WIHL

Waterloo Investment Holdings Limited

Consolidated Financial Statements

March 31, 2021

Index To Consolidated Financial Statements

Report of the CEO

I am pleased to present Waterloo Investment Holdings Limited's ("the Company", "the Group" or "WIHL") 2021 Annual Report.

The Company produced net income of $25.3 million in the year ended March 31, 2021, compared with net income of $6.2 million in the year ended March 31, 2020. Total assets and shareholders' equity on March 31, 2021 amounted to $552.9 million and $462.3 million respectively, compared with $526.1 million and $437.6 million respectively, on March 31, 2020. Commentary on the performance of the three operating divisions is provided below.

Hospitality Division

The impact of the COVID-19 pandemic to our Hospitality Division was catastrophic during the past year. Commencing in March 2020 the Blue Haven Resort, the Alexandra Resort and the Beach House hotel were closed. The Alexandra Resort was reopened in December 2020, Beach House hotel in February 2021 and Blue Haven Resort not until May 2021. As a consequence the Hospitality Division reported a loss of $5.6 million for the year ended March 31, 2021 while the company was forced to make numerous staff redundancies and the remaining staff put on furlough. In late March of 2021 however there was a resurgence in hotel bookings and since then the destination has seen a significant improvement. It is expected that 2022 will be a strong year for the Division.

In Ambergris Cay, the island remained open throughout 2020 and has benefitted from being isolated from the Covid-19 virus. Many owners and guests enjoyed the serenity and beauty of the island uninhibited by the virus and its effects whilst the world remained in lock-down.

Financial Services Division

British Caribbean Bank ("BCB" or "the Bank") produced a profit of $2.8 million for the year ended March 31, 2021 compared with a profit of $2.9 million in 2020. Net interest income decreased by $0.8 million due to decreasing loan balances. The net loan balance decreased from $60.2 million at March 31, 2020 to $49.0 million at March 31, 2021. Non-interest income performed in line with last fiscal year. Non-interest expenses decreased by $0.8 million. No loan provision as per US GAAP were deemed necessary.

Investments Division

The Investments Division produced a profit of $8.7 million compared with a loss of $3.1 million in the prior year. Net loans decreased from $96.9 million to $88.6, due to the sale of assets in receivership and subsequent paydown of the relating funding loans to WIHL.

In March, Beach House hotel was sold with a management contract in place until August 2021 when the property was handed over to the new owners. Beach restoration and all groyne work at Emerald Point has been completed and the last remaining lots have been placed for sale; it is expected that these lots will be sold in the upcoming year.

Latin American Associates (“LAA”)

Due to a global rally in palm oil prices, our net income from the LAA companies increased from $9.9 million last year to $22.7 million this year. An additional $0.6 million translation adjustment loss increased the Group’s share of Accumulated Other Comprehensive Loss to $7.0 million from $6.4 million at year-end 2020. Due to increasing net income, the dividends were increased from $5.6 million to $8.1 million.

Future Development and Outlook

Waterloo has secured a permit to perform maintenance dredging of the Leeward Channel and will be doing so this upcoming financial year along with replacing the existing damaged Blue Haven Marina with a completely new floating dock system. At the resorts of Alexandra and Blue Haven, the Company will be deploying capital to enhance the Food and Beverage offering by opening new restaurants at both properties. At Ambergris Cay, Waterloo is developing a revised masterplan and is undertaking significant enhancement to the island over the next 24 months which will include the construction of a gym, yoga studio, couples spa pavilion, a second restaurant and club house, lounge and bar on Monk Beach, paddleball court, mini golf and rock climbing. Investment is also being made into a third plane and a fuel depot. We remain very enthusiastic about the real estate development as several home constructions are planned to commence this year.

Chief Executive Officer

Report of Independent Auditors

To the Board of Directors and Shareholders of Waterloo Investment Holdings Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Waterloo Investment Holdings Limited and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2021 and 2020, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion in these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Emphasis of Matter

Without qualifying our report, we draw attention to Note 22(vi) to the financial statements, which states in more detail that the extent of the impact of the ongoing coronavirus pandemic on the operations and financial position of Waterloo Investment Holdings Limited and its subsidiaries in the future will depend on certain developments, including the duration and spread of the pandemic, all of which are uncertain and cannot be predicted at this point.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Waterloo Investment Holdings Limited and its subsidiaries as of March 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the Unites States of America.

BDO Belize LLP
Belize City, Belize
Central America
September 29, 2021

Consolidated Statements of Comprehensive Income

Year ended March 31	Notes	**2021 $m**	2020 $m
Financial Services			
Interest income		**4.3**	5.3
Interest expense	4	**(0.2)**	(0.4)
Net interest income		**4.1**	4.9
Provision for loan losses	12	**-**	-
Non-interest income	5	**0.8**	0.9
Non-interest expenses	6	**(2.1)**	(2.9)
Operating income - Financial Services		**2.8**	2.9
Operating loss - Hospitality	7	**(5.6)**	(0.8)
Operating income (loss) - Investments	8	**8.7**	(3.1)
Total operating income (loss)		**5.9**	(1.0)
Associates	19	**22.7**	9.9
Corporate expenses		**(3.3)**	(2.7)
Net income		**25.3**	6.2
Other comprehensive loss			
Translation adjustment reported by Associates	19	**(0.6)**	(0.1)
Comprehensive income		**24.7**	6.1
Net income per ordinary share (basic and diluted)	9	**$0.05**	$0.01

Consolidated Statements of Changes in Shareholders' Equity

	Notes	Share capital $m	Additional paid-in capital $m	Treasury shares $m	Accumulated other comprehensive loss $m	Retained earnings $m	Total $m
At March 31, 2019		248.1	50.0	(0.9)	(6.3)	140.7	431.6
Comprehensive (loss) income		-	-	-	(0.1)	6.2	6.1
Other movements		-	-	(0.1)	-	-	(0.1)
At March 31, 2020		248.1	50.0	(1.0)	(6.4)	146.9	437.6
Comprehensive (loss) income		-	-	-	(0.6)	25.3	24.7
Other movements	23	(0.4)	-	0.4	-	-	-
At March 31, 2021		**247.7**	**50.0**	**(0.6)**	**(7.0)**	**172.2**	**462.3**

At March 31, 2021, retained earnings included non-distributable statutory reserves in British Caribbean Bank Limited of $13.0 million (2020 - $13.0 million).

