Audited Financial Statements

Inteligo Bank Ltd.

Year ended December 31, 2020
with Independent Auditors' Report

CONTENTS

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Independent Auditor's Report

The Board of Directors
Inteligo Bank Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Inteligo Bank Ltd. (the "Bank") which comprise the statement of financial position as at December 31, 2020, and the statement of income , statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's 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 auditor's 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.

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- 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 auditor's 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 auditor's 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 the Board of Directors 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.

Ernst + Young Ltd.

April 8, 2021

Inteligo Bank Ltd.
Statement of Financial Position
December 31, 2020

(Amounts expressed in thousands of US$ dollars)

Notes		**2020 US$ 000**	2019 US$ 000
	ASSETS		
	Cash and deposit with banks		
	Cash	**9**	9
	Deposit with banks:		
5, 11	Demand deposits	**93,931**	141,242
5	Time deposits	**59,864**	61,061
		153,804	202,312
	Financial assets:		
6, 21	At fair value through profit or loss (FVPL) (includes $71,675 pledged as collateral in 2020) (2019: $71,675)	**399,494**	354,929
6, 21	At fair value through other comprehensive income (FVOCI) (includes $36,959 pledged as collateral in 2020) (2019: $39,379)	**105,866**	117,044
		505,360	471,973
7	Loans, net	**464,943**	503,459
		464,943	503,459
	Accrued interest receivable	**8,264**	11,607
8	Property, furniture, equipment and improvements	**5,705**	6,081
9	Intangible assets	**3,283**	3,332
	Securities sold pending settlement	**5,004**	-
10	Other assets	**8,920**	12,153
		31,176	33,173
	TOTAL ASSETS	**1,155,283**	1,210,917

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

Inteligo Bank Ltd.
Statement of Financial Position (continued)
December 31, 2020

(Amounts expressed in thousands of US$ dollars)

Notes		2020 US$ 000	2019 US$ 000
	LIABILITIES AND SHAREHOLDER'S EQUITY		
	Liabilities		
	Deposits:		
11, 21	Demand	**366,000**	313,937
	Time	**419,558**	549,532
		785,558	863,469
12	Borrowings	**83,000**	95,000
	Accrued interest payable	**3,689**	5,945
	Securities bought pending settlement	**5,048**	1
	Other liabilities	**4,514**	4,912
		13,251	10,858
	Total liabilities	**881,809**	969,327
	Shareholder's Equity		
13	Share capital	**20,000**	20,000
	Other accumulated comprehensive income	**3,338**	3,074
	Regulatory reserve	**2,242**	2,242
	Retained earnings	**247,894**	216,274
	Total Shareholder's Equity	**273,474**	241,590
	TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**1,155,283**	1,210,917

Approved on behalf of the Board of Directors on April 8, 2021 by the following:

Roberto Hoyle
Director

Reynaldo Roisenvit
Director

Inteligo Bank Ltd.
Statement of Income
For the year ended
December 31, 2020

(Amounts expressed in thousands of US$ dollars)

Notes		**2020** **US$ 000**	2019 US$ 000
	Interest and dividend income:		
	Interest on loans	**19,824**	23,217
	Interest on securities	**12,172**	14,732
	Interest on deposits with banks	**1,920**	3,921
	Dividend income	**12,878**	8,942
	Total interest and dividend income	**46,794**	50,812
	Interest expense	**(14,182)**	(17,435)
	Net interest and dividend income	**32,612**	33,377
	Income (expense) from financial services and other items:		
15	Net unrealized gain on financial assets at FVPL	**39,045**	6,510
15	Net (loss)/gain on financial assets at FVPL	**(1,976)**	8,782
15	Net (loss)/gain on financial assets at FVOCI	**(5,008)**	3,587
18	Commision income	**29,560**	32,813
	Commision and other expense	**(3,166)**	(4,601)
	Other income	**1,778**	509
	Total income from financial services and other items, net	**60,233**	47,600
	General and administrative expenses:		
16	Salaries and employee benefits	**4,318**	6,282
	Rent	**47**	42
16	Professional fees	**12,707**	10,673
8, 9	Depreciation and amortization	**1,230**	2,448
16	Other expenses	**2,923**	3,432
	Total general and administrative expenses	**21,225**	22,877
	Net profit	**71,620**	58,100

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

Inteligo Bank Ltd.
Statement of Comprehensive Income
For the year ended
December 31, 2020

(Amounts expressed in thousands of US$ dollars)

Notes		**2020**	2019
		US$ 000	US$ 000
	Net profit for the year	**71,620**	58,100
	Other comprehensive income:		
	Financial assets at FVOCI:		
	Net (loss) gain arising during the year	**(4,770)**	3,074
	Reclassification adjustments to the statement of income	**5,251**	(967)
	Adjustment to the reserve of financial assets at FVOCI	**(217)**	174
	Net gain of financial assets at FVOCI	**264**	2,281
	Total comprehensive income for the year	**71,884**	60,381

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

Inteligo Bank Ltd.
Statement of Changes in Shareholder's Equity
For the year ended
December 31, 2020

