flows from investing activities:				
Purchase of fixed assets	6		(185)	(137)
Net cash used in investing activities			(185)	(137)
Cash flows from financing activities:				
Dividends paid	9		(3,770)	(2,500)
Net cash used in financing activities			(3,770)	(2,500)
Net (decrease)/increase in cash and cash equivalents			(87,909)	122,815
Cash and cash equivalents, beginning of year			265,157	142,342
Cash and cash equivalents, end of year		€	177,248	265,157

Cash and cash equivalents comprise:

		2015	2014
Cash at banks	€	128,263	259,667
Due from banks – maturing less than 90 days from original maturity		48,985	5,490
Cash and cash equivalents, end of year	€	177,248	265,157

		2015	2014
Supplemental cash flow information			
Interest received	€	1,634	2,537
Interest paid	€	727	1,518

See accompanying notes to financial statements.

1. General

Andbank (Bahamas) Limited ("the Bank") was incorporated on September 7, 2000 under the Companies Act, 1992 of The Commonwealth of The Bahamas and is licensed under the Banks and Trust Companies Regulation Act, 2000, to carry on banking and trust business within The Bahamas. The Bank is also registered as a broker-dealer Class II with the Securities Commission of The Bahamas. The principal activities of the Bank are providing banking, investment management and financial services. The Bank commenced operations on July 9, 2001 and is a wholly owned subsidiary of Andorra Banc Agricol Reig, SA ("the Parent") which is incorporated in the Principality of Andorra. All significant balances and transactions with the Parent and affiliated companies, in which the Parent controls 20% or more of the issued share capital, are disclosed in these financial statements (see Note 4).

Effective September 10, 2013 the Bank changed its name from Andbanc (Bahamas) Limited to Andbank (Bahamas) Limited. The Bank's principal place of business is located at One Montagu Place, East Bay Street, Nassau, The Bahamas. The registered office of the Bank is West Bay Street, Nassau, The Bahamas.

2. Basis of preparation

a. Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs).

b. Basis of measurement

The financial statements have been prepared under the historical cost basis, except for all derivative contracts which are at fair value.

c. Functional and presentation currency

The currency of The Bahamas is the Bahamian dollar. However, items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in Euros ("EUR"), which is the Bank's functional and presentation currency. Except as indicated, financial information presented in EUR has been rounded to the nearest thousand.

d. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included note 3*(b)(ii), 3(b)(iii), and 3(c).*

2. Basis of preparation *(continued)*

d. Use of estimates and judgements (continued)

Measurement of fair values

A number of the Bank's accounting policies and disclosures require the measurement of fair values, both for financial and non-financial assets and liabilities. The Bank has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to the directors.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

The Company measures fair values using the following fair value hierarchy:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Specific disclosures are required when fair value measurements are categorized as Level 3 (significant unobservable inputs) in the fair value hierarchy. Any significant transfers between Level 1 and Level 2 of the fair value hierarchy are disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are disclosed for each class of financial instruments.

The financial instruments, where this would be relevant are forward foreign currency contracts which are classified as level 2.

Further information about the assumption made in measuring fair values is included in the note 3(b)

3. Significant accounting policies

Following is a summary of significant accounting policies which have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

a. Foreign currency translation

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not retranslated.

All exchange differences are included in realized gain/loss on foreign currencies in the statement of comprehensive income.

b. Financial instruments

i. Non-derivative financial instruments – recognition and derecognition

Non-derivative financial instruments comprise cash at banks, due from banks, loans and advances to customers, receivables and other assets, due to customers, and accrued expenses and other liabilities. Non-derivative financial instruments are measured initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Transaction costs on financial instruments at fair value through profit or loss are expensed immediately. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognized if the Bank becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are accounted for at trade date, that is, the date that the Bank commits itself to purchase or sell the asset. The Bank initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or if the Bank transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

ii. Non-derivative financial instruments – measurement

Loans and receivables

Loans and receivables include cash and cash equivalents, loans and advances to customers, and receivables and other assets.