See accompanying notes which are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

At March 31	Notes	**2021 $m**	2020 $m
Assets			
Financial Services			
Cash, cash equivalents and due from banks		**55.5**	7.0
Interest-bearing deposits with correspondent banks	10	**-**	8.2
Investments	11	**12.3**	49.1
Loans - net	12	**49.0**	60.2
Property, plant and equipment - net	13	**2.3**	2.3
Other assets	14	**1.5**	1.3
Total Financial Services assets		**120.6**	128.1
Investments			
Cash, cash equivalents and due from banks		**0.7**	-
Loans - net	15	**88.6**	96.9
Other assets	16	**45.1**	31.2
Total Investments assets		**134.4**	128.1
Hospitality			
Cash, cash equivalents and due from banks		**2.5**	1.3
Property, plant and equipment - net	17	**42.8**	50.7
Other assets		**12.1**	13.7
Total Hospitality assets		**57.4**	65.7
Corporate			
Cash, cash equivalents and due from banks		**27.3**	4.5
Other current assets		**0.7**	1.1
Property, plant and equipment - net	18	**-**	0.1
Associates	19	**212.5**	198.5
Total Corporate assets		**240.5**	204.2
Total assets		**552.9**	526.1
Liabilities and shareholders' equity			
Financial Services			
Deposits	20	**73.9**	74.7
Interest payable		**0.1**	0.1
Current liabilities		**1.3**	0.3
Total Financial Services liabilities		**75.3**	75.1
Investments			
Current liabilities		**2.8**	1.0
Hospitality			
Current liabilities		**10.5**	10.2
Corporate			
Current liabilities	21	**0.1**	0.2
Long-term liabilities		**1.9**	2.0
Total Corporate liabilities		**2.0**	2.2
Total liabilities		**90.6**	88.5
Shareholders' equity			
Share capital	23	**247.7**	248.1
Additional paid-in capital		**50.0**	50.0
Treasury shares	23	**(0.6)**	(1.0)
Accumulated other comprehensive loss		**(7.0)**	(6.4)
Retained earnings		**172.2**	146.9
Total shareholders' equity		**462.3**	437.6
Total liabilities and shareholders' equity		**552.9**	526.1

See accompanying notes which are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Year ended March 31	**2021 $m**	2020 $m
Cash flows from operating activities		
Net income	**25.3**	6.2
Adjustments to reconcile net income to net cash provided (utilized) by operating activities:		
Depreciation	**3.5**	3.3
Provision for loan losses	**5.3**	2.7
Undistributed earnings of associates	**(14.6)**	(4.3)
Changes in assets and liabilities:		
Increase in other assets	**(12.5)**	(4.9)
Decrease in other current assets	**0.4**	-
Increase in other liabilities	**3.0**	1.2
Decrease in long-term liabilities	**(0.1)**	(2.2)
Net cash provided by operating activities	**10.3**	2.0
Cash flows from investing activities		
Disposal (purchase) of property, plant and equipment (net)	**4.5**	(6.7)
Decrease in interest-bearing deposits with correspondent banks	**8.2**	3.7
Decrease in investments - fixed income	**36.9**	4.6
Increase in investments - equities	**(0.1)**	-
Decrease in loans to customers	**14.2**	5.8
Net cash provided by investing activities	**63.7**	7.4
Cash flows from financing activities		
Decrease in share capital	**(0.4)**	-
Cancellation (purchase) of treasury shares	**0.4**	(0.1)
Decrease in deposits	**(0.8)**	(7.6)
Net cash utilized by financing activities	**(0.8)**	(7.7)
Net change in cash, cash equivalents and due from banks	**73.2**	1.7
Cash, cash equivalents and due from banks at beginning of year	**12.8**	11.1
Cash, cash equivalents and due from banks at end of year	**86.0**	12.8
Cash - Financial Services	**55.5**	7.0
Cash - Investments	**0.7**	-
Cash - Turks and Caicos Collection	**2.5**	1.3
Cash - Corporate	**27.3**	4.5
	86.0	12.8

See accompanying notes which are an integral part of these consolidated financial statements.

Note 1 - Description of business

Introduction

Waterloo Investment Holdings Limited ("the Company", "the Group" or "WIHL") was incorporated in the British Virgin Islands on January 24, 2011. WIHL is a holding company with no independent business operations or assets other than its investment in its subsidiaries, associates, intercompany balances and holdings of cash and cash equivalents. WIHL's businesses are conducted through its subsidiaries.

The businesses of WIHL include (i) the British Caribbean Bank Limited ("BCB" or "the Bank") which focuses on the provision of financial services and lending in the Turks and Caicos Islands ("TCI") and whose assets are principally comprised of loans that have a high concentration in asset backed lending to the tourism and property development sectors, (ii) the Hospitality Division which owns and operates resorts and related activities in TCI trading as the Turks and Caicos Collection ("TCC"), (iii) the Investments Division which holds certain other loans and assets principally related to tourism, property and infrastructure businesses, and (iv) an interest in certain Latin American associated companies more fully described below and in Note 19.

Associates

The Group's equity investment in associates is comprised of:

(i) Investments in approximately 25 percent of Corporacion Iberoamericana Alimentaria, S.A., Tower Strategic, Ltd., Mesocafta International, S.A. and BVI International Holdings, Inc. (the "Latin American Associates"). The Latin American Associates own edible oil processing and distribution operations and palm seed plantations in Latin America and operate as producers and distributors of edible oils, margarine, industrial oils and animal feed.

(ii) Investment in 50 percent of Belize International Services Limited ("BISL") which until June 2013 provided shipping and company registry services to international clients. In June 2013, the Government of Belize ("GOB") unilaterally took control of the entire operations of BISL. Since June 2013, the Company has received no income from BISL (Note 19).