(Amounts expressed in thousands of US$ dollars)

	Share Capital US$ 000	*Other Accumulated Comprehensive Income*	*Regulatory Reserve US$ 000*	*Retained Earnings US$ 000*	*Total Shareholder's Equity US$ 000*
At January 1, 2019	20,000	793	4,567	195,849	221,209
Net profit for the year	-	-	-	58,100	58,100
Other comprehensive income:					
Financial assets at FVOCI					
Net gain arising during the year	-	3,074	-	-	3,074
Reclassification ajustments to the statement of income	-	(967)	-	-	(967)
Net gain on financial assets at FVOCI	-	2,107	-	58,100	60,207
Adjustment to the reserve of expected credit losses on debt instruments at FVOCI	-	174	-	-	174
Transactions with owners, recorded directly in equity:					-
Dividends declared	-	-	-	(40,000)	(40,000)
Adjustment to regulatory reserve	-	-	(2,325)	2,325	-
At December 31, 2019	20,000	3,074	2,242	216,274	241,590
Net profit for the year	-	-	-	**71,620**	**71,620**
Other comprehensive income:					
Financial assets at FVOCI					
Net loss arising during the year	-	**(4,770)**	-	-	**(4,770)**
Reclassification ajustments to the statement of income	-	**5,251**	-	-	**5,251**
Net gain on financial assets at FVOCI	-	**481**	-	-	**481**
Adjustment to the reserve of expected credit losses on debt instruments at FVOCI	-	**(217)**	-	-	**(217)**
Transactions with owners, recorded directly in equity:					
Dividends declared	-	-	-	**(40,000)**	**(40,000)**
At December 31, 2020	**20,000**	**3,338**	**2,242**	**247,894**	**273,474**

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

Inteligo Bank Ltd.
Statement of Cash Flows
For the year ended
December 31, 2020

(Amounts expressed in thousands of US$ dollars)

Notes		**2020** **US$ 000**	2019 US$ 000
	Cash flows from operating activities		
	Net profit	**71,620**	58,100
	Adjustments to reconcile net profit to net cash flows:		
8, 9	Depreciation and amortization	**1,230**	2,448
	(Reversal) reserve of financial assets at FVOCI	**(217)**	174
	Net gain (loss) gain on financial instruments at FVOCI	**5,008**	(3,587)
	Interest income	**(46,794)**	(50,811)
	Interest expense	**14,182**	17,435
	Operating results before working capital changes	**45,029**	23,759
	Financial assets at FVPL	**(44,565)**	(8,312)
	Loans	**38,516**	(43,007)
	Deposits	**(77,911)**	90,060
	All other assets	**(1,772)**	7,180
	All other liabilities	**4,649**	321
	Net cash flows (used in) generated from operations	**(36,054)**	70,001
	Interest received	**50,137**	48,472
	Interest paid	**(16,438)**	(15,555)
	Net cash flows (used in) provided by operating activities	**(2,355)**	102,918
	Cash flows from investing activities		
	Deposits over 90 days	**2,667**	7,877
	Acquisition financial assets at FVOCI	**(10,334)**	(68,890)
	Proceeds from sale financial assets FVOCI	**7,046**	40,891
	Financial assets at FVOCI	**9,939**	34,242
8	Purchase of furniture, equipment and improvements	**(114)**	(130)
9	Intangible assets	**(701)**	(1,006)
8, 9	Disposal of assets	**11**	47
	Net cash flows provided by investing activities	**8,514**	13,031
	Cash flows from financing activities		
12	Borrowings proceeds	**8,000**	27,000
	Repayments of borrowings	**(20,000)**	(28,000)
13	Dividends paid	**(40,000)**	(40,000)
	Net cash flows used in financing activities	**(52,000)**	(41,000)
	Net (decrease) increase in cash and cash equivalents	**(45,841)**	74,949
	Cash and cash equivalents at January 1	**159,865**	84,916
5	**Cash and cash equivalents at December 31**	**114,024**	159,865

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

1. Corporate Information

Inteligo Bank Ltd. ("the Bank") was incorporated under the laws of The Commonwealth of The Bahamas in 1995 and is licensed by The Central Bank of The Bahamas to conduct various types of banking, financing and investment activities. The Bank is also registered with the Securities Commission of The Bahamas since 2019. The registered office of the Bank is located at Seventeen Shop Building, First Floor, Collins Avenue & Fourth Terrace, Centreville, Nassau, The Bahamas. The Bank is a wholly owned subsidiary of Inteligo Group Corp., an entity incorporated under the laws of the Republic of Panama. Inteligo Group Corp. is a wholly owned subsidiary of Intercorp Financial Services Inc., a public company listed in the New York Stock Exchange and in the Lima Stock Exchange (Bolsa de Valores de Lima, BVL) under the ticker IFS.

