BAC INTERNATIONAL BANK
(GRAND CAYMAN)

Financial Statements

December 31, 2021

(With Independent Auditors' Report)

BAC INTERNATIONAL BANK (GRAND CAYMAN)

Table of Contents

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Independent Auditors' Report to the Directors

Opinion

We have audited the financial statements of BAC International Bank (Grand Cayman) (the "Bank"), which comprise the statement of financial position as at December 31, 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements"* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Notes 1 and 23 in the financial statements which describe that the Bank's operations include extensive transactions and balances with related parties. Accordingly, the Bank is economically dependent on the related parties. Our opinion is not modified with respect of this matter.

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

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

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

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

KPMG

Independent Auditors' Report to the Directors (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

February 21, 2022

BAC INTERNATIONAL BANK (GRAND CAYMAN)

Statement of Financial Position

December 31, 2021

(In U.S. dollars)

Assets	Note(s)	2021	2020
Deposits in banks:			
Demand		92,943,800	565,802,209
Time deposits		386,979,869	100,305,208
Total deposits in banks	7	479,923,669	666,107,417
Investment in securities	4, 8	704	776
Loans at amortized cost, net	4, 9, 20	38,085,497	14,659,793
Premises (right of use), net	17	70,407	0
Other receivables, net	10	858,367	2,771,824
Other assets	11	183,456	67,388
Total assets		519,122,100	683,607,198
Liabilities and Equity			
Liabilities:			
Due to depositors:			
Demand	4, 12, 21	135,682,648	260,009,935
Savings	4, 12	311	197
Time deposits	4, 12, 21	255,020,850	301,792,784
Total due to depositors		390,703,809	561,802,916
Lease libilities	16	67,459	0
Other liabilities	13	25,030	14,060
Total liabilities		390,796,298	561,816,976
Equity:			
Common stock	14	31,500,000	31,500,000
Retained earnings		94,442,155	87,906,578
Regulatory reserve	22	2,383,637	2,383,637
Accumulated other comprehensive income		10	7
Total equity		128,325,802	121,790,222
Commitments and contingencies	19		
Total liabilities and equity		519,122,100	683,607,198

The statement of financial position must be read in conjunction with the notes which are part of the financial statements.

BAC INTERNATIONAL BANK (GRAND CAYMAN)

Statement of Comprehensive Income

For the year ended December 31, 2021

(In U.S. dollars)

	Note(s)	2021	2020
Interest income:			
Interest-bearing deposits	21	13,464,732	8,260,760
Loans	21	1,017,865	1,297,683
Investment in securities		557	35
Total interest income		14,483,154	9,558,478
Interest expense:			
Deposits	21	11,572,654	9,853,540
Total interest expense		11,572,654	9,853,540
Interest income (losses), net		2,910,500	(295,062)
Provision (release) for loan losses	4	71,761	(278,413)
Release for accounts receivable credit losses		(2,082)	(9,933)
Interest income (losses), net after provisions		2,840,821	(6,716)
Other income:			
Commissions, net	21	4,439,711	13,605,493
Other income		37,656	72,074
Total other income, net	21	4,477,367	13,677,567
Operating expenses:			
Administrative	21	255,191	236,598
Banking license		110,346	73,171
Occupancy and related expenses		988	6,894
Amortization (right of use - leasing)	17	24,139	0
Other operating expenses	15, 21	391,947	496,239
Total operating expenses		782,611	812,902
Net income		6,535,577	12,857,949
Other comprehensive income:			
Fair value reserve for investments in securities:			
Net change in fair value		3	7
Total comprehensive income for the year		6,535,580	12,857,956

The statement of comprehensive income must be read in conjunction with the notes which are part of the financial statements.

BAC INTERNATIONAL BANK (GRAND CAYMAN)

Statement of Changes in Equity

For the year ended December 31, 2021

(In U.S. dollars)

	Common stock	Retained earnings	Regulatory reserve	Accumulated other comprehensive income	Total
Balance at December 31, 2019	31,500,000	75,048,629	2,383,637	0	108,932,266
Net income	0	12,857,949	0	0	12,857,949
Other comprehensive income:					
Net change in fair value	0	0	0	7	7
Total comprehensive income	0	12,857,949	0	7	12,857,956
Balance at December 31, 2020	31,500,000	87,906,578	2,383,637	7	121,790,222
Net income	0	6,535,577	0	0	6,535,577
Other comprehensive income:					
Net change in fair value	0	0	0	3	3
Total comprehensive income	0	6,535,577	0	3	6,535,580
Balance at December 31, 2021	31,500,000	94,442,155	2,383,637	10	128,325,802

The statement of changes in equity must be read in conjunction with the notes which are part of the financial statements.

BAC INTERNATIONAL BANK (GRAND CAYMAN)

Statement of Cash Flows

For the year ended December 31, 2021

(In U.S. dollars)

	2021	2020
Cash flows from operating activities:		
Net income	6,535,577	12,857,949
Adjustments to reconcilie net income to net cash used in operating activities:		
Provision (release) of loan losses	71,761	(278,413)
Provision of interest bearing deposits	659	0
Release for accounts receivable credit losses	(2,082)	(9,933)
Amortization of the righ-of-use Leasing	24,139	0
Net interest (income) losses	(2,910,500)	295,062
Changes in operating assets and liabilities:		
Deposits with original maturities of 90 days or more	(280,000,000)	(25,000,000)
Loans at amortized cost	(23,530,282)	9,389,150
Other receivables	1,915,539	11,247,845
Other assets	(116,083)	(3,254)
Due to depositors excluding accrued interest payable of deposits	(170,530,319)	299,160,833
Other liabilities	10,971	3,190
Cash generated by operations:		
Interest received	7,840,141	9,752,649
Interest paid	(12,141,443)	(11,087,992)
Net cash (used in) provided by operating activities	(472,831,922)	306,327,086
Cash flows from investing activities:		
Purchase of investment at FVOCI	(199,999,475)	0
Maturities of investments at FVOCI	200,000,075	71
Net cash (used in) provided by investing activities	600	71
Cash flows from financing activities:		
Payment of lease liability	(27,087)	0
Net cash used in financing activities	(27,087)	0
Net (decrease) increase in cash and cash equivalents	(472,858,409)	306,327,157
Cash and cash equivalents at beginning of year	565,802,209	259,475,052
Cash and cash equivalents at end of year	92,943,800	565,802,209

The statement of cash flows must be read in conjunction with the notes which are part of the financial statements.

Table of Contents to the Notes to Financial Statements

December 31, 2021

(1) Organization

BAC International Bank (Grand Cayman) (the "Bank") was incorporated in the Cayman Islands as an exempted company on January 20, 1977. On August 13, 1981, the Bank was granted Banking category "B" and Trust licenses under the Banks and Trust Companies Law of the Cayman Islands and, as an offshore bank, it is permitted to conduct bank and trust business with any clients outside the Cayman Islands.

The Bank is a wholly owned subsidiary of BAC International Bank, Inc. (the "Parent Company"), a bank incorporated in the Republic of Panama. The Parent Company is an indirect subsidiary of Grupo Aval Acciones y Valores S. A., which is a company incorporated in the Republic of Colombia.

The Bank is primarily involved in investment, corporate and retail banking.

A substantial portion of the Bank´s business is with the related parties. Accordingly, the Bank is economically dependent on the related parties (see note 19).

(2) Basis of Preparation of the Financial Statements

(a) Compliance with International Financial Reporting Standards ("IFRS")

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

The Financial Statements were approved for issuance by management of the Bank on February 18, 2022.

(b) Basis of measurement

These financial statements have been prepared on a historical cost basis and amortized cost, except for investment in securities available for sale which are measured at fair value.

The Bank initially recognizes loans, accounts receivable and deposits on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

(c) Functional and presentation currency

These financial statements are presented in United States dollars ($), which is the Bank's functional currency.

(d) Use of estimates and judgments

Preparation of financial statements requires the Bank's management to make judgments, estimates and assumptions affecting the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These also require the Bank's management to apply its judgment when applying the Bank's accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

(2) Basis of Preparation of the Financial Statements, continued

The information on the most significant areas of estimation of uncertainty and critical judgments in applying accounting policies that have the most important effect on the amounts recognized in the financial statements are disclosed in Note 6.

(3) Summary of Significant Accounting Policies

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements, which are detailed below:

(a) Foreign currency

Assets and liabilities in foreign currencies are translated at prevailing exchange rates at the reporting date. Transactions in foreign currencies during the year are translated at exchange rates in effect on the date of the transaction. Differences arising from such translations is included in other income or other expenses in the statement of comprehensive income.

(b) Financial assets and liabilities

Financial assets are classified on the date of initial recognition, based on the nature and purpose of the financial asset's acquisition.

Classification

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

At initial recognition, financial assets are classified as measured at: AC, FVOCI or FVPL.

A financial asset is measured at amortized cost and not at FVPL, if it meets both of the following conditions:

1. The asset is kept within a business model to collect contractual cash flows; and

2. The contractual terms of the financial asset give rise on specified dates to cash flows that represent solely payments of principal and interest on the trading balance.

A financial instrument is measured at FVOCI only if it meets both of the following conditions and has not been designated as FVPL:

1. The asset is kept within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets and;

2. The contractual terms of the financial asset give rise on specified dates for cash flows that represent solely payments of principal and interest on the current outstanding balance.

On initial recognition of on equity investments that is not held for principal amount, the Bank may elect to irrevocably register subsequent changes in fair value as part of other comprehensive profit and loss in equity. This election is made on an instrument-by-instrument basis.

(3) Summary of Significant Accounting Policies, continued

All financial assets not classified as measured at AC or at FVOCI as described above, are measured at FVPL.

In addition, in the initial recognition, the Bank may irrevocably designate a financial asset that meets the measurement requirements at AC or FVOCI to be measured at FVPL, if doing so eliminates or significantly reduces an accounting mismatch that may occur if not done. For now, the Bank do not use this option.

A financial asset is classified in one of the referenced categories at the time of its initial recognition.

An embedded derivative where the main contract is a financial contract covered under IFRS 9 is not separated and instead the hybrid financial instrument is jointly assessed for classification.