Subsequent events

The Group has evaluated subsequent events for recognition and disclosure through September 29, 2021, which is the date the financial statements were available to be issued.

Note 2 - Summary of significant accounting policies

Basis of consolidated financial statements

The consolidated financial statements have been prepared in United States dollars ("US Dollars") in accordance with generally accepted accounting principles in the United States ("GAAP") and as described below. The preparation of consolidated financial statements in accordance with GAAP requires management to make extensive use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These management estimates include, among others, an allowance for doubtful receivables, asset impairments, useful lives for depreciation and amortization, loss contingencies, and allowance for loan losses. Actual results could differ materially from those estimates.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Group. WIHL consolidates companies in which it owns more than fifty percent of the voting shares or companies in which it has a controlling interest. The results of subsidiary companies acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition up to the date of disposal. All significant intercompany balances and transactions have been eliminated in consolidation.

Loans and interest income recognition

Loans are stated at the principal amount outstanding, net of unearned income and allowance for loan losses. Interest income is recorded on an accrual basis. When either the collectability of principal or interest is considered doubtful, or payment of principal or interest is ninety days or more past due, loans are placed on non-accrual status and previously accrued but unpaid interest is charged against current year interest income, unless the amounts are in the process of collection. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for loan losses

The Group's consideration as to the adequacy of the allowance to provide for probable loan losses is based on a continuing review of the loan portfolio and includes, but is not limited to, consideration of the actual loan loss experience, the present and prospective condition of each borrower and its related industry, general economic conditions prevailing from time to time, and the estimated fair value of the related collateral. Loans are charged off against allowance for loan losses when the amounts are deemed to be uncollectible.

Under the Group's accounting policy for loan loss provisioning, the Group evaluates the probability of an impairment loss when a loan is classified as non-accrual. An impairment loss is recognized and fully provided for if the recorded amount of the non-accrual loan exceeds the estimated fair value of the underlying collateral less costs to sell. The majority of the Group's loan portfolio is fully collateralized. Interest income on impaired loans is recognized only when payments are received and the Company considers that the loan will remain performing.

Management bases its estimate of specific loan loss provision on a comprehensive analysis of all loans, in particular all individual classified loans. In fiscal 2017, management decided that the Bank no longer required a hedge against inherent portfolio loss by maintaining an unallocated loss allowance of one percent of loans not adversely classified.

Investment loans

The Group classifies its interests in investment loans as held for sale or held for use at the time of purchase and reassesses this classification as of each balance sheet date. The investment loans are considered Level 3 in the fair value hierarchy due to the use of unobservable inputs to measure fair value. In the absence of an active market for the investment loans, fair value is measured using third-party appraisals of underlying collaterals and Level 3 pricing models based on information and assumptions that management believes are consistent with what market participants would use in a hypothetical transaction at the measurement date.

Investment loans are reviewed annually to determine whether impairment has occurred that is other than temporary. The Group considers various factors including the severity and likely duration of the impairment, the intent to hold an investment loan or the need to sell it before its anticipated recovery. If there is prevailing evidence that a reduction in fair value is other than temporary, the impairment is recognized in the income statement.

Leases

All leases are operating leases between Group companies, are immaterial, and the annual rentals are charged against income.

Currency translation

The reporting and functional currency of the Group is US dollars. The results of subsidiaries and associates, which account in a functional currency other than US dollars, are translated into US dollars at the average rate of exchange for the year. The assets and liabilities of subsidiaries and associates which account in a functional currency other than US dollars are translated into US dollars at the rate of exchange ruling at the balance sheet date. Unrealized translation gains or losses reported by the Company's associates are recognized as cumulative translation adjustments through other comprehensive income (loss) within shareholders' equity.

Gains and losses arising from currency transactions are included in the consolidated statements of income.

Associates

For investments in which the Group owns or controls more than twenty percent of the voting shares, and over which it exerts significant influence over operating and financial policies, the equity method of accounting is used in the consolidated financial statements. The investment in associates is shown in the consolidated balance sheets as the Group's proportion of the underlying net assets of these companies plus any goodwill attributable to the acquisitions less any write-off required for a permanent diminution in value. The consolidated statements of income include the Group's share of net income of associates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and highly liquid instruments, with an original maturity of three months or less. As a result of the short-term maturity of these financial instruments, their carrying value is approximately equal to their fair market value.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided to write off the cost of the assets over their estimated useful lives, using the straight-line method, over the following periods:

Buildings	life of building, not exceeding 50 years
Leasehold improvements	term of lease
Motor vehicles	4 years
Fixtures, fittings and office equipment	3 to 10 years

The carrying value of property, plant and equipment is evaluated periodically in relation to the operating performance and future cash flows of the underlying businesses. Where, in the opinion of the Group, an impairment in the value of property, plant and equipment has occurred, the amount of the impairment is recorded in the consolidated statements of income.

Repairs and maintenance costs are expensed as incurred. Gains and losses arising on the disposal of property, plant and equipment are included in the consolidated statements of income.

Financial risk management

Financial instruments which potentially subject the Group to concentrations of credit risk principally consist of cash, cash equivalents and due from banks, extensions of credit to customers and investments. The Group places its cash, cash equivalents, and due from banks only with financial institutions with acceptable credit ratings and limits its credit exposure in respect of any one of these institutions.

Management's investment strategy is one of the lowest risk levels with zero margin. The goal is capital preservation and income generation through covered calls, covered puts, blue-chip stocks, fixed income securities issued by the United States Treasury and by highly rated corporate entities. The investment portfolio is closely monitored by the Group's investment committee.

The Group's portfolio credit risk is evaluated on a regular basis to ensure that concentrations of credit exposure do not result in unacceptable levels of risk. Credit limits, ongoing credit evaluations, and account-monitoring procedures are utilized to minimize the risk of loss.

The Bank invests part of its excess liquidity in investment grade marketable securities which it classifies as held to maturity. Investments in held-to-maturity debt securities are initially recorded at cost and thereafter measured at amortized cost. Unrealized holding gains and losses are not recorded. A financial asset is measured at amortized cost if both the following conditions are met:

1. The asset is held in a business model with the objective of holding assets to collect contractual cash flows, and
2. The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the outstanding principal.