3. Significant accounting policies *(continued)*

b. Financial instruments (continued)

ii. Non-derivative financial instruments – measurement *(continued)*

Loans and receivables (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash and demand deposit balances with banks and due from banks maturing less than 90 days from the date of acquisition.

Loans and advances to customers

Subsequent to initial recognition, loans and advances to customers are measured at amortized cost using the effective interest method, less any allowance for impairment losses. The Bank establishes an allowance for provisions that represents its estimate of losses in its loan portfolio. Management's periodic evaluation of the adequacy of the provision is based on the Bank's past credit loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions.

The Bank has established a general reserve of 1% of loans not collateralized by cash to comply with the requirements of The Central Bank of The Bahamas.

Other

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortized cost using the effective interest method.

iii Derivative financial instruments

The Bank uses derivative financial instruments such as foreign exchange contracts, to hedge the risks associated with foreign currency fluctuations as a counterparty, performed on behalf of its clients. The Bank does not apply hedge accounting.

Derivatives are recognized initially at fair value in the statement of financial position. Attributable transaction costs associated with the derivative financial instruments are recognized in net income or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in net income or loss in the statement of comprehensive income.

Forward currency contracts

The Bank enters into forward currency contracts resulting in contractual rights and obligations which constitute financial assets and liabilities. The net unrealized gain or loss is recognized in the statement of financial position as an asset or liability, as appropriate, and changes in the unrealized gain or loss are included in net movement in unrealized gain/loss on derivatives in the statement of comprehensive income. Realized gains/losses arising when the contracts are settled are also recognized in the statement of comprehensive income in realized gain/loss on foreign currencies.

3. Significant accounting policies *(continued)*

b. Financial instruments (continued)

iii Derivative financial instruments *(continued)*

Determination of fair values

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the reporting date taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties.

The fair value of forward currency contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

iv Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions such as in trading activity.

c. Impairment

Non-derivative financial assets

Financial assets not classified at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Bank on terms that the Bank would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security, or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

3. Significant accounting policies *(continued)*

c. Impairment (continued)

Financial assets measured at amortised cost

The Bank considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Bank uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in net income or loss and reflected in an allowance account. When the Bank considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through net income or loss.

Interest on the impaired asset continues to be recognized through the unwinding of the discount.

Non-financial assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognized in net income or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation/amortization, if no impairment loss had been recognized.

d. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets.

(Expressed in thousands of Euros)

3. Significant accounting policies *(continued)*

d. Fixed assets (continued)

Expenditure incurred to acquire or replace fixed assets is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the fixed assets. All other expenditure is recognized in net income or loss in the statement of comprehensive income as an expense as incurred. The costs of the day to day servicing of fixed assets are recognized in net income or loss in the statement of comprehensive income as incurred.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Depreciation is provided on a straight-line basis at the following annual rates:

Furniture and fixtures	10% - 20%
Software	20%
Vehicles	20%
Computer equipment	33.33%

Leasehold improvements are depreciated over a period of 10 years.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in other income in the statement of comprehensive income. Repairs and maintenance are charged to net income or loss in the statement of comprehensive income when the expenditure is incurred.

e. Income and expenditure

Income and expenditure are accounted for on an accrual basis.

f. Commission income

The Bank earns commissions on investment activities undertaken on behalf of its customers. Commissions earned are recognized on completion of the underlying transaction. The Bank also earns administrative fees including custody and management fees on a quarterly basis. Administrative fees are recognized on the accrual basis.

g. Leases

Payments made under the operating lease are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

h. Assets under administration

No account is taken in these financial statements of assets and liabilities of clients administered by the Bank, other than those assets and liabilities which relate to the banking services provided by the Bank for its clients. Assets under administration as of December 31, 2015 are approximately €807,448 (2014 - €1,008,032).