Business Model Assessment

The Bank assess the objectives of the business models that hold the financial assets in a portfolio to better represent how manages the business and how management information is reported. The information considered includes:

- The policies and objectives stated for each portfolio of financial assets and the operation of these policies in practice. These include, whether management's strategy is to collect income from contractual interest; hold a profile of specific interest performance or coordinate the duration of the financial assets with the liabilities being financed or the expected outgoing cash or through cash flows from the sale of assets.

- How they are evaluated or reported to key management personnel on portfolio performance;

- The risks that affect the performance of the portfolios (and the financial assets held within) and the way those risks are managed;

- How managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and,

- The frequency, value and timing of sales in prior fiscal periods, the reasons for those sales and expectations about future sales activity. However, the information on sales activity cannot be considered in isolation, but rather as part of an assessment of how the Bank objectives established for managing financial assets is achieved and how cash flows are realized.

Financial assets held or managed for trading and where their performance is evaluated on a fair value basis, are measured at FVPL because these are not held to cover contractual cash flows or to obtain contractual cash flows and to sell these financial assets.

(3) Summary of Significant Accounting Policies, continued

Assessment if contractual cash flows are solely payments of principal and interest

For purposes of this assessment, “principal” is defined as the fair value of the financial asset at initial recognition. “Interest” is defined as compensation for the time value of money and credit risk associated with holding the current principal for a period of time and for other basic risk from loan agreements and other associated costs (e.g., liquidity risk and administrative costs), as well as the profit margin.

When evaluating whether contractual cash flows are solely payment of principal and interest, the Bank considered the contractual terms of the instrument. This includes an assessment to determine whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows in such a way that it does not meet this condition. In making this assessment the Bank considers:

- Contingent events that will change the amount and timing of cash flows;
- Hedging conditions;
- Prepayment and extension terms;
- Terms that limit the Bank in achieving cash flows for specific assets (e.g. unfunded asset agreements); and
- Terms that change the considerations on the value of money over time (e.g. periodic revision of interest rates).

Interest rates on certain consumer and business loans are based on variable interest rates established at the discretion of the Bank. Variable interest rates are generally established in accordance with the practices where the Bank operates, plus certain additional discretionary points. In these cases, the Bank assess whether the discretionary feature is consistent with the solely principal and interest criteria considering a number of factors that include whether:

- Debtors can prepay the loans without significant penalties;
- Competitive market factors insure that interest rates are consistent between banks; and,
- Any regulatory protection standard in favor of customers requiring banks to treat customers reasonably (e.g. regulated rates).

All fixed rate consumer and corporate loans contain a prepayment condition.

A prepayment feature is consistent with the solely principal and interest criteria, if the prepayment amount substantially represents unpaid amounts of principal and interest on the amount of outstanding principal, which may include fair compensation for early termination of the contract.

(3) Summary of Significant Accounting Policies, continued

In addition, a prepayment feature is consistent with these criteria, if a financial asset is acquired or originates from a premium or discount to the contractual par amount and the prepayment amount substantially represents the contractual par amount, plus accrued, but unpaid, contractual interest (which may include fair compensation for early termination) and the fair value of the prepayment feature is insignificant in the initial recognition.

Impairment of Financial Assets

The Bank assesses the impairment of financial assets with an ECL model. This model requires the application of considerable judgment regarding how changes in economic factors impact on ECL, which is determined on a weighted average basis.

The impairment model applies to the following financial assets that are not measured at FVPL.

- Debt instruments;
- Other accounts receivable;
- Loan portfolio;
- Irrevocable financial guarantee contracts issued; and
- Irrevocable loans commitments issued.

The Bank recognizes a provision for impairment of financial assets at AC and FVOCI in an amount equal to the expected impairment losses in a period of twelve months after the end date of financial statements or during the remaining life of the loan. Expected losses during the remaining life of the loan are the losses expected from all possible impairment events during the expected life of the financial instrument, while expected losses in a twelve-month period are the portion of expected losses arising from impairment events resulting from impairment events that are possible during the twelve months following on the date of the report.

Reserves for losses are recognized in an amount equal to the ECL during the life of the asset, except in the following cases, in which the amount recognized is equal to ECL for the 12 months following the measurement date:

- Investments in debt instruments determined to represent low credit risk to the reporting date; and,
- Other financial assets (other than short term accounts receivable) on which the credit risk has not increased significantly since initial recognition.

Impairment requirements are complex and require estimated judgments and significant assumptions by management, particularly in the following areas:

- Assess whether the credit risk has increased significantly from initial recognition; and,

(3) Summary of Significant Accounting Policies, continued

- Include prospective information in the measurement of expected impairment losses.

Measuring ECL
ECL is the estimated weighted probability of credit losses measured as follows:

- Financial assets with no credit impairment to the reporting date: the present value of all contractual cash payments in arrears (for example: the difference between the Bank's cash flow owed in accordance with the contract and cash flows that the Bank expects to receive);

- Impaired financial assets to the reporting date: the difference between the book value and the present value of estimated future cash flows;

- Outstanding loan commitments: the present value of the difference between contractual cash flows owed to the Bank in the event it enforces the commitment and cash flows that the Bank expects to receive; and

- Financially secured contracts: expected payments to reimburse the holder minus any amount the Bank expects to recover.

Definition of impairment
The Bank considers a financial asset to be impaired when:

- It is highly unlikely that the debtor will fully pay its credit obligations to the Bank, without recourse for the Bank to take such actions as enforcing the guarantees (if any); or

- The debtor is more than 90-days past-due on any material credit obligation. Overdrafts are considered in arrears once the client has exceeded the established limit, or the established limit is less than the outstanding balance.

- For fixed income financial instruments, the following concepts, among others, are included:
    - Downgrade on the issuer's credit risk rating;
    - Contractual payments are not made on the due date or in the term period stipulated;
    - There is a virtual certainty of default;
    - Issuer is likely to go bankrupt or a bankruptcy petition is filed or similar action;
    - The financial asset stops trading in an active market given its financial difficulties;

(3) Summary of Significant Accounting Policies, continued

To assess whether a debtor is impaired, the Bank considers indicators such as:

- Qualitative, e.g. noncompliance with contractual clauses;
- Quantitative, e.g. arrears or non-payment of another obligation from the same issuer to the Bank; and,
- Based on data developed internally and obtained from external sources.

Inputs used in the assessment of whether financial instruments are in impairment and their importance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

Under IFRS 9, when determining whether the credit risk of a financial assets has increased significantly since initial recognition, the Bank considers relevant fair, sustainable information available at no cost or disproportionate effort, including information and quantitative and qualitative analyses based on historical experience and expert assessment of Bank credit risk, including information with future projection.

The Bank identifies if a significant increase in the credit risk has occurred for each exposure by comparing:

- The probability of default (PD) during the remaining life of financial instrument at the closing date, with
- The PD during the remaining life at a point in time, which was estimated at initial recognition of exposure.

The assessment of whether the credit risk has increased significantly from initial recognition of a financial asset requires identification of the initial recognition date of the instrument. For purposes of revolving credit (overdrafts, among others), the date when the credit was first delivered may be a long time ago. Changes in the contractual terms of a financial asset may also impact this assessment, as discussed below.

Grading by credit risk categories

The Bank assigns a credit risk grade to each exposure based on a variety of data that is determined to predict the PD and applying the judgment of a credit expert, the Bank use these grades to identify significant increases in credit risk. Credit risk grading is defined using qualitative and quantitative factors indicative of the risk of losses. These factors varies depending on the type of exposure and the type of borrower.

Credit risk grading is defined and calibrated so that the risk of losses increases exponentially as the credit risk is impaired and so that, for example, the difference in the risk of losses between grade 1 and 2 is less than the difference between the credit risk between grades 2 and 3.

(3) Summary of Significant Accounting Policies, continued

Each exposure is given a credit risk grade upon initial recognition based on information available on the debtor. Exposures are subject to continuous monitoring, that may result in displacement of an exposure to a different credit risk grade.

Generating the Structure of the PD term

Credit risk grading are the main input to determine the structure of the PD term for the different exposures. The Bank obtains performance and loss information on the credit risk exposures analyzed by jurisdiction or region, type of product and debtor, as well as by credit risk grade. For some portfolios, information purchased from external credit reference agencies could be used.

The Bank uses statistical models to analyze the data compiled and generate estimates of the probability of impairment during the remaining life of the exposures and how these probabilities of impairment change over time.

These analyses include identification and calibration of relationships between changes in impairment rates and key macroeconomic factors, as well as in-depth analysis of certain impairment risk factors (for example, loans portfolio charge-offs). For the majority of loans, key economic factors include growth in gross domestic product, changes in interest rates on the market and unemployment.

For exposures in specific industries and/or regions, the analysis may extend to relevant merchandise and/or real estate prices.

The approach used by the Bank to prepare prospective economic information within its assessment is indicated below.

Determine if the credit risk has increased significantly

The Bank has established a general framework that incorporates quantitative information and qualitative to determine if the credit risk of a financial asset has significantly increased since its initial recognition.

The initial framework is aligned with the internal process of the Bank for credit risk management.

The criteria to determine whether the credit risk has increased significantly varies by portfolio and includes limits based on noncompliance.

The Bank evaluates whether the credit risk of a particular exposure has increased significantly since initial recognition if, based on Bank qualitative modeling, the expected probability of impairment during the remaining life will increase significantly from initial recognition. In determining the credit risk increase, the expected impairment losses in the remaining life is adjusted by changes in expiration.

(3) Summary of Significant Accounting Policies, continued

Under certain circumstances, using the judgment of credit experts, and based on relevant historical information, the Bank determines that an exposure has had a significant increase in credit risk, if particular qualitative factors indicate this and those factors may not be completely captured by periodic quantitative analyses. As a limit, the Bank assumes that a significant credit risk occurs no later than when the asset is in arrears for more than 30 days.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk based on regular reviews to confirm that:

- The criteria can identify significant increases in credit risk before an exposure becomes impaired;
- The criteria are inconsistent with the time when the asset is more than 30 days past the due date;
- The average time to identify a significant increase in credit risk and noncompliance appear to be reasonable;
- Exposures are not generally transferred directly to the Bank on the probability of expected impairment in the twelve months following the impairment of the group of loans; and,
- There is no unjustified volatility in the provision for impairment of transfers between groups with the probability of expected losses in the twelve months following and the probability of expected losses in the remaining life of the loans.