Additionally, the Bank invests part of its excess liquidity in blue-chip stocks, covered calls and covered puts. Investments in market volatile financial instruments are initially recorded at cost and then monthly marked to market. Unrealized holding gains and losses are recorded. Dividend income is included in non-interest income of the current period.

New and revised accounting standards

The Group adopts newly issued accounting standards and updates in the year stipulated for adoption to the extent they are relevant to the Group's operations. The Group may adopt a newly issued standard or update if early adoption is permitted. The effect of adoption, if material, is disclosed in the financial statements.

New and revised accounting standards stipulated for adoption in fiscal 2021

Effective fiscal 2021, the Group adopted the following new and revised standards which did not have a material impact on the financial statements:

ASU 2017-08, *Premium Amortization on Purchased Callable Debt Securities*

ASU 2014-09, *Revenue from Contracts with Customers*

ASU 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*

ASU 2016-10, *Identifying Performance Obligations and Licensing*

ASU 2016-12, *Narrow-Scope Improvements and Practical Expedients*

ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*

ASU 2017-05, *Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*

ASU 2017-11, *Accounting for Certain Financial Instruments with Down Round Features*

ASU 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting*

ASU 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*

ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606 (Revenue from Contracts with Customers)*

ASU 2018-16, *Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes*

ASU 2018-13, *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*

ASU 2019-01, *Lease (Topic 842): Codification Improvements*

ASU 2019-04, *Codification Improvements to Topic 825*

ASU 2019-08, *Codification Improvements-Share-Based Consideration Payable to a Customer*

ASU 2020-03, *Codification Improvements to Financial Instruments*

ASU 2021-03, *Intangibles-Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*

New and revised accounting standards stipulated for adoption in fiscal 2022

The Group is considering the implications of the following updates that are stipulated for adoption in fiscal 2022:

ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*

ASU 2021-02, *Franchisors-Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*

Note 3 - Segmental analysis

The Group is currently engaged in the provision of financial services, principally in the Turks and Caicos Islands, investment in loans and assets principally in tourism and infrastructure business, the provision of hospitality services and in certain associated companies (Note 19).

Year ended March 31	**2021 $m**	2020 $m
Depreciation		
Financial Services	**(0.1)**	(0.1)
Hospitality	**(3.4)**	(3.1)
Corporate	**-**	(0.1)
	(3.5)	(3.3)

Year ended March 31	**2021 $m**	2020 $m
Capital expenditures (net)		
Financial Services	**0.1**	2.1
Hospitality	**0.6**	6.7
Corporate	**-**	(2.1)
	0.7	6.7

At March 31	**2021 $m**	2020 $m
Total assets		
Financial Services	**120.6**	128.1
Investments	**134.4**	128.1
Hospitality	**57.4**	65.7
Associates	**212.5**	198.5
Corporate	**28.0**	5.7
	552.9	526.1

Note 4 - Interest expense - Financial Services

Interest expense comprised interest on customer deposits and amounts to $0.2 million (2020 - $0.4 million).

Note 5 - Non-interest income - Financial Services

Non-interest income comprised commissions and sundry income and amounts to $0.8 million (2020 - $0.9 million).

Note 6 - Non-interest expenses - Financial Services

Year ended March 31	**2021 $m**	2020 $m
Salaries and benefits	**(0.8)**	(1.2)
Premises and equipment	**(0.1)**	(0.1)
Other expenses	**(1.2)**	(1.6)
	(2.1)	(2.9)

Note 7 – Operating loss – Hospitality

The operating loss in the Hospitality Division includes activities of owned properties and income from managing third party properties and amounts to $5.6 million (2020 - $0.8 million).

Note 8 – Operating income (loss) - Investments

Year ended March 31	**2021 $m**	2020 $m
Other expenses	**(0.7)**	(0.4)
Provisions against investments	**(5.4)**	(2.7)
Gain on sale of assets	**14.8**	-
	8.7	(3.1)

Note 9 – Net profit per ordinary share

Basic and diluted net profit per ordinary share have been calculated on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue in each year.

Year ended March 31	**2021 $m**	2020 $m
Net profit	**25.3**	6.2
Weighted average number of shares (basic and diluted)	**494,165,855**	494,214,500
Net profit per ordinary share (basic and diluted)	**0.05**	0.01

Note 10 - Interest bearing deposits with correspondent banks - Financial Services

The Bank must maintain an average aggregate of approved liquid assets equal to 12 percent of the average deposit liabilities of BCB. At March 31, 2021, the liquid asset ratio was 26.3 percent (2020 – 40.6 percent).

Note 11 – Investments – Financial Services

Investments consist of the following:

At March 31	**2021 $m**	2020 $m
Government guaranteed fixed income investments	**-**	15.5
Corporate blue-chip fixed income investments	**12.2**	33.6
Blue-chip stocks	**0.3**	-
Derivatives (covered puts and covered calls)	**(0.2)**	-
	12.3	49.1

The maturity distribution of fixed income investments is:

At March 31	**2021 $m**	2020 $m
3 months or less	**0.6**	15.3
Over 3 and to 6 months	**4.8**	12.0
Over 6 and to 12 months	**2.2**	8.2
Over 1 and to 3 years	**4.6**	13.6
	12.2	49.1

Note 12 - Loans - net - Financial Services

At March 31	**2021 $m**	2020 $m
Loans (net of unearned income):		
Residential mortgage	**22.6**	23.9
Other consumer	**0.1**	0.2
Commercial - real estate	**14.9**	23.6
Commercial - other	**15.1**	16.2
	52.7	63.9
Allowance for loan losses:		
Commercial - real estate	**(3.7)**	(3.7)
	(3.7)	(3.7)
Loans (net of unearned income and allowance for loan losses):		
Residential mortgage	**22.6**	23.9
Other consumer	**0.1**	0.2
Commercial - real estate	**11.2**	19.9
Commercial - other	**15.1**	16.2
	49.0	60.2

The maturity ranges of loans outstanding at March 31, 2021 are shown in the table below. All loans, other than consumer loans, are legally repayable on demand; however, they are disclosed below as if they run to their full maturity.