3. Significant accounting policies *(continued)*

i. Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

a) A person or a close member of that person's family is related to a reporting entity if that person:

   (i) has control or joint control over the reporting entity;
   (ii) has significant influence over the reporting entity; or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

   (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   (iii) Both entities are joint ventures of the same third party.
   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
   (vi) The entity is controlled, or jointly controlled by a person identified in (a).
   (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   (viii) A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Related parties include entities that the Company controls or exercises significant influence over and individuals who have the authority and responsibility for planning, directing and controlling the activities of the Company in making financial and operating decisions. Related parties include the Parent, officers, directors and other companies with common ownership. Based on these definitions, Andorra Banc Agricol Reig S.A. and its subsidiaries and agencies are considered related parties.

j. New standards and interpretations not yet adopted

Up to the date of issue of these financial statements, the International Accounting Standards Board has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended December 31, 2015 and which have not been adopted in these financial statements.

3. Significant accounting policies *(continued)*

j. New standards and interpretations not yet adopted (continued)

The Bank is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application, and so far it has concluded that the adoption of them is unlikely to have a significant impact on the Bank's results of operations and financial position, except for:

(i) IFRS 9 *Financial Instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Given the nature of the Bank's operations, this standard is expected to have a pervasive impact on the Bank's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*.

IFRS 9 and IFRS 15 are effective for annual reporting periods beginning on or after January 1, 2018, respectively. The Bank does not plan to adopt these standards early and the extent of the impact has not been determined.

4. Balances and transactions with related parties

A number of transactions are entered into with related parties in the normal course of business. Related parties comprise the Parent, its directors, its affiliates and the Bank's own directors. Balances resulting from such transactions are included in these financial statements as follows:

	2015 (€'000s)	2014 (€'000s)
Balances		
Cash at banks	126,604	255,219
Due from banks	82,820	24,663
Derivatives	3,052	627
Receivables and other assets	103	159
Due to customers	(335)	(1,121)
Accrued expenses and other liabilities	(3,853)	(3,881)

4. Balances and transactions with related parties *(continued)*

	2015 (€'000s)	2014 (€'000s)
Transactions		
Interest income	887	1,202
Interest expense	–	–
General and administrative expenses	630	606
Personnel expenses	529	692

General and administrative expenses include custody fees of €230 (2014 - €194) and SLA fees of €400 (2014 - €412) for investment management, back office operations management, accounting, application processing, information technology, and internal audit services performed by the Parent on behalf of the Bank. The custody fees are calculated based on 0.20% per annum of total assets held in custody and total assets under management, the SLA fees are a fixed amount of 400,000 Euros annually, and are payable to the Parent on a quarterly basis.

Personnel expenses include short term employee benefits for key management personnel amounting to €128 (2014 - €230).

5. Loans and advances to customers

Loans and advances to customers, net consist of the following:

	2015 (€'000s)	2014 (€'000s)
Loans	35,210	29,884
Advances to customers	3,905	463
	39,115	30,347
Less: allowance for loan losses	(287)	(222)
	38,828	30,125

Allowance for loan losses is as follows:

	2015 (€'000s)	2014 (€'000s)
Balance, beginning of year	(222)	(248)
Charge for the year	(65)	26
Balance, end of year	(287)	(222)

For the year ended December 31, 2015 loans earned interest at an annual rate ranging between 0.75% to 5.6% (2014 - 0% to 5.6%).

As of December 31, 2015, 100% (2014 - 100%) of the loans were fully collateralized, and 29.53% (2014 – 27.26%) were backed by customers' deposits placed with the Bank. The rest of the portfolio is fully secured by other assets administered by the Bank.