Modified financial assets

The contractual terms of the loans may be modified for a number of reasons, including changes in market conditions, client retention and other factors unrelated to an actual or potential impairment of the client's loan.

When the terms of a financial asset are modified and the modification does not result in derecognition of the asset, the determination of whether the credit risk has significantly increased reflects comparisons of:

- The PD during the remaining life on the date of the statement of financial position based on the terms modified with;
- The PD on the estimated remaining life based on the date of initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties to maximize the opportunities to collect and to minimize the risk of noncompliance. Under the Bank's renegotiation policies, customers in financial difficulties are given concessions that generally involve a reduction in interest rate, extension of the payment term, reductions in the balances due or a combination of these.

(3) Summary of Significant Accounting Policies, continued

For financial assets modified as part of the Bank's renegotiation policies, the estimation of the PD reflects whether the modifications have improved or restored the ability of the Bank to collect principal and interest and the prior experience of the Bank in similar actions. As part of the process, the Bank evaluates the debtor's payment compliance as compared to the modified terms of the debt and considers several performance indicators for the group of debtors modified.

Generally, restructuring indicators are a relevant factor on increased credit risk. Therefore, a restructured debtor must demonstrate a consistent payment behavior over a period of time before no longer being considered as an impaired loan or that the PD has decreased in such a way that the provision may be reversed and the loan measured for impairment over a term of twelve months after the closing date of the report.

Inputs in Measuring ECL

Key inputs in measuring ECL are usually the structure of terms of the following variables:

- Probability of default (PD).
- Losses given default (LGD).
- Exposure at default (EAD).

The foregoing parameters are derived from internal statistical models and other historical information. These models are adjusted to reflect prospective information as described below.

Estimated PDs at a certain date, which is calculated based on statistical classification and assessment models using grading tools adjusted to the different counterpart categories and exposures. These statistical models are based on data compiled internally comprising both qualitative and quantitative factors. If a counterpart or exposure migrates between different grades, then this will result in a change in the estimated PD. PDs are estimated considering contractual terms on expiration of exposures and estimated prepayment rates.

LGD is the magnitude of probable losses in the event of noncompliance. The Bank estimates the parameters of the LGD based on historical loss recovery rates against the noncomplying parties. LGD models consider the structure, collateral and the order of the lost debt, the industry of the counterpart and the recovery costs of any collateral integrated into the financial asset. For loans secured by real property, indices relating to the value of the security as compared to the loan (Loan to value, "LTV"), are parameters used in the determination of the LGD. LGD estimates are calibrated at different economic scenarios and for loans secured by real estate, variations in price indices for these assets. These loans are calculated on the bases of discounted cash flows using the effective interest rate of the loan.

(3) Summary of Significant Accounting Policies, continued

EAD represents expected exposure in the event of noncompliance. The Bank derives the EAD from the current exposure of the counterpart and potential changes in the current amount permitted under the terms of the contract, including amortization and prepayments. The EAD of a financial asset is the gross value at the time of noncompliance. For loan commitments and financial security, the EAD considers the amount removed, as well as potential future amounts that may be removed or collected under the contract, which are estimated based on historical issues and projected prospective information. For some financial assets, the Bank determines the EAD by modeling a range of possible results of exposures as several points over time using scenarios and statistical techniques. As described above and subject to using a maximum PD of twelve months for which credit risk has increased significantly, the Bank measures the EAD considering the risk of noncompliance during the maximum contractual period (including options to extend the customer's debt) on which there is an exposure to credit risk, even if, for purposes of risk management, the Bank considers a longer period of time. The maximum contractual period is extended to the date on which the Bank has the right to require payment of a loan or terminate a loan commitment or security given.

For consumer overdrafts, and certain corporate revolving credit that includes both a loan and a component of the customer’s commission not to withdraw the loan, the Bank measures EADs over a longer period than the maximum contractual period, if the contractual ability of the Bank to demand payments and pay off the commitment not withdrawn does not limit the Bank’s exposure to credit losses for the contractual period of the contract. These facilities do not have a fixed term or a collection structure and are managed on a collective basis. The Bank may cancel them immediately, but this contractual right is forced in the normal management of the Bank’s day to day management, rather only when the Bank finds that there has been increased credit risk for each loan. This longer period of time will be estimated taking into account the actions for the management of credit risk that the Bank expects to take and that mitigate the EAD. These measures include a reduction in limits and cancellation of loan contracts.

Where parameter modeling is performed on a collective basis, the financial instruments are pooled on the basis of shared risk characteristics that include:

- Type of instrument.
- Credit risk rating.
- Guarantees.
- Date of initial recognition.
- Remaining expiration term.
- Industry.
- Geographical location of the debtor.

The above pooling is subject to regular review to ensure that the exposure of a particular group remains uniform.

(3) **Summary of Significant Accounting Policies, continued**

Projection of future conditions

The Bank incorporates information with projection of future conditions in both, the assessment of whether the credit risk of an instrument has increased significantly from initial recognition and a measurement of ECL, based on the recommendations of the Bank's Credit Risk Committee, use of economic experts and consideration of a variety of current and projected external information. The Bank formulates a base case for the projection of relevant economic variables as well as a range representative of other possible projected scenarios. This process involves the development of two more additional economic scenarios and considers the relative probabilities of each outcome.

The external information includes economic data and publication of projections by government committees, monetary authority, supranational organizations (such as the Organization for Economic Cooperation and Development, the International Monetary Fund and others), academic projections, private sector, and credit risk rating agencies.

The base case represents the most probable outcome consistent with the information used by the Bank for other purposes and strategical planning and the budget. Other scenarios represents a more optimistic or pessimistic outcome. In addition, the Bank uses periodic stress testing to calibrate the determination of these other representative scenarios.

Financial liabilities

Financial liabilities are measured at amortized cost using the effective interest method, except when there are financial liabilities measured at FVPL.

Recognition, disposal and measurement

The Bank regularly recognizes the purchase or sale of financial instruments on the date of each negotiation, which is the date on which the Bank commits to buy or sell a financial instrument. Financial assets and liabilities are initially recognized at fair value. Transaction costs are attributed to expenses in the consolidated statement of income when incurred for financial assets and liabilities at fair value with changes in the statement of income, and they are recorded as part of the initial value of the instrument for assets and liabilities at amortized cost and available for sale securities.

Transaction costs are incremental costs incurred to acquire assets or sell financial liabilities. These include fees, commissions and other concepts paid to agents, brokers, advisors and intermediaries, rates established by regulatory agencies and stock markets, as well as taxes and other rights.

Financial assets are derecognized from the statement of financial position when the payments derived from it were received, the rights to receive cash flows from the investments has expired or have been transferred and the Bank has transferred substantially all of the risks and benefits derived from their ownership.

After initial recognition, all financial assets and financial liabilities classified at amortized cost are measured based on the effective interest method. Interest accrued are recorded in the interest income or expense account.

(3) Summary of Significant Accounting Policies, continued

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(c) Loans

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets and are originated when funds are provided to a debtor in the form of a loan. Loans are presented at their outstanding principal value, less unearned interest and commissions (when applicable) and the allowance for loans losses, except for those loans for which the fair value option was chosen. Unearned interest and commissions are recognized as income during the life of the loan using the effective interest method.

For purposes of creating an allowance, products are classified into: corporate, small and medium enterprise (SME), vehicles, credit card, personal, mortgage or debt and guarantee commitments, as defined below.

Corporate and SME

Corporate clients and SMEs are defined, in general terms, as entities registered (for example corporations, limited liability companies, limited stock companies) and sole proprietors or self-employed partiers using credit lines for business purposes. Corporate clients and SMEs should be segmented into three separate categories, as detailed below. Client segmentation in these categories is based on sales and credit exposure of the client with the Bank. The total credit exposure with the client will only appear in one category.

- Small company - legal entities or other entities that employ commercial products or financing assets for commercial use where the credit exposure is less than or equal to $350,000 and annual sales are below $1 million.

- Medium company - legal entities or other entities that employ commercial products or financing assets for commercial use where the consolidated credit exposure is higher than $350,000 but less than or equal to $1 million, and annual sales are less than or equal to $10 million.

- Corporate - legal entities or other entities that employ commercial products or financing assets for commercial use where the credit exposure is higher than $350,000 and annual sales are higher than or equal to $1 million.

The portfolio will be classified based on the original amount approved.

Personal

There is an agreed amortization calendar to pay for the entire original loan; there are no more disbursements without an additional contract and the main objective is to grant financing to individuals for a variety of purposes.

(3) Summary of Significant Accounting Policies, continued

Mortgage

Mortgage product for the purpose of providing financing for the purchase of real estate (family homes) secured through a mortgage on residential property provided by the borrower. There is an agreed amortization calendar to pay for the entire original loan; there are no more disbursements without an additional contract.

Debt commitments and guarantees

Letters of credit, financial guarantees and contractual commitments to disburse loans. The off balance sheet commitments are subject to individual reviews and are analyzed and segregated by risk according to the client's internal risk rating.

(d) Recognition of the most significant income and expenses

Interest income and expenses

Interest income and expenses are recognized in the statement of comprehensive income using the effective interest method. The effective interest rate is the discount rate that equals exactly the estimated cash flows receivable or payable throughout the expected life of the financial instrument or when appropriate (in a shorter period) with the net carrying value of the financial asset or liability. To calculate the effective interest rate, the Bank will estimate cash flows considering all of the contractual conditions of the financial instrument, but not considering future credit losses.

The calculation of the effective interest rate includes all commissions and points paid or received that are part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

The Bank recognizes revenue from ordinary activities in a way that represents the transfer of goods or services committed to customers in exchange for an amount that reflects the consideration to which the Bank expects to be entitled in exchange for said goods or services.

The Bank evaluates its income plans based on specific criteria to determine if it acts as principal or agent.