	Non-Performing	Due in one year or less	Due after one year through five years	Due after five years	Total
	$m	$m	$m	$m	$m
Residential mortgage	2.2	3.8	9.4	7.2	22.6
Other consumer	-	0.1	-	-	0.1
Commercial - real estate	13.1	-	-	1.8	14.9
Commercial - other	-	-	15.1	-	15.1
	15.3	**3.9**	**24.5**	**9.0**	**52.7**

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, Total Debt Service Ratio (TDSR), Loan to Value Ratio (LTV), credit documentation, security valuation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on an annual basis. The Bank uses the following definitions for risk ratings:

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard: Loans classified as substandard are those loans that are over three and up to six months in arrears or overdraft accounts where interest charges have not been covered by deposits for three to less than six months.

Doubtful: Loans classified as doubtful are those loans that are over six and up to twelve months in arrears or overdraft accounts where interest charges have not been covered by deposits for six to less than twelve months.

Loss: Loans classified as loss are those loans that are over twelve months in arrears or overdraft accounts where interest charges have not been covered by deposits for twelve months or more.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass loans.

As of March 31, 2021, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	Pass	Special mention	Sub-standard	Doubtful	Loss	Total
	$m	$m	$m	$m	$m	$m
Residential mortgage	20.4	2.2	-	-	-	22.6
Other consumer	0.1	-	-	-	-	0.1
Commercial - real estate	1.8	-	8.6	-	4.5	14.9
Commercial - other	15.1	-	-	-	-	15.1
	37.4	2.2	8.6	-	4.5	52.7

Individually impaired loans amounted to $15.3 million (2020 - $22.9 million). The Group considers all non-accrual loans as individually classified impaired loans.

The following table presents the recorded investment in non-accrual loans by class of loans:

At March 31	**2021 $m**	2020 $m
Residential mortgage	**2.2**	2.1
Other consumer	**-**	-
Commercial - real estate	**13.1**	20.8
Commercial - other	**-**	-
	15.3	22.9

The average amount of loans outstanding in the Financial Services Division, in which the Group considers there was a probability of a loss during the year ended March 31, 2021, was $12.8 million (2020 – $12.5 million). Interest is not recognized on any loan classified as non-accrual.

In fiscal 2024, the Group will be required to adopt ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as stipulated by the FASB. Under this standard, an allowance for credit losses on loans will be measured as the difference between amortized cost and the amount the entity expects to collect over the contractual life of the loans, referred to as the "expected credit loss model". For the Bank, the standard will apply to loans and unfunded loan commitments.

Management is in the process of determining the extent of the impact on the Bank's financial performance and regulatory capital ratios. Any need to increase the allowance for loan losses will depend on the composition of the loan portfolio and economic conditions and forecasts at the time.

As a result of the nature of these financial instruments, the estimated fair market value of the Financial Services Division's loan portfolio is considered by the Group to approximate its carrying value. Loan loss provisioning is based on management's estimate of the recoverability of non-performing loans after allowing for the estimated net realizable value of collateral held.

At March 31, 2021, the Group had total loans outstanding to certain officers and employees of $1.1 million (2020 - $0.8 million) at preferential rates of interest varying between 5.0 percent and 6.0 percent per annum, repayable over varying periods not exceeding 15 years.

Changes in the allowance for loan losses were as follows:

Year ended March 31	**2021 $m**	2020 $m
At beginning of year	**3.7**	3.7
Provision charged to income	**-**	-
Write-offs	**-**	-
Loan loss recovery	**-**	-
At end of year	**3.7**	3.7

Note 13 – Property, plant and equipment – net - Financial Services

At March 31	**2021 $m**	2020 $m
Cost:		
Land and buildings	**2.4**	2.5
Fixtures, fittings and office equipment	**0.5**	0.6
Total cost	**2.9**	3.1
Less: total accumulated depreciation	**(0.6)**	(0.8)
	2.3	2.3

Total capital expenditure for the year ended March 31, 2021 was $0.1 million (2020 – $2.1 million). In fiscal year 2021 the Financial Division derecognized $0.3 million of fully depreciated fixed assets (2020 – nil). Total depreciation expense for the year ended March 31, 2021 was $0.1 million (2020 - $0.1 million).

Note 14 - Other assets - Financial Services

Other assets of $1.5 million (2020 - $1.3 million) includes accrued interest on loans, property investments and deposits due to the Bank, and prepayments and other receivables due to the Bank.

Note 15 – Loans – net - Investments

At March 31	**2021 $m**	2020 $m
Loans (net of unearned income):		
Commercial - real estate	**205.3**	208.3
	205.3	208.3
Allowance for loan losses:		
Commercial - real estate	**(116.7)**	(111.4)
	(116.7)	(111.4)
Loans (net of unearned income and allowance for loan losses):		
Commercial - real estate	**88.6**	96.9
	88.6	96.9

Investment loans principally comprise secured loans where the borrowers have failed to comply with the terms and conditions of the respective loans and security agreements and documents.

These collateralized assets principally comprise development land or development land and buildings in the tourism, tourism related and hospitality business sectors. It is management's intention to hold the investment loan interests for the medium to long term in order to maximize the long-term realizable value of the investment loans.

Investment loans are carried net of provisions for loan losses which reflect fair value adjustments (Note 27).

As a result of the nature of these financial instruments, the estimated fair market value of the loan portfolio is considered by the Group to approximate its carrying value. Loan loss provisioning is based on management's estimate of the recoverability of non-performing loans after allowing for the estimated net realizable value of collateral held.