6. Fixed assets

The movement of fixed assets during the year is as follows:

	Software (€'000s)	Vehicles (€'000s)	Furniture and fixtures (€'000s)	Computer Equipment (€'000s)	Leasehold progress (€'000s)	Work-in Improvement (€'000s)	Total (€'000s)
COST:							
Balance at Dec 31, 2014	171	24	205	88	686	–	1,174
Additions	–	–	8	3	2	172	185
Dec 31, 2015	171	24	213	91	688	172	1,359
ACCUMULATED DEPRECIATION:							
Balance at Dec 31, 2014	171	14	69	63	364	–	681
Charge for the period	–	5	34	13	38	–	90
Dec 31, 2015	171	19	103	76	402	–	771
Net book value at							
Dec 31, 2015	–	5	110	15	286	172	588
Dec 31, 2014	–	10	136	25	322	–	493

7. Share capital

The authorized, issued and fully paid share capital as at December 31, 2015 is €21.5 million (2014 - €21.5 million). The Bank's share capital consists of 16,538,462 (2014 - 16,538,462) shares at €1.30 par value for each share.

8. General banking reserve

The Bank has appropriated a general banking reserve for unforeseeable risk and future losses. General banking reserves can only be distributed following approval from the Board of Directors.

9. Dividends

Dividends are accounted for in the period in which they are declared by the Bank's board of directors. On December 3, 2015 the Board of Directors declared a dividend of €0.232790691 per share amounting to €3,850 to be paid in 2016. This amount is included in accrued expenses and other liabilities at the reporting date. On December 10, 2014 the Board of Directors declared a dividend of €0.2279535 per share amounting to €3,770 to be paid in 2015.

10. General and administrative expenses

General and administrative expenses consist of the following:

	2015 (€'000s)	2014 (€'000s)
Professional services	570	507
Rent and utilities - including common area maintenance fees	227	158
Custody fees	230	194
Licensing fees	214	110
Computer maintenance costs	40	35
Supplies	19	19
Communication	8	7
Other general expenses	455	647
	1,763	1,677

11. Commitments and contingencies

Commitments and contingencies consist of the following:

Loan commitments

The Bank enters into commitments to extend credit in the form of credit lines which are available to secure the liquidity needs of the customers, the majority of which range in maturity from five months to one year. Undrawn loan commitments to customers at the reporting date amounted to €3,792 (2014 - €27,123). The undrawn amounts do not represent a credit risk to the Bank since balances are fully collateralized by customers' deposits placed with the Bank and other assets administered by the Bank.

Derivative financial instruments

The Bank enters into forward foreign currency contracts as part of its client-related trading activities. Forward currency contracts are contracts to purchase or sell foreign currencies at a specified rate of exchange on specific dates in the future. Risk arises from the potential inability of counterparties to perform under the terms of the contracts (credit risk) and from fluctuations in the foreign exchange rates (market risk). The Bank manages its market risk of client-related positions by taking offsetting positions with its affiliates, resulting in minimal market exposure.

The contract amounts of the December 31, 2015 and 2014 instruments reflects the extent of the Bank's involvement in forward currency contracts and do not represent the Bank's risk of loss due to counterparty non-performance.

The replacement value of these client-related derivatives is included in the statement of financial position. Credit risk is limited to those contracts with a positive fair value. Open forward foreign currency contracts at December 31, 2015 are summarized below:

Currency sold	Expiration date	Notional amount in currency sold ('000s)	Contract value (€'000s)	Year end value (€'000s)	Unrealized gain/(loss) (€'000s)
Euro currency	Jan-16 to Oct-17	57,706	57,706	60,758	(3,052)
Total		57,706	57,706	60,758	(3,052)

11. Commitments and contingencies *(continued)*

Derivative financial instruments *(continued)*

Currency purchased	Expiration date	Notional amount in currency purchased (‘000s)	Contract value (€’000s)	Year end value (€’000s)	Unrealized gain/(loss) (€’000s)
Euro currency	Jan-16 to Oct-17	57,706	57,706	60,758	3,052
Total		57,706	57,706	60,758	3,052

Open forward foreign currency contracts at December 31, 2014 are summarized below:

Currency sold	Expiration date	Notional amount in currency sold (‘000s)	Contract value (€’000s)	Year end value (€’000s)	Unrealized gain/(loss) (€’000s)
Euro currency	Jan-15 to Sep-15	19,842	19,842	20,469	(627)
Total			19,842	20,469	(627)

Currency purchased	Expiration date	Notional amount in currency purchased (‘000s)	Contract value (€’000s)	Year end value (€’000s)	Unrealized gain/(loss) (€’000s)
Euro currency	Jan-15 to Sep-15	19,842	19,842	20,469	627
Total			19,842	20,469	627

Lease commitments

The Bank has three lease agreements. The terms of one agreement include the basic rent to be paid in equal monthly payments in advance for a period of ten years, commencing on December 1, 2005 and expiring on November 30, 2015. For the period commencing on December 1, 2005 and ending on November 30, 2010, the basic annual rent was BSD 51,117 and for the period commencing on December 1, 2010 and ending on November 30, 2015, the basic annual rent is BSD 57,313.

The other lease agreement includes basic annual rent of BSD 42,900 to be paid in equal monthly payments in advance for a period of six years, commencing on April 1, 2009 and expiring on November 30, 2015.

The third lease agreement includes basic annual rent of BSD 132,675 to be paid in equal monthly installments commencing August 1, 2013 and expiring on July 31, 2018.

Future minimum lease payments for such commitments are as follows:

In Bahamian dollars

	2015	2014
Within 1 year	132,675	224,537
Between 1 and 5 years	210,069	342,744

(Expressed in thousands of Euros)

12. Taxation

At the reporting date, no corporate or capital gains taxes are levied in the Commonwealth of The Bahamas and accordingly, no provision for such taxes has been recorded.

13. Capital management

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Bank's overall strategy remains unchanged from 2014.

The key measure used by the Bank for managing liquidity risk is the liquidity ratio which is managed by the Bank's Management on an ongoing basis. As prescribed by The Central Bank of The Bahamas, the Bank is required to maintain a minimum liquidity ratio of not less than 0.20:1. The liquidity ratio is the ratio of the sum of the Bank's liquid assets in all currencies expressed as a ratio of the sum of its total deposits in all currencies. Liquid assets include cash, money at call and demand balances at banks located in Zone A countries held in Bahamian dollars and/or freely convertible foreign currency.

As prescribed by the Central Bank of The Bahamas, the Bank is expected to use scenario testing in its measurement techniques of liquidity. The Bank's Management conducts a test of the Bank's going concern condition on an ongoing basis. The going concern scenario establishes a benchmark for the "worst case" scenario and the normal behaviour of the related cash flows in the ordinary course of business as disclosed in the statement of financial position. A ratio of liquid assets to deposits of 0.30:1 is the benchmark established by the Bank for testing the "worst case" scenario and the going concern condition.

Details of the liquidity ratio at the reporting date were as follows:

	2015	2014
Liquidity ratio	0.61:1	0.94:1

At December 31, 2015 and 2014 the Bank was in compliance with the benchmark set for testing the "worst case" scenario and the going concern condition.

As prescribed by The Bahamas Banks and Trust Companies Regulations Act the Bank is required to maintain a minimum capital amount of B$ 5,000,000 and a capital adequacy ratio of at least 12% effective July 30, 2010 at all times. The capital adequacy ratio is calculated by dividing the Bank's eligible capital base by its total risk-weighted exposures.

The Bank's capital is made up of Tier 1 capital, with no adjustments, which includes ordinary share capital and retained earnings, and Tier 2 capital, which includes provisions.

The risk-weighted amount of an on-balance sheet item is determined by multiplying the current book value by the relevant risk weight prescribed by The Central Bank of The Bahamas.