Income is recognized to the extent that the economic benefits are likely to flow to the Bank and if it is possible to reliably measure revenues and costs, if any.

Below is a description of the main activities through which the Bank generates income from contracts with customers:

(i) Banking (financial services)

The Bank usually sign contracts that cover several different services. Such contracts may contain components that are within or outside the scope of IFRS 15. For this reason, the Bank only apply the indications of IFRS 15 when they have all or part of their contracts outside the scope of IFRS 9.

(3) Summary of Significant Accounting Policies, continued

The sources of income obtained by the Bank through contracts with clients are the following:

- **Commissions**:
  The Bank receives commissions when they refer new clients to third-party insurance sellers, when the Bank is not in itself the insurer of the policy. These commissions are usually paid periodically (quarterly, for example) to the Bank based on the volume of new policies (and / or renewal of existing policies) generated with clients presented by the Bank.

  Commitment fees are within the scope of IFRS 15 when it is unlikely that a specific loan agreement will be generated and that such commitment is not measured at fair value through profit or loss.

  IFRS 15 provides for loan syndication fees received by the Bank that agrees to a loan and does not retain any part of the loan package for itself (or retains a portion for purposes of comparable risk to other participants).

- **Savings accounts and current accounts:**
  Transactional and account collections. Savings account and current account contracts usually allow clients to access a series of services, which include the processing of electronic transfers, and the generation of bank statements. Sometimes they include other benefits. Collections are made periodically and give the customer access to banking services and additional benefits.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Personal and Corporate Banking Service	The Bank provides banking services to retail and corporate customers, including account management, foreign currency transactions and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis. Transaction-based fees for foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.	Revenue from account service and servicing fees is recognized over time as the services are provided. Revenue related to transactions is recognized at the point in time when the transaction takes place.

(3) Summary of Significant Accounting Policies, continued

Fees and commissions

Fees and commissions that are part of the effective interest rate in a financial asset or liability instrument are included in the measurement of the effective interest rate.

Other fees and commission income, including service commissions are recognized as the related services are provided.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits at banks and highly liquid deposits. The Bank considers all highly liquid time deposits with maturities of 90 days or less as cash equivalents.

(f) Income tax

There are no taxes on income or gains in the Cayman Islands, and the Bank has received an undertaking form the Governor in Cabinet of the Cayman Islands exempting it from all local income, profits and capital taxes for a period of 20 years from May 2, 2000. Accordingly, no provision for income taxes is included in these financial statements.

(g) Fair value estimates

The fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

The different hierarchy levels have been defined as follows:

- Level 1 - Quoted prices in active markets without adjustments for identical assets or liabilities that the Bank can access at the measurement date.

- Level 2 - Inputs other than quoted prices included in Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are not active and other valuation techniques where significant data inputs are directly or indirectly observable in the market.

- Level 3 - Unobservable inputs for the asset or liability. This category includes all instruments where the valuation technique includes unobservable inputs and these have a significant effect on the fair value measurement. This category also includes instruments that are valued based on quoted prices for similar instruments for which we must make significant adjustments using unobservable inputs, assumptions or adjustments in which no observable or subjective data are used when there are differences between the instruments.

A market is considered active if quoted prices are readily and regularly available from an exchange, financial intermediaries, a sector institution, pricing service or regulatory agency, and those prices reflect actual market transactions with sufficient frequency and volume to provide pricing market information.

(4) Risk Management

Risk management is a fundamental part of the Bank. It has an infrastructure to comprehensively manage risks, in order to ensure a responsible and sustainable growth in time, to maintain the confidence of its stakeholders, and to assure with reasonable certainty the fulfillment of its short, medium and long-term goals, through a balance between meeting objectives and taking risks, in line with the corporate strategy.

Classification of financial assets

See the classification under IFRS 9 in accounting policies in Note 3 (b).

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

2021	FVOCI - debt instruments	AC	Total
Deposits in banks	0	479,923,669	479,923,669
Investments in securities	704	0	704
Loans at amortized cost, net	0	38,085,497	38,085,497
Other receivables, net	0	858,367	858,367
Total financial assets	704	518,867,533	518,868,237

2020	FVOCI - debt instruments	AC	Total
Deposits in banks	0	666,107,417	666,107,417
Investments in securities	776	0	776
Loans at amortized cost, net	0	14,659,793	14,659,793
Other receivables, net	0	2,771,824	2,771,824
Total financial assets	776	683,539,034	683,539,810

As of December 31, 2021, and 2020, all financial liabilities held by the Bank are classified at amortized cost.

The Bank is exposed to the following risks from financial instruments:

- Credit risk,
- Liquidity risk,
- Market risk
- Operational risk
- Capital management

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

(4) Risk Management, continued

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the ALCO committee, Credit and Operational Risk committees, which are responsible for developing and monitoring risk management policies in their specified areas. All committees have both executive and non executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to regulatory and internal limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank aims to develop a disciplined and constructive control environment through trainings, established procedures, and manuals, in which all employees understand their roles and responsibilities.

The Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by the Internal Audit department, which reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

This following section provides information of the Bank's exposure to risk and describes the methods used by management to control these risks.

(a) Credit risk

Management of credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and other banks and investment in securities. For risk management reporting purposes, the Bank considers any and all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

For risk management purposes, credit risk arising on investment in securities is managed independently but reported as a component of market risk exposure.

Information on the portfolio's quality

Quality of the portfolio of bank deposits

As of December 31, 2021, the Bank maintains deposits with banks for $472,943,800 (2020: $665,802,209). Deposits are maintained at financial institutions, most of which have A+ to BB- credit risk ratings, based on Standard & Poor's. Of the total deposits as of December 31, 2021, approximately $139,708 and (2020: $1,704,592), respectively did not have a credit risk rating.

Quality of the portfolio of investment at FVOCI

The credit quality of investment at FVOCI is monitored by the Bank based on the risk rating of the issuer as provided by Moody's and/or Fitch.

- Investments at FVOCI

  As of December 31, 2021, investments at FVOCI included in this risk analysis amounted to $704 (2020: $776).

(4) Risk Management, continued

The following table summarizes the investments at FVOCI categories:

	2021	
	12 months ECL	**Total investments at FVOCI**
Governments and agencies		
AAA	704	704
Total governments and agencies	704	704

	2020	
	12 months ECL	**Total investments at FVOCI**
Governments and agencies		
AAA	776	776
Total governments and agencies	776	776

As of December 31, 2021, and 2020, investments at FVOCI are current and do not reflect impairment.

Quality of the loans portfolio

Note 3 (b) contains an explanation of the measurement of the quality of financial instruments, which include the loan portfolio.

(4) Risk Management, continued

The following table presents the loans portfolio and the debt commitments and guarantee according to their risk category, in accordance with the grading used for each stated term:

	Loans			
2021	**12 months ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
Corporate				
Satisfactory	25,125,988	0	0	25,125,988
Gross amount	25,125,988	0	0	25,125,988
Allowance for ECL	(57,535)	0	0	(57,535)
Net amount	25,068,453	0	0	25,068,453
Mortgage				
Satisfactory	2,672,034	97,242	0	2,769,276
Gross amount	2,672,034	97,242	0	2,769,276
Allowance for ECL	(4,971)	(907)	0	(5,878)
Net amount	2,667,063	96,335	0	2,763,398
Consumer				
Satisfactory	10,140,940	259,600	0	10,400,540
Special mention	0	77,315	0	77,315
Gross amount	10,140,940	336,915	0	10,477,855
Allowance for ECL	(188,383)	(35,826)	0	(224,209)
Net amount	9,952,557	301,089	0	10,253,646
Total, loans at amortized cost	37,688,073	397,424	0	38,085,497

	Loans			
2020	**12 months ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
Corporate				
Satisfactory	369,128	0	0	369,128
Gross amount	369,128	0	0	369,128
Allowance for ECL	(2,758)	0	0	(2,758)
Net amount	366,370	0	0	366,370
Mortgage				
Satisfactory	2,915,604	413,099	0	3,328,703
Loss	0	0	33,105	33,105
Gross amount	2,915,604	413,099	33,105	3,361,808
Allowance for ECL	(4,353)	(1,710)	0	(6,063)
Net amount	2,911,251	411,389	33,105	3,355,745
Consumer				
Satisfactory	10,489,044	594,402	0	11,083,445
Special mention	0	79,076	0	79,076
Sub-standard	0	0	6,454	6,454
Gross amount	10,489,044	673,478	6,454	11,168,975
Allowance for ECL	(187,328)	(40,006)	(3,963)	(231,297)
Net amount	10,301,716	633,472	2,491	10,937,678
Total, loans at amortized cost	13,579,337	1,044,861	35,596	14,659,793

(4) Risk Management, continued

Guarantees and other improvements to reduce credit risk and its financial effect

The Bank maintains guarantees and other improvements to reduce credit risk to ensure the payment of their financial assets exposed to credit risk. The table below shows the main types of guarantees taken with respect to different types of financial assets and the unsecured for loan of the portfolio.

	2021				
	Mortgage	**Certificates of deposit**	**Pledge**	**Unsecured**	**Total**
Investments in securities	0	0	0	704	704
Loans					
Corporate	0	105,180	0	25,020,808	25,125,988
Total Corporate	0	105,180	0	25,020,808	25,125,988
Personal	3,036,390	0	0	7,441,465	10,477,855
Mortgage	2,769,276	0	0	0	2,769,276
Total Consumer	5,805,666	0	0	7,441,465	13,247,131
Allowance for loan losses	(20,351)	0	0	(267,271)	(287,622)
Total loans	5,785,315	105,180	0	32,195,002	38,085,497

	2020				
	Mortgage	**Certificates of deposit**	**Pledge**	**Unsecured**	**Total**
Investments in securities	0	0	0	776	776
Loans					
Corporate	0	193,325	175,670	133	369,128
Total Corporate	0	193,325	175,670	133	369,128
Personal	3,560,854	0	0	7,608,121	11,168,975
Mortgage	3,361,808	0	0	0	3,361,808
Total Consumer	6,922,662	0	0	7,608,121	14,530,783
Allowance for loan losses	(35,460)	0	(2,758)	(201,900)	(240,118)
Total loans	6,887,202	193,325	172,912	7,406,354	14,659,793

The table below sets out the carrying amount and the value of identifiable collateral, held against loans and advanced to corporate customers measured at amortised cost. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

	2021		2020	
	Carrying amount	**Collateral**	**Carrying amount**	**Collateral**
Stage 1 and 2	25,125,988	105,180	369,128	368,995

(4) Risk Management, continued

Residential mortgage loans

The following table shows the ratio of loans from the mortgage portfolio to the value of collaterals ("Loan to Value" - LTV). LTV is calculated as a percentage of the gross amount of the loan in relation to the value of collaterals. The gross amount of the loan excludes any loss impairment. The value of collaterals for mortgages is based on the original value of the guarantee as of the date of disbursement.