Changes in the provision for loan losses were as follows:

Year ended March 31	**2021 $m**	2020 $m
At beginning of year	**111.4**	108.7
Provisions charged to income	**5.3**	2.7
Write-offs	**-**	-
At end of year	**116.7**	111.4

Note 16 – Other assets - Investments

At March 31	**2021 $m**	2020 $m
Investments:		
Residential - real estate (note i)	**5.7**	5.8
Commercial - real estate (note ii)	**39.8**	25.8
	45.5	31.6
Allowance for Investment losses:		
Residential - real estate	**(0.1)**	(0.1)
Commercial - real estate	**(0.3)**	(0.3)
	(0.4)	(0.4)
Investments (net of allowance for investment losses):		
Residential - real estate	**5.6**	5.7
Commercial - real estate	**39.5**	25.5
	45.1	31.2

(i) Residential real-estate assets principally comprise residential property located in TCI.

(ii) Commercial real-estate assets principally comprise those assets held for commercial purposes located in TCI and Belize.

Note 17 – Property, plant and equipment – net – Hospitality

At March 31	**2021 $m**	2020 $m
Cost:		
Land and buildings	**38.9**	43.9
Fixtures, fittings and office equipment	**12.7**	16.6
Total cost	**51.6**	60.5
Less: total accumulated depreciation	**(8.8)**	(9.8)
	42.8	50.7

Total capital expenditure for the year ended March 31, 2021 was $0.6 million (2020 - $6.7 million). Total depreciation expense for the year ended March 31, 2021 was $3.4 million (2020 - $3.1 million). In fiscal year 2021 the Hospitality Division derecognized and sold $9.5 million in fixed assets with net book value of $5.1 million (2020 - $2.1 million).

Note 18 – Property, plant and equipment – net - Corporate

At March 31	**2021 $m**	2020 $m
Cost:		
Land and buildings	**-**	-
Fixtures, fittings and office equipment	**-**	0.7
Total cost	**-**	0.7
Less: total accumulated depreciation	**-**	(0.6)
	-	0.1

Total capital expenditure for the year ended March 31, 2021 was nil (2020 - $0.1 million). Total depreciation expense for the year ended March 31, 2021 was nil (2020 - $0.1 million). In fiscal year 2021 Corporate derecognized $0.7 million of fully depreciated fixed assets (2020 – nil).

Note 19 - Associates

The Group’s equity investment in associates is comprised of:

(i) Investments in Latin American Associates which own edible oil processing and distribution operations and palm seed plantations in Latin America and operate as producers and distributors of edible oils, margarine, industrial oils and animal feed, in Costa Rica, Colombia, Panama, Nicaragua and Mexico. The share of net income amounted to $22.7 million for the year ended March 31, 2021 (2020 - $9.9 million). The share of unrealized translation loss amounted to $0.6 million for the year ended March 31, 2021 (2020 – $0.1 million) and is recognized as a cumulative translation adjustment through other comprehensive loss within shareholders’ equity.

(ii) A non-controlling investment in 50 percent of Belize International Services Limited (“BISL”) which provided shipping and company registry services to international clients. BISL also provided financial and other services. The share of net income amounted to nil for the year ended March 31, 2021 (2020 - nil).

On June 10, 2013, the Government of Belize ("GOB") announced its unilateral decision to assume control of the administration, operation and management of the International Business Companies Registry in Belize and the International Merchant Marine Registry of Belize (IMMARBE) with effect from June 11, 2013. BISL is the company that had been granted the right to operate and manage the two registries on behalf of the GOB until 2020 pursuant to a management services agreement entered into in 1993, which was extended in 2013 (the "Extension Agreement"). The other 50 percent of BISL is owned by the Panamanian law firm, Morgan & Morgan.

As a result of this action by the GOB, WIHL has not been able to include its associate share of the income of BISL for 2021 or 2020 in its income statement or its share of other fees normally generated by BISL (or for any periods since June 2013).

BISL brought a claim against the GOB in the Supreme Court of Belize in 2013 for breach of constitutional rights. The claim was later converted to a claim for breach of contractual rights and a trial was held in February 2016, which included testimony from valuation experts. On October 28, 2016 the Supreme Court dismissed BISL's claim citing the GOB's failure to comply with the Financial Orders, by not putting the contract extension out to tender, as the reason for its decision to declare the contract extension invalid. BISL appealed the decision to the Belize Court of Appeal and the case was heard on June 18 and 20, 2018. On March 15, 2019, the Court of Appeal dismissed its appeal and affirmed the earlier decision of the Belize Supreme Court.

BISL appealed the Court of Appeal's decision to the Caribbean Court of Justice ("CCJ"), which on June 30, 2020, found that GOB had acted unlawfully when it seized control of the entire operations of BISL in June 2013. The CCJ also found the Extension Agreement to be fully constitutional and legally binding and enforceable against GOB. The CCJ further found that GOB is liable to pay BISL significant damages and has remitted the matter to the Belize Supreme Court for the determination of the quantum of damages to be paid to BISL. By its Judgment in Belize International Services Limited v The Attorney General CCJ Appeal No. BZCV2019/003 dated the 30th June 2020, the Caribbean Court of Justice ("CCJ") ordered that (i) the appeal is allowed, (ii) damages are awarded to the Appellant for the Respondent's breach of the 1993 Agreement as extended by the 2005 Extension, (iii) the matter is remitted to the Supreme Court of Belize for assessment of damages, and (iv) Costs awarded to the Appellant, to be taxed in default of agreement and certified fit for two Attorneys-at-Law.

By a Consequential Order dated 7th August 2020, the CCJ ordered (i) the matter be remitted to the Supreme Court of Belize before the Hon. Chief Justice Arana (ag.) for the assessment of damages based on the evidence adduced at trial; (ii) no further pleadings or evidence be filed by the parties except with leave of the trial court, and in relation only to matters having arisen after completion of the trial, which the trial judge deems necessary for a fair and proper assessment; (iii) the assessment of damages be heard on an expedited basis; (iv) the Applicant pays the costs of the application, and (v) the assessment of damages hearing be held on an expedited basis and as such the Claimant seeks such directions as may be necessary for the expedited assessment of damages.

The Supreme Court of Belize Hearing for the assessment of damages was scheduled to take place on November 27, 2020 but was subsequently adjourned and will now not take place until a date to be appointed by the Court in September 2021. The Hon. Chief Justice Arana (ag.) has invited BISL and GOB in the interim to engage in negotiations in order to try and settle the BISL damages claim.