The risk weighted amount of an off-balance sheet transaction is calculated as the principal amount of the transaction converted into an on-balance sheet equivalent by multiplying it with a specified credit conversion factor as prescribed by The Central Bank of The Bahamas and multiplying the resultant credit equivalent amount by the risk weight applicable to the

13. Capital management *(continued)*

counterparty or type of assets or where relevant, the eligible guarantor or collateral security as appropriate.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' returns is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The table below summarizes the composition of regulatory capital and shows the capital adequacy ratio of the Bank as of the reporting date. During 2015 and 2014, the Bank has complied with all of the externally imposed capital requirements to which it was subject.

	2015 (€'000s)	**2014** (€'000s)
Capital base		
Share capital	21,500	21,500
General banking reserve	14,555	12,046
Retained earnings	1,868	2,508
Total	**37,923**	**36,054**
Risk-weighted assets	**51,728**	**100,324**
Capital adequacy ratio	**73%**	**36%**

14. Financial risk management

Financial risk management objectives

The Corporate Treasury function of the Parent provides services to the Bank, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Bank through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Bank seeks to minimize the effects of these risks by using a number of risk minimizing techniques including derivative financial instruments. The use of financial derivatives is governed by the Bank's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and limits is reviewed by the Parent's internal auditors on a continuous basis. The Bank does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Corporate Treasury function reports quarterly to the Bank's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

14. Financial risk management *(continued)*

Market risk

The Bank's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures are neither measured using value-at-risk (VaR) nor supplemented by sensitivity analysis. There has been no change to the Bank's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk

The Bank undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

The Bank is mainly exposed to the currency of the United States (United States dollars). Occasionally the Bank can be exposed to other currencies such as the Bahamian Dollar or Great Britain Pound, but in amounts so small that they are considered residual.

All of the currency exchange transactions of the Bank's clients (spot and forward) with amounts higher than Euros 50,000 (or its equivalent in other currencies), are automatically covered by the Parent transactions of the same amount and maturity date as the clients' transactions, thus avoiding the currency risk.

All of the currency exchange transactions of the Bank's clients (spot and forward) with amounts lower than Euros 50,000 (or its equivalent in other currencies), as well as all the currency positions generated by the daily operations of the Bank are periodically monitored, and at least once a week they are covered by the Parent. In the event that the total amount of these transactions is higher than Euros 50,000 (or its equivalent in other currencies) the Bank will proceed to cover them automatically without waiting for weekly cover procedures.

Also, before the monthly account closing, the Parent proceeds following the orders of the Bank, to cover against the reference currency of the Bank (that is the EUR) those foreign currency positions that are open for the Bank. The only positions that the Parent does not proceed to cover for the Bank are those generated in Bahamian dollar ("BSD"), because the Parent does not have an offsetting account in the international markets in this currency. This notwithstanding, the positions in BSD are monitored daily by the Bank, and these normally do not exceed BSD $150,000; (2014 - BSD $100,000).

Use of forward foreign exchange contracts to cover currency risks

The Bank only executes forward foreign exchange contracts with the Parent, in order to cover the forward foreign exchange contracts of its clients. These covered transactions with the Parent have the same amount and maturity date as those of the Bank's clients, thus eliminating the currency risk.

The Bank does not execute forward foreign exchange contracts to cover its own currency risk because its currency risk is nearly non-existent. As it has been established in the Bank's currency risk policy, the only open currency positions of the Bank are those in BSD. This amount is always lower than BSD $150,000 (2014 - BSD $100,000), and therefore is considered residual.

14. Financial risk management *(continued)*

Interest rate risk

The Bank is exposed to interest rate risk at a minimal level since interest rates of financial instruments are usually fixed. The Bank's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

All of the clients' fixed deposits for amounts higher than Euro 100,000 (or its equivalent in other currencies) are automatically covered by fixed deposits with the Parent and have the same maturity date and interest rate (plus a small differential) as the clients' fixed deposits.

In this way the Bank suppresses or minimizes the liquidity and interest rate risks. All of the clients' fixed deposits for amounts lower than Euro 100,000 (or its equivalent in other currencies) as well as the resources of the Bank (capital, reserves and retained earnings) are invested with the Parent in Euro current accounts with a reference interest rate of Eonia + 100 bp.