LTV Ratio	2021	2020
Less than 51%	518,348	602,899
51-70%	1,978,952	1,481,998
71-80%	96,520	1,082,922
81-90%	147,817	155,347
91-100%	0	0
Total	2,741,637	3,323,166

The Bank has no impaired loans for its portfolio at the reporting dates.

ECL allowance

For a further discussion of the ECL calculation model, see Note 4 (b).

The Bank did not present the opening and closing balances of the year as of December 31, 2021 and 2020, of the financial assets' ECL allowance.

The investments' ECL allowance is not recognized within the statement of financial position, because the book value of the FVOCI is its fair value.

	December 31, 2021				December 31, 2020			
Loans at AC	12 months ECL	Lifetime ECL – unimpaired	Lifetime ECL – impaired	Total	12 months ECL	Lifetime ECL – unimpaired	Lifetime ECL – impaired	Total
Balance at beginning of year	194,440	41,715	3,963	240,118	343,169	55,484	184,373	583,026
Transfer from stage 1 to 2	(9,533)	9,533	0	0	(42,873)	42,873	0	0
Transfer from stage 1 to 3	0	0	0	0	0	0	0	0
Transfer from stage 2 to 3	0	(691)	691	0	0	(5,640)	5,640	0
Transfer from stage 3 to 2	0	0	0	0	0	128,692	(128,692)	0
Transfer from stage 2 to 1	19,570	(19,570)	0	0	80,623	(80,623)	0	0
Transfer from stage 3 to 1	0	0	0	0	14,568	0	(14,568)	0
Net remeasurement of loss allowance	(102,832)	34,980	24,259	(43,593)	27,707	(77,511)	31,901	(17,903)
New financial assets originated	273,442	15,515	2,002	290,959	64,976	46	0	65,022
Net derecognition of financial assets	(124,198)	(44,749)	(6,656)	(175,603)	(293,732)	(21,606)	(10,197)	(325,535)
Charge-off	0	0	(58,986)	(58,986)	0	0	(65.640)	(65,640)
Recoveries	0	0	34,727	34,727	0	0	1,146	1,146
Balance at end of year	250,889	36,733	0	287,622	194,440	41,715	3,963	240,118

	December 31, 2021				December 31, 2020			
Other receivables	12 months ECL	Lifetime ECL – unimpaired	Lifetime ECL – impaired	Total	12 months ECL	Lifetime ECL – not credit impaired	Lifetime ECL - credit impaired	Total
Balance at beginning of year	2,577,325	0	0	2,577,325	2,592,928	0	0	2,592,928
Charge-off	0	0	0	0	(5,670)	0	0	(5,670)
Net remeasurement of loss allowance	(2,082)	0	0	(2,082)	(9,933)	0	0	(9,933)
Balance at period year	2,575,243	0	0	2,575,243	2,577,325	0	0	2,577,325

(4) Risk Management, continued

Concentration of credit risk

The Bank follows the concentration of credit risk by sector and geographic location. The geographic location of loans and deposits in banks is based on the location of the debtor. In regards to investments, they are based on the location of the issuer. The analysis of the concentration of credit risks as of the date of the financial statements is as follows:

	2021			
	Loans	Commitments and guarantees	Deposits in Bank	Investment at FVOCI
Concentration by economic sector:				
Governments	0	0	0	704
Corporate				
Trade	20,019,245	0	0	0
Services	105,180	0	0	0
Financial	0	0	479,923,669	0
Constructions	5,001,563	0	0	0
Consumer	13,247,131	0	0	0
Allowance for ECL – principal and interest	(287,622)	0	0	0
Net carrying amount	38,085,497	0	479,923,669	704
Geographic concentration:				
Costa Rica	1,036,223	0	103,171	0
Panama	31,875,715	0	465,229,322	0
Guatemala	0	0	496,944	0
Honduras	204,000	0	0	0
El Salvador	0	0	173,748	0
Nicaragua	255,618	0	139,709	0
United States of America	0	0	13,674,351	704
British Virgin Islands	5,001,563	0	0	0
Bahamas	0	0	106,424	0
Allowance for ECL – principal and interest	(287,622)	0	0	0
Net carrying amount	38,085,497	0	479,923,669	704

(4) Risk Management, continued

	2020			
	Loans	Commitments and guarantees	Deposits in Bank	Investment at FVOCI
Concentration by economic sector:				
Governments	0	0	0	776
Corporate				
Trade	133	0	0	0
Services	0	0	0	0
Financial	368,995	0	666,107,417	0
Consumer	14,530,783	0	0	0
Allowance for ECL – principal and interest	(240,118)	0	0	0
Net carrying amount	14,659,793	0	666,107,417	776
Geographic concentration:				
Costa Rica	1,471,514	0	103,190	0
Panama	12,808,671	0	568,750,951	0
Guatemala	0	0	348,540	0
Honduras	285,552	0	0	0
El Salvador	0	0	686,720	0
Nicaragua	334,174	0	1,704,592	0
United States of America	0	0	42,205,725	776
British Virgin Islands	0	0	0	0
Bahamas	0	0	52,307,697	0
Allowance for ECL – principal and interest	(240,118)	0	0	0
Net carrying amount	14,659,793	0	666,107,417	776

(b) *Liquidity risk*

Liquidity risk is defined as the contingency of not being able to comply fully, in a timely and efficient manner, the expected and unexpected cash flows, current and future, without affecting the course of daily operations or the financial condition of the entity. This contingency (liquidity risk) is evidenced in the lack of liquid assets available for that and/or the need to assume unusual funding costs.

The liquidity management conducted by the Bank seeks to meet its obligations of (i) withdrawals of deposits by its customers, (ii) repayment of the service of its debts of institutional funding according to maturity and the payment scheme scheduled, and (iii) compliance with the credit demand and investment funds according to the requirements. In this regard, the Bank has constant control over its short term liabilities and assets. The liquidity of the Bank is carefully managed and adjusted daily based on the estimated flow of liquidity in a contingent and expected scenario.

The Bank's best practices in liquidity management meet at minimum with the policies and guidelines issued by Senior Management and/or Regional and Local Board of Directors. These best practices are primarily defensive, in the sense of seeking to maintain appropriate levels of liquidity at all times.

(4) Risk Management, continued

Specifically, the Bank's liquidity risk is managed through the calculation of liquidity coverage indicators in the short term, net of obligations and requirements, and in normal and stressful situations, as well as a stress model of liquidity based on the cash flow, which considers the activity of assets and liabilities in a time horizon of up to one year, under a variety of scenarios, which include both normal market conditions and more severe conditions. In addition, the Bank seeks to maintain a term matching, which enables it to meet its financial obligations over time.

As in the market risk, Senior Management engages actively in liquidity risk management through regional and local ALCO Committee and Integrated Risk Management; thus giving greater support to the strategic decision making process. The liquidity risk assumed by the Bank is in line with the structure, complexity, size and nature of its operation, while always respecting the regional guidelines and the guidelines issued by Senior Management and/or Regional and Local Board of Directors.

Insofar as the entire Bank, the obligation of properly documenting the periodic assessment of measurement indicators and compliance with regional guidelines is established; as well as ensuring that reports related to liquidity risk to be remitted to the different internal instances are adequate in terms of content, quality of information, generation, transmission and validation according to the requirements set forth in the respective standards.

The following table shows the results of the ratios for high-quality liquidity coverage with respect to the outflow of deposits under normal and stressful conditions, calculated based on internal policies, reported as of the cut-off date and during the period:

% of Liquidity	2021	2020
As of December 31,	46.0%	246.0%
Maximum	119.0%	246.0%
Average	80.0%	194.0%
Minimum	46.0%	151.0%

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the maturity analysis, volatility measurements and stress testing. For this purpose, net liquid assets are considered to include cash and cash equivalents and investment securities for which there is an active and liquid market less any deposits from banks, debt securities issued and debt commitments maturing within the next month, including any statistical analysis of assets and liabilities that may not have a defined maturity.

(4) Risk Management, continued

The following table shows the undiscounted cash flows on the Bank's financial liabilities and assets on the basis of their earliest possible contractual maturity.