The investment in BISL is carried at historical cost plus the Group's share of undistributed earnings at the time the GOB took the asset over.

Investment in Latin American Associates

At March 31	**2021 $m**	2020 $m
Investment in Latin American Associates	**207.6**	193.6

Year ended March 31	**2021 $m**	2020 $m
Share of Latin American Associates' earnings:	**22.7**	9.9
Share of Latin American Associates' other comprehensive loss:	**(0.6)**	(0.1)
Total dividends received during the year	**8.1**	5.6

At March 31, 2021, the accumulated undistributed earnings of Latin American Associates included in the consolidated retained earnings of the Group amounted to $179.1 million (2020 - $164.5 million). The accumulated comprehensive loss of Latin American Associates included in the consolidated accumulated other comprehensive loss of the Group at March 31, 2021, amounted to $7.0 million (2020 - $6.4 million).

Summarized combined unaudited financial information for Latin American Associates was as follows:

Income statement

Year ended March 31	**2021 $m**	2020 $m
Net sales	**925.4**	812.6
Gross profit	**194.0**	157.5
Income from continuing operations	**96.3**	57.6
Net income	**87.7**	38.0

Balance sheet

At March 31	**2021 $m**	2020 $m
Cash and liquid securities	**295.8**	252.9
Current assets	**307.5**	254.3
Long-term investments	**26.5**	29.3
Property, plant & equipment	**394.7**	383.5
Other non-current assets	**21.1**	20.6
Current liabilities	**162.6**	101.4
Non-current liabilities	**57.0**	71.7

Investment in BISL

At March 31	**2021 $m**	2020 $m
Investment in BISL	**4.9**	4.9

Since the GOB's decision to compulsorily acquire BISL in June 2013, no financial information, audited or otherwise, has been made available to the Group. Therefore, there is no share of BISL in earnings and no dividends included in WIHL's net income for the year ended March 31, 2021 and 2020.

Note 20 – Deposits – Financial Services

At March 31	**2021 $m**	2020 $m
Term deposits	**52.5**	56.3
Demand deposits	**21.4**	18.4
	73.9	74.7

The maturity distribution of term deposits was as follows:

At March 31	**2021 $m**	2020 $m
3 months or less	**5.6**	25.4
Over 3 and to 6 months	**45.4**	-
Over 6 and to 12 months	**1.1**	30.5
Deposits less than $0.1 million	**0.4**	0.4
	52.5	56.3

Included in demand deposits at March 31, 2021 were $20.1 million (2020 - $17.0 million) of demand deposits denominated in US dollars, $1.2 million (2020 - $1.3 million) denominated in UK pounds sterling, and $0.1 million (2020 - $0.1 million) denominated in Canadian dollars. Included in term deposits at March 31, 2021 were $36.1 million (2020 - $45.1 million) of term deposits denominated in US dollars, $16.4 million (2020 - $17.9 million) denominated in UK pounds sterling, and nil (2020 - nil) denominated in Canadian dollars.

As a result of the short-term maturity of these financial instruments, their carrying value is considered by the Group to approximately equal their fair market value.

Note 21 – Current liabilities – Corporate

At March 31, 2021, WIHL had $0.1 million in current liabilities (2020 - $0.2 million), of which nil is payable to Caribbean Investment Holdings Limited ("CIHL"), a related company in which Lord Ashcroft, KCMG PC has a controlling interest, (2020 - $0.2 million) (Note 26).

Note 22 - Commitments, contingencies and regulatory matters

(i) The Group's loans primarily result from its Financial Services Division and its Investment Division and reflect a broad borrower base. There is a concentration by economic activity in the commercial real estate business sector. Credit limit, ongoing credit evaluations and account monitoring procedures are utilized to minimize the risk of loss. Substantially all of the Group's loans are fully collateralized.

(ii) The Bank has foreign exchange risk which arises from accepting foreign currency deposits, primarily with respect to UK pounds sterling. To manage its foreign exchange risk related to UK pounds sterling deposits, the Bank closely monitors the performance of UK pounds sterling and relies on its treasury management to eliminate any UK pounds sterling exposure at short notice to the extent possible.

(iii) The Bank is a party to financial instruments with off-balance sheet risks in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. The Bank grants short-term credit facilities to customers generally for periods of up to twelve months to meet customers' working capital requirements. These facilities are repayable on demand and are subject to review at any time. In practice such reviews are carried out at periodic intervals agreed with the customer. Outstanding commitments to extend credit at March 31, 2021 amounted to $2.2m (2020 - nil).

The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral required by the Bank for the extension of credit is based on the Bank's credit evaluation of the counterparty. Collateral held varies, but may include cash, accounts receivable, inventory, property, plant, equipment, shares and income assignments.

(iv) Furthermore, the Bank is a party to financial instruments with off-balance sheet risks in the course of executing its investment strategy. For income generation purposes Management will from time to time write European style puts on the Chicago Mercantile Exchange and the London Stock Exchange. In exchange for an initial premium the Bank takes on the obligation to buy the underlying asset at a specific price (the strike price) on a specific date (the maturity date). If on the maturity date the market price of the underlying asset is higher than the strike price, the obligation will cease to exist. Outstanding commitments to purchase underlying assets at March 31, 2021 amounted to $22.8m (2020 - nil). Management evaluates the performance of its investment portfolio on a daily basis. The investment strategy is executed with zero margin and therefore the Bank holds the full amount of the outstanding purchase commitment as cash collateral in its investment account.

(iv) At March 31, 2021, the Group is a defendant in a number of pending legal and other proceedings incidental to present and former operations. The Group does not expect the outcome of these proceedings, either individually or in the aggregate, to have a material adverse effect on the consolidated financial position of the Group.