Sensitivity analysis

A change of 100 basis points in interest rates would have increased or decreased equity by €9 (2014 - €7). This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Bank.

In 2015 the credit exposure in the form of bank deposits with the Parent was €209,397 (2014 - €279,882). This credit risk on liquid funds is limited because the Parent is a bank with high credit-ratings assigned by international credit-rating agencies.

The Bank's assets with related parties total €212,579 (2014 - €280,668), which represents 83% (2014 - 88%) of the Bank's total assets.

The Bank only has small sporadic overdrafts in some clients' current accounts that are caused by readjustment operations of the clients' investment portfolios. These overdrafts are usually for small amounts and are controlled on a daily basis in order to proceed to cover them immediately.

In the event that some of these overdrafts were not covered before the account closing, the Bank establishes a reserve for loan losses to comply with The Central Bank of The Bahamas.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Bank's short, medium and long-term funding and liquidity management requirements. The Bank manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

14. Financial risk management *(continued)*

Liquidity and interest risk tables

The following tables detail the Bank's expected maturity and contractual maturity for its interest bearing non-derivative financial assets and liabilities. The tables have been drawn up based on:

i) the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Bank anticipates that the cash flow will occur in a different period; and

ii) the undiscounted cash flows of financial liabilities based on the earliest date on which the Bank can be required to pay.

	Average Interest rate (%)	Less than 1 month (€'000s)	1-3 months (€'000s)	3 months to 1 year (€'000s)	1-5 years (€'000s)	5+ years (€'000s)	Total (€'000s)
2015							
Assets							
Variable interest rate instruments:							
Cash at banks	0.1	128,218	45	–	–	–	128,263
Loans and advances	1.96	12,205	3,728	21,491	1,404	–	38,828
Fixed interest rate instruments:							
Due from banks	1.23	14,064	34,920	29,976	2,385	1,475	82,820
Liabilities							
Variable interest rate instruments							
Due to customers	N/A	–	–	–	–	–	–
Fixed interest rate instruments:							
Due to customers	1.31	15,280	6,166	16,343	2,385	1,486	41,660

	Average Interest rate (%)	Less than 1 month (€'000s)	1-3 months (€'000s)	3 months to 1 year (€'000s)	1-5 years (€'000s)	5+ years (€'000s)	Total (€'000s)
2014							
Assets							
Variable interest rate instruments:							
Cash at banks	0.1	259,667	–	–	–	–	259,667
Loans and advances	1.78	2,585	1,555	14,534	11,451	–	30,125
Fixed interest rate instruments:							
Due from banks	1.76	3,327	2,163	17,698	–	1,475	24,663
Liabilities							
Variable interest rate instruments							
Due to customers	N/A	–	–	–	–	–	–
Fixed interest rate instruments:							
Due to customers	1.73	2,068	1,612	15,430	–	1,486	20,596

15. Due to customers

Amount of balance	Number of customers 2015	Number of customers 2014		2015 (000s)	2014 (000s)
0 - 1,000,000	729	802	€	79,254	122,298
1,000,001 - 5,000,000	44	52		81,122	90,995
Greater than 5,000,000	3	6		49,530	63,139
Total due to customers	776	860	€	209,906	276,432

16. Concentration of financial assets and liabilities

Assets and liabilities of the Bank were concentrated in the following geographical areas:

	Assets (€'000s)	Liabilities (€'000s)
2015		
Europe	236,061	111,356
Central and South America	16,584	49,295
The Bahamas	951	46,560
Other	1,023	10,073
	254,619	217,284

	Assets (€'000s)	Liabilities (€'000s)
2014		
Europe	304,982	197,848
Central and South America	10,016	66,119
The Bahamas	1,272	3,743
Other	784	13,783
	317,054	281,493

The assets include cash and cash equivalents, due from banks, loans and advances to customers, derivatives and receivables and other assets. The liabilities include due to customers, derivatives, accrued expenses and other liabilities.