2021							
Amounts in thousands	Carrying amount (1)	Gross nominal (outflow) - inflow	On demand and less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Liabilities							
Due to depositors:							
Demand	135,683	(135,683)	(135,683)	0	0	0	0
Time deposits	255,021	(262,789)	(6,823)	(33,182)	(156,098)	(66,686)	0
Total liabilities	390,704	(398,472)	(142,506)	(33,182)	(156,098)	(66,686)	0
Assets							
Deposits in banks	479,924	479,924	479,924	0	0	0	0
Investment in securities	1	1	0	0	0	0	1
Loans at amortized cost	38,085	43,426	306	5,290	21,376	6,825	9,629
Total assets	518,010	523,351	480,230	5,290	21,376	6,825	9,630

2020							
Amounts in thousands	Carrying amount (1)	Gross nominal (outflow) – inflow	On demand and less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Liabilities							
Due to depositors:							
Demand	260,010	(260,010)	(260,010)	0	0	0	0
Time deposits	301,793	(316,863)	(10,719)	(15,115)	(105,682)	(185,347)	0
Total liabilities	561,803	(576,873)	(270,729)	(15,115)	(105,682)	(185,347)	0
Assets							
Deposits in banks	666,107	666,107	591,107	75,000	0	0	0
Investment in securities	1	1	0	0	0	0	1
Loans at amortized cost	14,660	20,549	390	390	1,545	7,406	10,818
Total assets	680,768	686,657	591,497	75,390	1,545	7,406	10,819

(1) Includes interest receivable/payable on financial assets/liabilities

The liquidity of the Bank is measured and monitored on a daily basis by the Treasury. In addition, to maintain appropriate levels of cash in vaults, deposits in banks and short-term deposits constitute the Bank's basis of liquidity reserves. The composition of liquidity is shown in the following table:

	2021		2020	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Deposits in banks	479,923,669	479,923,669	666,107,417	666,107,417
Total Deposits in banks	479,923,669	479,923,669	666,107,417	666,107,417
Not committed sovereign debt instruments	704	704	776	776
Total liquidity reserve	479,924,373	479,924,373	666,108,193	666,108,193

(4) Risk Management, continued

The following table shows the availability of the Bank's financial assets to support the future financing:

2021	Restricted As collateral	Available as collateral	Other	Total
Deposits in banks	0	479,923,669	0	479,923,669
Investments in securities	0	704	0	704
Loans at amortized cost, net	0	38,085,497	0	38,085,497
Premises (right of use), net	0	0	70,407	70,407
Other receivables, net	0	0	858,367	858,367
Non-financial assets	0	0	183,456	183,456
Total assets	0	518,009,870	1,112,230	519,122,100

2020	Restricted As collateral	Available as collateral	Other	Total
Deposits in banks	0	666,107,417	0	666,107,417
Investments in securities	0	776	0	776
Loans at amortized cost, net	0	14,569,831	89,963	14,659,793
Other receivables, net	0	0	2,771,824	2,771,824
Non-financial assets	0	0	67,388	67,388
Total assets	0	680,678,024	2,929,175	683,607,198

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns.

Overall authority for market risk is vested in the ALCO Committee. Risk committees are responsible for the development of detailed risk management policies (subject to review and approval by the ALCO Committee) and for the day-to-day review of their implementation.

Management of market risks

Exposure to currency risk:

The Bank conducts all of its transactions denominated in United States dollars and therefore, is not exposed to any currency risk.

(4) Risk Management, continued

Exposure to interest rate risk:

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities, the Bank is also exposed to basis risk, which is the difference in re-pricing characteristics of the various floating rate indices. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

A summary of the interest rate gap position on the Bank´s interest bearing financial instruments is shown below:

2021	**Without exposure**	**Up to 1 year**	**From 1 to 5 years**	**Total**
Deposits in banks	479,923,669	0	0	479,923,669
Investments in securities	0	704	0	704
Loans at amortized cost	0	38,085,497	0	38,085,497
Total assets	479,923,669	38,086,201	0	518,009,870
Demand and saving deposits	0	135,682,959	0	135,682,959
Time deposits	2,265,922	187,748,795	65,006,133	255,020,850
Total liabilities	2,265,922	323,431,754	65,006,133	390,703,809
Exposure to interest rate risk	477,675,747	(285,345,553)	(65,006,133)	127,306,061

2020	**Without exposure**	**Up to 1 year**	**From 1 to 5 years**	**Total**
Deposits in banks	666,107,417	0	0	666,107,417
Investments in securities	0	776	0	776
Loans at amortized cost	0	14,659,793	0	14,659,793
Total assets	666,107,417	14,660,569	0	680,767,986
Demand and saving deposits	0	260,010,132		260,010,132
Time deposits	2,834,710	121,001,751	177,956,323	301,792,784
Total liabilities	2,834,710	381,011,883	177,956,323	561,802,916
Exposure to interest rate risk	663,272,707	(366,351,314)	(177,956,323)	118,965,070

Based on the above, it's calculated the exposure of the statement of financial position to the interest rate risk. The Bank states that the interest rate risk should be measured for each currency in which assets and liabilities are maintained.

The risk of rates is analyzed based on the gap analysis in order to approximate the change in the economic value of the Bank's financial position and in the net income from interest from eventual changes in market interest rates. The economic value of an instrument involves an assessment of the current value of its expected net cash flows, discounted to reflect market rates.

By extension, the economic value of a bank can be seen as the present value of expected net cash flows from the entity, defined as expected cash flows from assets less expected cash flows from liabilities. In this sense, the perspective of economic value reflects a view of the sensitivity of the Bank's net value to interest rate fluctuations.

(4) Risk Management, continued

The estimate of the impact of variations in interest rates is conducted under a scenario of increase or decrease of 100 base points in assets and liabilities at the different terms (parallel movement of the curve). The following table presents a summary of the impact on the Bank's economic value and on the net interest income applying these variations:

	Increase of 100 bps (1)	Decrease of 100 bps (1)
Impact on equity to interest rate movements		
2021		
As of December 31, 2021	(1,780,937)	1,780,937
Average for the year	(2,484,499)	2,484,499
Maximum for the year	(3,101,169)	1,780,937
Minimum for the year	(1,780,937)	3,101,169
2020		
As of December 31, 2020	(3,401,411)	3,401,011
Average for the year	(2,276,354)	2,276,354
Maximum for the year	(2,266,722)	2,266,722
Minimum for the year	(2,338,874)	2,338,874
Impact on net income from interests		
2021		
As of December 31, 2021	(501,911)	501,911
Average for the year	(757,981)	757,981
Maximum for the year	(501,911)	1,210,288
Minimum for the year	(1,210,288)	501,911
2020		
As of December 31, 2020	(1,007,415)	1,007,415
Average for the year	(384,165)	384,165
Maximum for the year	(439,357)	439,357
Minimum for the year	(588,907)	588,907

(1) According to the nature of the instruments on demand, the sensitivity of annual income and expenses to a decrease or increase in rates for currencies with rates below 1% is measured using a variation of 25 basis points.

(d) Operational risks

Operational risk is the risk of direct or indirect loss or damage in any form arising from a wide variety of causes associated with the Parent Company and Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(4) Risk Management, continued

As per Basel II, operational risk management is performed as a continuous process, with several distinct components:

- risk identification & assessment,
- risk mitigation (control development & implementation),
- control self-assessment (control testing),
- risk monitoring (key risk indicators follow up),
- risk measurement (incident collection & capital calculation), and
- control environment assessment & management (control culture measurement & corrective action implementation).

The primary responsibility for operational risk management is assigned to senior management within each business unit. This responsibility is supported by the development of overall policies and a central unit (Parent Company's Operational Risk Management Department) coordinates and follows up on the business unit's performance. Status and developments are reported to a bi-monthly Operational Risk Committee, this Committee oversees the risk management cycle. Additionally, compliance with the Bank's policies is supported by periodic reviews undertaken by the Parent Company's Internal Audit department.

The results of internal audit reviews are discussed with the business unit's management and then summaries are submitted to the Audit Committee and senior management of the Bank.

(e) Capital management

The Bank's policy is to maintain a strong capital base to maintain the confidence of stakeholders and to sustain future development of the business. The Bank has complied with all externally imposed capital requirements throughout the year.

There were no changes in Bank's approach to capital management during the year.

(5) COVID - 19

Impact of the pandemic of the spread of COVID-19

During the first quarter of 2020, the Coronavirus (COVID-19) spread throughout the world, causing the closure of production and supply chains and interrupting international trade, which has been causing a global economic slowdown that is affecting various industries. The world authorities, including the government of the Cayman Islands, have adopted, among other measures, the temporary closure of establishments and the mandatory preventive confinement of people in various areas, causing employees, suppliers, and clients to not be able to carry out their activities normally.

During the following periods of 2020, this situation has been monitored on a daily basis by the Bank's management to assess the adverse effects that could be generated on the results of operations, the financial situation and the liquidity of the Bank, and take all the appropriate measures to minimize the negative impacts that may arise from this situation during the 2021 financial year.

(5) COVID – 19, continued

As of December 31, 2021, the Bank has not defaulted on the principal or interest payments of its financial obligations. As a result of the regulatory responses that Central Bank and Regulatory Bodies implemented in the place where the Bank operates, in order to mitigate the macroeconomic and financial impacts generated by the COVID-19 pandemic, the associated contractual commitments are monitored. with the specific financial indicators that may be impacted by such implementations.

As of December 31, 2021, the matters mentioned below have been evaluated, which in some cases have generated impacts on the financial statements and the Bank's operations and on which during the period after the date of these financial statements and up to date of issuance thereof, they continue to be monitored by management to address their effects on the Bank's operations and those of its clients.

a) Impairment of financial instruments - Loan portfolio, other accounts receivable and others

Financial instruments that are within the scope of the expected credit loss model (PCE) of IFRS 9 (loans, other accounts receivable, financial guarantees and loan commitments), have been evaluated considering the impacts that COVID-19 is having on the PCE due to the measures adopted by the government where the Bank operates.

The impacts that have been generated for the Bank in relation to the impairment of financial instruments are based on the following aspects:

- Measurement of the ECL, by changes in the allocation of credit risk of financial instruments, incorporating affectation analysis by COVID and generating an impact on the provision, moving from measurement for 12 months (stage 1) to measurement for the remaining life of the instrument (stages 2 and 3) for those in which it is determined that there was a significant increased credit risk since its initial measurement.

- Credit risk, the behaviour of which has changed for institutions according to the economic segments of their loan portfolios, increasing in the case of clients whose business has been negatively affected.

- The amount at risk (default exposure), taking into account the fact that affected debtors of The Bank have been found to have stopped making payments or are taking more time than normal to pay, mainly within the framework of relief schemes promulgated by government.

- The estimated loss for credits that are assessed individually, resulting from lower recovery of flows taking into account the impact caused by COVID-19.

- Macroeconomic aspects considered in the elaboration of scenarios and models for the calculation of the provision, where some of the variables have been weakened in view of the effects of COVID on the economy.

(5) COVID – 19, continued

The calculation of expected credit risk losses incorporated from the second quarter of 2020 forward-looking information projections, in line with the effects of the decisions that the government continue to take around COVID-19 and considering the high level of uncertainty in these terms of intensity and duration. The projection information has been based on the best available information obtained, considering the market where The Bank operates, and taking into account the effects on segments and portfolios, which are exposed to different risks and situations.