(v) In the ordinary course of business, the Company's subsidiaries are subject to regulatory examinations, information gathering requests and enquiries. As a regulatory matter develops that may have a material effect, the Company and the relevant subsidiaries, in conjunction with outside counsel, evaluate the matter on an ongoing basis in light of potentially relevant factual and legal developments. These may include settlement discussions and rulings by courts, arbitrators or others. Based on current knowledge and discussions with independent legal counsel, management does not believe that the outcome of any regulatory matter that is unresolved at March 31, 2021 would have a material adverse effect on the financial position or liquidity of the Company or its subsidiaries.

(vi) Since March 2020, the spread of COVID-19 has impacted many local and international economies and disrupted businesses for an indefinite period. Measures taken to counteract the pandemic have resulted in an economic slowdown worldwide. The extent of the impact of the COVID-19 pandemic on the operating performance and financial condition of the Group will depend on certain developments, including the duration and spread of the pandemic and the impact on the Group's operations and finances, all of which are uncertain and cannot be predicted at this time.

Note 23 - Share capital

At March 31	**2021 $m**	2020 $m
Authorized Ordinary shares: 1,750,000,000 shares of par value $0.50	**875.0**	875.0

Issued Shares

There has been no movement in issued shares since March 31, 2018:

	Number	$m
At March 31, 2019	495,504,000	248.1
At March 31, 2020	495,504,000	248.1
At March 31, 2021	**495,504,000**	**247.7**

Treasury Shares

The movement of treasury shares, at cost, has been as follows:

	Number	$m
At March 31, 2019	1,162,145	0.9
Purchased	176,000	0.1
At March 31, 2020	1,338,145	1.0
At March 31, 2021	**1,338,145**	**0.6**

In fiscal year 2021, the Group purchased no Ordinary Shares (2020 – 176,000 Ordinary Shares). The number of Ordinary Shares held in treasury remained unchanged at 1,338,145. Treasury shares are held in the balance sheet at a cost of $0.6 million (2020 - $1.0 million).

Note 24 - Concentrations of deposit and credit risk

The Group is potentially subject to financial instrument concentration of credit risk through its cash equivalents and credit extensions. The Group performs periodic evaluations of the relative credit standing of financial institutions it transacts with and places its cash and cash equivalents only with financial institutions with a high credit rating.

The Group has a credit risk concentrated in the tourism and real estate industries but does not foresee a material credit risk associated with individual credit extensions in these industries beyond what has already been prudently recognized and provided for in the financial statements. The Group monitors its risk concentration associated with credit extensions on a continuous basis in an effort to mitigate its exposure.

The Group has a concentration of deposit risk due to the existence of certain large individual client deposits. The Group manages the concentration risk by monitoring on a regular basis the distribution of maturities of its clients' deposits.

Note 25 – Regulatory capital requirements

The regulatory capital guidelines measure capital in relation to the credit and market risks of both off-balance sheet and on-balance sheet items by applying various risk weighting. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on BCB's financial position, results of operations, or liquidity. The following table sets forth the capital requirements and the actual ratios of BCB.

	Minimum Required	**Actual 2021**	Actual 2020
British Caribbean Bank Limited	11.0%	**34.6%**	48.4%

Note 26 - Related party transactions

Lord Ashcroft, KCMG PC is a controlling shareholder in WIHL and in CIHL.

(i) During the year CIHL provided administrative and other services to WIHL. The aggregate fees charged by CIHL for the year ended March 31, 2021 amounted to $0.75 million (2020 - $1.0 million).

(ii) The balance of unpaid fees due by WIHL to CIHL and subsidiaries at March 31, 2021 amounted to nil (2020 - $0.2 million).

(iii) Subsidiaries of CIHL hold cash deposits with BCB. The average cash deposits held amounted to $0.75 million (2020 - nil) and the balance of the cash deposit held at March 31, 2021 amounted to $1.5 million (2020 - nil).

Note 27 – Fair value of financial instruments

Fair value is the exchange price receivable for an asset or payable for transferring a liability in the most advantageous market for the asset or liability in an arms-length transaction between market participants on the measurement date using any of the following three levels of inputs:

Level 1 – Quoted prices for identical assets or liabilities in active markets that the Group has the ability to access on the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect the Group's evaluation of the assumptions that market participants would use in pricing an asset or liability.

The amounts reported in the balance sheets for cash and due from banks and interest-bearing deposits approximate fair value due to the short-term maturity of these instruments. The Group places its cash and cash equivalent deposits only with financial institutions with an acceptable credit rating.

Investments in held-to-maturity debt securities are initially recorded at cost and then recorded at amortized cost. Unrealized holding gains and losses are not recorded. Interest revenue is included in interest income of the current period.

A financial asset is measured at amortized cost if both the following conditions are met:

1. The asset is held in a business model with the objective of holding assets to collect contractual cash flows, and
2. The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the outstanding principal.

Additionally, the Group invests part of its excess liquidity in blue-chip stocks, covered calls and covered puts. Investments in market volatile financial instruments are initially recorded at cost and then monthly marked to market. Unrealized holding gains and losses are recorded. Dividend income is included in non-interest income of the current period.

The carrying amounts of loans receivable, net of valuation allowances, are estimated to approximate fair value based on their respective interest rates, risk-related rate spreads and collateral consideration. These facilities are generally payable on demand and are subject to review at the discretion of the Group.

The fair value of investment loans is measured using third-party appraisals of underlying collaterals and Level 3 pricing models based on information and assumptions that management believes are consistent with what market participants would use in a hypothetical transaction at the measurement date, as described in Note 2 – Investment Loans.

The fair value of the Group's deposit liabilities approximates carrying values based on comparative rates offered by other banks for deposits of similar remaining maturities.

The carrying amount of long-term debt is a reasonable estimate of fair value based on the Group's incremental rates for equivalent types of financing arrangements.

Accrued expenses and other liabilities reflect current market conditions.

With regards to financial instruments with off-balance sheet risk, it is not practicable to estimate the fair value of future financing commitments. However, the terms and conditions reflected in acceptances and commitments for financing assistance are market-sensitive and are not materially different from those that would have been negotiated as of March 31, 2021.

In the opinion of the Group's management, all other financial instruments reflect current market conditions and their fair value are not expected to differ materially from carrying amounts.