17. Maturities of assets and liabilities

The scheduled maturities of the Bank's assets and liabilities from December 31, 2015 and 2014, to the contractual maturity date are as follows:

	Assets (€'000s)	**Liabilities** (€'000s)
2015		
On demand - less than 8 days	137,327	183,696
8 days - less than 1 month	18,522	129
1 month - less than 3 months	40,075	11,519
3 months - less than 6 months	18,755	1,480
6 months - less than 1 year	32,918	14,907
1 year - less than 3 years	5,524	4,044
3 years and over	1,498	1,509
	254,619	217,284

	Assets (€'000s)	**Liabilities** (€'000s)
2014		
On demand - less than 8 days	262,927	256,151
8 days - less than 1 month	4,481	2,211
1 month - less than 3 months	4,197	2,356
3 months - less than 6 months	8,954	8,861
6 months - less than 1 year	33,092	10,415
1 year - less than 3 years	1,884	–
3 years and over	1,519	1,499
	317,054	281,493

The assets include cash at banks, due from banks, loans and advances to customers, derivatives, and receivables and other assets. The liabilities include due to customers, derivatives, and accrued expenses and other liabilities.

18. Currency concentration

At December 31, 2015 and 2014, assets and liabilities of the Bank were concentrated in the following currencies:

	Assets (€'000s)	**Liabilities** (€'000s)
2015		
Euro	148,184	108,368
US Dollar	87,567	87,389
Bahamian dollar	117	–
Other	18,751	21,527
	254,619	217,284

18. Currency concentration *(continued)*

	Assets (€'000s)	**Liabilities** (€'000s)
2014		
Euro	227,552	192,190
US Dollar	69,961	69,844
Bahamian dollar	55	–
Other	19,486	19,459
	317,054	281,493

The assets include cash at banks, due from banks, loans and advances to customers, derivatives, and receivables and other assets. The liabilities include due to customers, derivatives, and accrued expenses and other liabilities.

The Bank's sensitivity to the fluctuations in foreign exchange rates is not considered to be significant as a result of the near matched book positions of its assets and liabilities.

19. Fair value of financial instruments

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Nevertheless, fair values can be determined within a reasonable range of estimates. The non-derivative financial instruments utilized by the Bank are either short-term in nature or have interest rates that automatically reset to market on a periodic basis. Accordingly, their estimated fair values are not significantly different from their carrying values.

IFRS 7 specifies the hierarchy of valuation techniques based on whether inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchange traded derivatives like futures (for example, Nasdaq, S&P 500).

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

19. Fair value of financial instruments *(continued)*

The hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

The table shows the fair value hierarchy levels for financial assets and liabilities carried at fair value.

As of December 31, 2015	**Level 1** (€'000s)	**Level 2** (€'000s)	**Level 3** (€'000s)	**Total** (€'000s)
Financial assets designated at fair value				
- Derivative financial instruments	–	3,052	–	3,052
Total assets at fair value	–	**3,052**	**–**	**3,052**
Financial liabilities designated at fair value				
Due to customers –				
- Derivative financial instruments	–	3,052	–	3,052
Total liabilities at fair value	**–**	**3,052**	**–**	**3,052**

As of December 31, 2014	**Level 1** (€'000s)	**Level 2** (€'000s)	**Level 3** (€'000s)	**Total** (€'000s)
Financial assets designated at fair value				
- Derivative financial instruments	–	627	–	627
Total assets at fair value	–	**627**	**–**	**627**
Financial liabilities designated at fair value				
Due to customers –				
- Derivative financial instruments	–	627	–	627
Total liabilities at fair value	**–**	**627**	**–**	**627**

There has been no transfer of financial instruments between level 1 and level 2 during the period.

20. Subsequent events

The Bank has evaluated subsequent events from the reporting date through April 4, 2016, the date at which the financial statements were available to be issued, and determined that there are no other items to adjust or disclose.