When considering the forward-looking information based on macroeconomic variables, the Bank updated the scenarios used and the probabilities assigned to them at the end of December 31, 2021, with the effects shown in the following two tables:

i. Macroeconomic variables used in the calculation of PCE

		December 2021 %	December 2020 %
	Upside	8.14%	5.54%
Monthly Economic Activity Index	Central	5.28%	3.34%
	Downside	3.68%	1.63%
	Upside	1.98%	-0.58%
Consumer Price Index	Central	2.58%	-0.16%
	Downside	3.36%	1.21%
	Upside	0.37%	-0.16%
Dollars Interest Rate	Central	0.83%	-0.02%
	Downside	0.87%	0.16%

ii. Weighting of probabilities assigned to scenarios before and after COVID-19

	December 2021	December 2020
Upside	**25%**	**10%**
Central	**60%**	**60%**
Downside	**15%**	**30%**

The macroeconomic scenarios were adjusted to reflect the impacts of COVID-19 and the weights assigned to each scenario were recalibrated based on the expectations resulting from the information available to date (as well as updating historical information, assumptions related to the severity and duration of the pandemic, speed of recovery of the economy and their respective impact on the market).

The Bank continues to monitor continuously information that allows it to identify in a timely manner possible impact to ECL.

iii. Impairment allowance balance

	December 2021	September 2021	June 2021	March 2021	December 2020
Corporate	57,535	166,521	130,075	1,865	2,758
Mortgage	5,878	5,549	4,320	4,977	6,063
Consumer	224,209	209,382	196,039	207,361	231,297
Total	287,622	381,452	330,434	214,203	240,118

(5) COVID – 19, continued

The above table summarizes the total balance of the provision by portfolio for each quarter of 2021.

iv. Loan's Portfolio provisión expense

	December 2021	Septiember 2021	June 2021	March 2021	December 2020
Corporate	(108,986)	36,446	128,210	(893)	(19,734)
Mortgage	329	1,229	(11,495)	(1,087)	(4,802)
Consumer	14,473	12,955	(23,182)	23,764	13,415
Total	(94,184)	50,630	93,533	21,784	(11,121)

The above table summarizes the provision expense for portfolio impairment for each quarter of 2021.

b) Reliefs to customers

Those taken or suggested by the government have promoted the generation of reliefs to clients (companies or individuals) between the months of april and december 2021 in relation to loans or loan agreements, which have implied the renegotiation of its terms including, among others, the granting of grace periods, the deferral of installments, the extension of terms and the extension of credit quotas. The following table summarizes the volume of relief granted by portfolio and its effects on the Bank's results:

	December 2021	December 2020	
	Mortgage	Mortgage	Consumer
			106
Amount of credits with relief	2	7	
% of credit with relief / Total credits	10.53%	35.00%	13.86%

To date, the government has not decreed direct support to banks.

(6) Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Bank's management is responsible for the development, selection, disclosure of policies and critical accounting estimates and their implementation in a manner consistent with the assumptions selected and related to the significant estimate uncertainties.

Loan Impairment Losses

The Bank reviews its loan portfolio to assess the impairment at least on a quarterly basis. When determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes decisions as to whether observable information exists indicating that there is a measurable reduction in estimated future cash flows from a loan portfolio before such reduction may be identified with an individual loan in that portfolio. This evidence includes observable information indicating that an adverse change in the payment condition of borrowers in a group, national or local economic conditions that correlate with non-compliance instances in Bank's assets have occurred.

Management determines estimates based on the experience of historical loss by assets with credit risk similar characteristics and objective evidence of impairment.

(6) Critical Accounting Estimates and Judgments in Applying Accounting Policies, continued

Fair Value of Financial Instruments

Fair value of financial instruments that are not quoted on active markets are determined using valuation techniques. When valuation techniques (for example, models) are used to determine the fair values, they are validated and reviewed periodically by qualified independent personnel from the field that created them. All models are evaluated and adjusted before use, and the models are calibrated to ensure that the results reflect current information and comparative market prices. To the extent possible, models only use observable information; however, areas such as credit risk (own and by the counterparty), volatilities and correlations require estimates prepared by the management.

(7) Deposits in Banks

Deposits in banks are listed below for reconciliation purposes with the statement of cash flows:

	2021	**2020**
Deposits in banks:		
Demand	92,943,800	565,802,209
Cash and cash equivalents per the statement of cash flows	92,943,800	565,802,209
Time deposits in banks greater than 90 days	380,000,000	100,000,000
Accrued interest receivable from time deposits greater than 90 days	6,979,869	305,208
Total deposits in banks	479,923,669	666,107,417

(8) Investments in Securities

(a) Investments at FVOCI:

The portfolio of investments at FVOCI is detailed as follows:

	2021	**2020**
Governments		
United States of America	704	776
	704	776

The Bank had investments at FVOCI for a total of $200,000,075 (2020: $71) which matured during the year and purchases of $199,999,475, made in 2021.

(9) Loans at Amortized Cost, net

A breakdown of the loan portfolio by type is as follows:

	2021			**2020**		
	Gross amount	**Allowance for ECL**	**Net carrying amount**	**Gross amount**	**Allowance for ECL**	**Net carrying amount**
Loans						
Corporate						
Corporate	25,125,988	57,535	25,068,453	369,128	2,758	366,370
Total corporate loans	25,125,988	57,535	25,068,453	369,128	2,758	366,370
Consumer loans						
Personal	10,477,855	224,209	10,253,646	11,168,976	231,297	10,937,679
Total consumer loans	10,477,855	224,209	10,253,646	11,168,976	231,297	10,937,679
Mortgage	2,769,276	5,878	2,763,398	3,361,807	6,063	3,355,744
Total loans at amortized cost	38,373,119	287,622	38,085,497	14,899,911	240,118	14,659,793

(10) Other Receivables, net

The breakdown of other receivables is presented in the table below:

	2021	2020
Commission receivable	0	1,915,539
Insurance receivable	3,433,610	3,433,610
Loss allowance (see ECL note 5)	(2,577,243)	(2,577,325)
	858,367	2,771,824

(11) Other Assets

The breakdown of other assets is presented in the table below:

	2021	2020
Deferred expenses	128,456	12,388
Other	55,000	55,000
	183,456	67,388

(12) Due to Depositors (Deposits from Customers)

Deposits from customers are detailed below:

	2021	2020
Retail customers		
Demand	4,383,837	2,590,195
Savings	311	197
Time deposits	4,170,675	7,498,010
Corporate customers		
Demand	131,298,811	257,419,739
Time deposits	248,584,253	291,460,063
Interest payable of deposits from customers	2,265,922	2,834,712
	390,703,809	561,802,916

(13) Other Liabilities

The breakdown of other liabilities is presented in the table below:

	2021	2020
Checks issued but not yet cashed	2,471	5,373
Account receivable – related party	6,597	0
Other	15,962	8,687
	25,030	14,060

(14) Common Stock

The Bank´s authorized share capital is $50,000,000 represented by 50,000,000 common stocks at $1.00 par value each of which as at December 31, 2021 and 2020 31,500,000 common stocks were issued and outstanding for a total consideration of $31,500,000.

(15) Other Operating Expenses

Other expense included in the statement of comprehensive income is summarized below:

	2021	2020
Other expense-related party	375,534	461,984
Other taxes	13,451	32,595
Other	2,303	1,660
	391,288	496,239

(16) Lease Liabilities

Lease liabilities are detailed below:

	2021			
	Interest rate	Maturities up to	Carrying amount	Undiscounted cash flows
Payable in US dollars	5.22%	2024	67,459	72,555
Total lease liabilities			67,459	0

The following is the detail of the maturity of the undiscounted contractual cash flows, related to lease liabilities under IFRS 16:

	2021	2020
Less than a year	24,876	0
One to five years	47,679	0
	72,555	0

The following are the items recognized in the statement of comprehensive income, related to lease liabilities:

	2021	2020
Interest on leases	4,008	0
Expense for leases of low-value assets	0	0
	4,008	0

(17) Premises (right of use), net

	Right-of-use assets
Cost:	
Balance at January 1, 2021	0
Purchases	94,546
Sales and disposals	0
Balance at December 31, 2021	94,546
Accumulated depreciation:	
Balance at January 1, 2021	0
Depreciation	(24,139)
Sales and disposals	0
Balance at December 31, 2021	(24,139)
Net balance	70,407

(18) Taxation

The Bank is established as a Cayman Islands exempted company. Under current laws of the Cayman Islands, there is no income, estate, transfer, sales or Cayman Islands taxes payable by the Bank.

The Bank does not consider itself to be engaged in a United States trade or business and, consequently, is not subject to United States income taxes. If the Bank should be considered to be engaged in a United States trade or business, it could be subject to federal income tax, federal alternative minimum tax and branch profit tax.

(19) Financial Instruments Outside the Statement of Financial Position and Other Commitments

The Bank holds financial instruments with risk off-balance sheet in the normal course of business to meet the financing needs of its customers. These financial instruments include, principally, commitments to extend credit, financial guarantees and letters of credit, the balances of which are not reflected in the statement of financial position.

Letters of credit are conditional commitments issued by the Bank to guarantee performance of a customer to a third party. Those letters of credit are primarily used to support trade transactions and borrowing arrangements. Generally, all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer. December 31, 2021 and 2020, the Bank had not entered into non-cancelable commitments to extend credit.

The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. At December 31, 2021 and 2020, the Bank did not have on-balance sheet instruments.

The nature, terms and maximum potential amount of future payments the Bank could be required to make under the standby letters of credit. All of those letters of credit and financial guarantees have terms not exceeding one year.

Generally, the Bank has resources to recover from clients the amounts paid under these guarantees; additionally, the Bank can hold cash or other collateral to cover these guarantees.

(20) Disclosures on the Fair Value of Financial Instruments

The Bank established a process for determining the fair value. The fair value is primarily based on quoted market prices, when available. If market prices or quotes are not available, fair value is determined based on internally developed models that primarily use market information or other information obtained as inputs regardless of market parameters, including but not limited to yield curves, interest rates, debt prices, foreign exchange rates and credit curves. However, in situations where there is little or no market activity for the asset or liability at the measurement date, the fair value measurement reflects the Bank's own judgments about assumptions that market participants would use in setting the price of the asset or liability. The judgments are developed by the Bank based on the best information available in the circumstances, including expected cash flows, discount rates adjusted for risks and the availability of observable and unobservable inputs.

The methods described above can generate fair value estimates that may not be indicative of the net realizable value or that do not reflect future values. In addition, while the Bank believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value estimates as of the reporting date.

Financial instruments at fair value

Recurring Fair Value Measurement

The following is a description of the valuation methodologies used to value instruments carried at fair value, including a general classification of such instruments according to the fair value hierarchy.

Securities

When there are market prices in an active market, securities are classified in Level 1 of the fair value hierarchy. Level 1 securities include highly liquid bonds from the government and agencies and investments in highly traded shares. If market prices are not available for a specific security, the fair value is determined using market prices of securities with similar characteristics or discounted cash flows and are classified in Level 2. In certain cases where there is limited activity or less transparency in determining the assumptions used in the valuation, securities are classified in Level 3 of the fair value hierarchy. Therefore, when valuing certain debt obligations, determining fair value may require comparisons with similar instruments or default and collection rate analysis.

Assets recorded at fair value on a recurring basis, are summarized below:

	Other significant observable assumptions (Level 2)	
Assets	**2021**	**2020**
Investment at FVOCI		
Bonds from governments and agencies:		
United States of America	704	776

The Bank's accounting policies include the recognition of transfers between the levels of the fair value hierarchy on the date of the event or change in the circumstances that caused the transfer. No financial instrument was transferred between levels of the fair value hierarchy as of reporting dates.

(20) Disclosures on the Fair Value of Financial Instruments, continued
Fair Value of Financial Instruments, additional disclosures

The table below describes the valuation techniques and input data used in the financial instruments' recurring fair value measurements:

Financial instrument	Valuation technique and entry data used	Level
Bonds from the Government and Agencies: United States of America	Consensus prices obtained through price providers (Bloomberg).	(2)

The following disclosures present the financial instrument not recorded at fair value in the Bank's statement of financial position as at December 31, 2021 and 2020.

A description of the methods and assumptions used to estimate the fair value of the main financial instruments held by the Bank is provided below:

Financial instruments with carrying amounts that approach the fair value:
Cash and cash equivalents, deposits that bear interest and clients' obligations for acceptances and acceptances outstanding are measured at book value reported in the statement of financial position, which is considered a reasonable fair value estimate due to the characteristics and maturity of these instruments.

Loans
Most of the Bank's loans are not recognized at fair value on a recurring basis and are not actively traded. Fair values are estimated groups of similar loans based on loan type and maturity. The fair value of these loans was determined by discounting the estimated cash flows using rates that approach the rates in effect of market participants for new loans and adjusted to reflect the inherent credit risk. This fair value does not represent a current indicator of an output price. Fair values for consumer loans (including automobile and real estate financing), for which market rates for comparable loans are available, are based on discounted cash flows adjusted for prepayments.

Discount rates for consumer loans are based on current market rates adjusted for credit and other risks that are applicable to a particular asset class. The fair value of credit cards is based on expected discounted cash flows. The discount rate for credit cards includes only the effects of changes in interest rates since cash flows include an adjustment for credit risk. For doubtful loans, the cash flows are discounted using a rate that takes into consideration the recovery time and a premium for the uncertainty of the flows.

The value of the guarantees is also considered. Historical prepayment rates on loans are used to adjust the cash flows. The assumptions used are expected to approach those that a market participant would use to assess these loans.

Deposits
Deposits without defined maturity such as demand deposits, "NOW" / "Money Market" and savings accounts have a fair value that is equal to the amount payable on demand as of the reporting date, i.e., their carrying amount. The fair value of term deposits is estimated using a calculation of discounted cash flows applying current interest rates to all scheduled maturities. The assumptions used for the analysis of discounted cash flows are expected to approach those that market participants would use to evaluate these deposits.

(20) Disclosures on the Fair Value of Financial Instruments, continued

Financial instruments at fair value

The information on the fair value of financial instruments described above (which are not disclosed elsewhere in the financial statements) in the statement of financial position as of December 31, 2021 and 2020, is as follows:

2021	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets:				
Deposits in banks	479,923,669	0	479,923,669	479,923,669
Loans at amortized cost, net	0	37,114,447	37,114,447	38,085,497
Other receivables, net	0	858,367	858,367	858,367
Total financial assets	479,923,669	37,972,814	517,896,483	518,867,533
Financial liabilities:				
Due to depositors	135,682,959	252,754,928	388,437,887	390,703,809
Total financial liabilities	135,682,959	252,754,928	388,437,887	390,703,809

2020	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets:				
Deposits in banks	666,107,417	0	666,107,417	666,107,417
Loans at amortized cost, net	0	13,877,870	13,877,870	14,659,793
Other receivables, net	0	2,771,824	2,771,824	2,771,824
Total financial assets	666,107,417	16,649,694	682,757,111	683,539,034
Financial liabilities:				
Due to depositors	260,010,133	307,231,627	567,241,760	561,802,916
Total financial liabilities	260,010,133	307,231,627	567,241,760	561,802,916

(21) Related Party Transactions

In the normal course of business, the Bank conducts transactions with related parties, including main executives and directors. The following table shows the balances and transactions with related parties as of December 31, 2021 and 2020:

	December 2021			December 2020		
	Key personnel	Related Parties	Maximum balance for the year	Key personnel	Related parties	Maximum balance for the year
Deposits in banks	0	459,268,797	795,523,814	0	623,596,482	672,091,830
Loans	1,095,536	0	134,379,408	1,153,472	0	1,164,342
Allowance for ECL	(3,251)	0	(3,251)	(2,585)	0	(2,582)
Accrued interest receivable and other receivables	5,551	6,980,514	6,029	6,412	305,233	750,966
	1,097,837	466,249,310	929,906,000	1,157,302	623,901,715	674,004,556
Liabilities:						
Demand deposits	45,347	94,693,491	73,603,245	1,197	190,980,064	209,977,357
Time deposits	0	0	0	790,335	0	816,977
Accrued interest payable and other liabilities	2,050	6,597	5,202	12,217	0	16,723
	47,397	94,700,088	73,608,448	823,749	190,980,064	210,811,057
Income and expenses:						
Interest income and other income	66,701	13,451,217		68,992	8,223,159	
Interest expense, commissions and other operating expenses	45,780	1,143,134		34,933	2,147,169	

(22) Regulatory Matters

Banking operations of the Bank are subject to various regulatory requirements administered by governmental agencies in the countries they operate or are licensed. Failure to meet these regulatory requirements can initiate certain mandatory and possibly additional discretionary, actions by the regulators that, if undertaken, could have a material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets and certain off balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amount and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

To monitor adequacy of its capital, the Bank uses ratios established by the Cayman Islands Monetary Authority ("CIMA"). These ratios measure adequacy by comparing the Bank´s eligible capital with its balance sheet assets at weighted amounts to reflect their relative risk.

The Bank is required by CIMA at all times to maintain a capital adequacy ratio of at least 12% according to current regulations and the provisions of its license. The Bank is in compliance with this requirement as of December 31, 2021 and 2020.

In addition to risk-based capital requirements, the Basel III reforms introduced a simpler, non risk-based Leverage ratio requirement to act as a supplementary measure to its risk-based capital requirements. The Leverage ratio is defined as a ratio of Basel III Tier 1 capital to a leverage exposure measure which includes on-balance sheet assets and off-balance sheet commitments, derivatives and securities financing transactions, as defined within the requirements. Effective 1 December 20, CIMA implemented the Basel III Leverage Ratio Liquidity Risk Management Rules and Guidelines, which outline the application and disclosure pf the Basel III Leverage ratio in the Cayman Islands. The minimum ratio of 3% is applicable to all banks, except in specific cases where the Authority, in its sole discretion, decides that difference leverage ratio requirements should be set.

Management believes that, as of December 31, 2021 and 2020, the Bank meets all capital adequacy requirements to which it is subject. The table below summarizes the composition of regulatory capital and shows the capital adequacy ratio of the Bank as of the reporting date.

As of December 31, 2020, and 2020, the Bank has complied with all of the externally imposed capital requirements to which it was subject.

	2021	2020
Tier I Capital		
Common stock	31,500,000	31,500,000
Retained earnings and regulatory reserve	96,825,802	90,290,215
Total regulatory capital	128,325,802	121,790,222
Risk-based weighted assets	306,283,264	383,612,194
Capital ratio	39.34%	31.75%

The Parent Company is regulated by the Superintendence of Banks of the Republic of Panama. The Superintendence issued a regulation applicable to the parent company and all its subsidiaries in relation to certain regulatory reserves.

(22) Regulatory Matters, continued

The Agreement No. 4-2013 "whereby provisions are set out for the management and administration of the inherent credit risk in letters of credit and off-balance operations".

Among other things, this Agreement defines the classification categories of credit facilities for the specific and dynamic provisions as well as the criteria that the policies for restructures loans, financial guarantees, and charge off operations should contain. The dynamic provisions were established by the Superintendence, as prudential regulation, order to meet future needs of specific provisions. The Specific provision for impairment of the loan portfolio should be determined and recognized in the financial statements in accordance with the credit facilities classification within the risk categories currently in use and calculated based on minimum percentages weighted by each category specified in the Agreement. The Agreement also requires establishing the dynamic provision, to be determined and recognized quarterly as reserves in equity following certain calculation criteria and restrictions that will be implemented gradually.

The Agreement establishes that the dynamic reserve cannot be less than 1.25% nor greater than 2.50% of risk-weighted assets related to credit facilities classified as normal.

Based on this Agreement at December 31, 2021, the Bank established the regulatory reserve in the amount of $2,383,637 for dynamic provisions (2020: $2,383,637) as part of equity through the appropriation of retained earnings. At December 31, 2021 and 2020, it is not applicable to the Bank to establish the regulatory specific provision based on the Agreement No.4-2013.

(23) Litigation

To the best knowledge of Bank's management, there is currently no litigation or assessment that may result in a material adverse effect on its business, its financial position or financial performance.