The Bank established a branch in Panama ("the Branch"), on January 10th, 1997 under the laws of the Republic of Panama. The Branch operates under an international license issued by the Superintendence of Banks of Panama through resolution No. 26-96 of December 1996. The banking operations in Panama (primarily lending and borrowing activities) are subject to regulatory requirements and the supervision of the Superintendence of Bank of Panama, pursuant to Agreement No. 9 of February 26, 1998; as modified by Law Decree No.2 of February 22, 2008.

The financial statements were authorized for issuance according to resolution of the Board of Directors of Inteligo Bank Ltd. on April 8, 2021.

2. Statement of Compliance

The financial statements of Inteligo Bank Ltd. have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB").

3. Basis of Preparation of Financial Statements

3.1 Basis of presentation

The financial statements have been prepared on an historical cost basis, except for the measurement at fair value of financial assets at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI) under IFRS 9. The financial statements are presented in United States of America dollars (US$) and all values are rounded to the nearest thousand (US$000) except when otherwise indicated. The Bank presents its statements of financial position in order of liquidity.

3. Basis of Preparation of Financial Statements (continued)

3.2 Significant accounting judgments and estimates

Judgment

The preparation of the financial statements in conformity with International Financial Reporting Standards requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the accompanying disclosures, as well as the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. In the process of applying the Bank's accounting policies, Management has made the following judgements and assumptions.

a. Impairment losses of financial assets. The measurement of impairment losses under IFRS 9 of financial assets requires judgement, in particular, the estimation of amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's expected credit loss policy is detailed in Note 4 of these financial statements.

b. Fair value of financial instruments. The fair value of financial instruments is the price that would be received to sell the asset or paid to transfer a liability in an orderly transaction in the principal and most advantageous market under current market conditions. When the fair value of financial assets cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. Further details about determination of fair value are disclosed in Note 4 to these financial statements.

c. Effective interest rates. Interest income is recorded using the effective interest rate (EIR) method for all financial assets measures at amortized cost, interest income on interest bearing assets measured at FVOCI, as well as interest expense of financial liabilities held at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability, therefore, the estimation of the expected life of the instrument requires an element of judgment. Refer to Note 4 to these financial statements.

d. Provisions and contingent liabilities. The Bank operates in a regulatory and legal environment that, by nature, has an element of litigation risk to its operations, and the Bank has to consider the probability of outflows due to cases against the Bank. Given the subjectivity and uncertainty of determining the probability, the Bank takes into consideration a number of factors to determine a provision. Refer to Note 18 to these financial statements.

3. Basis of Preparation of Financial Statements (continued)

3.3 Going Concern

The Bank's Management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4. Summary of Significant Accounting Policies

4.1 Significant Accounting Policies

Cash and cash equivalents

For presentation purposes, in its statement of cash flows, the Bank considers as cash and cash equivalents all highly liquid instruments with original maturities of three months or less. As of December 31, 2020, cash and cash equivalents are represented by cash and deposits with banks.

Fair value of financial instruments

Financial instruments are used by the Bank to manage market risk, facilitate customer transactions, hold proprietary positions and meet financing objectives. Fair value is determined by the Bank based on available listed market prices or broker price quotations. Assumptions regarding the fair value of each class of financial assets and liabilities are fully described in Note 20 to the financial statements.

Financial Assets

The Bank recognizes, in compliance with IFRS 9, three classes of financial assets: Financial assets at fair value through profit or loss (FVPL), at amortized cost and financial assets at fair value through OCI (FVOCI), which includes debt instruments that recycle through profit or loss and equity instruments not recycling through profit or loss. The classification depends on the purpose for which the financial assets were acquired and on their intended use. Management determines the classification of its financial assets at initial recognition or acquisition, whichever comes first.

4. Summary of Significant Accounting Policies (continued)

A financial asset is recorded at amortized cost if it meets the following two conditions and is not designated at fair value through profit or loss:

- The objective of the business model is to hold the financial asset in order to collect the contractual cash flows; and
- The contractual terms of the assets correspond to cash flows that are solely payments of principal and interest (SPPI) on the outstanding principal amount.

Amortized cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

A financial asset must be measured at fair value through other comprehensive income (FVOCI) only if it meets the following two conditions and is not designated at fair value through profit or loss:

- The objective of the business model is to both obtain contractual cash flows and sell the financial assets; and
- The contractual terms of the assets give rise to cash flows that are SPPI on the outstanding principal amount.

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments that are not held for trading as equity instruments at FVOCI when they meet the definition of equity under IAS 32 “Financial Instruments: Presentation”. Such classification is determined on an instrument by instrument basis.

All the financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Impairment – Financial assets, loan commitments and financial guarantee contracts

The Bank´s impairment model requires the estimation of expected credit losses (ECL) be adjusted by the future changes in macroeconomic factors (forward-looking approach), which shall be determined based on probability weighting.

The impairment model is applied to financial instruments that are not measured at fair value through profit or loss, such as financial assets that are debt instruments and financial assets at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment.

4. Summary of Significant Accounting Policies (continued)

Measurement of the expected credit loss

The parameters for measuring the expected credit loss are the following:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

PD estimations are calculated at a determined date and are obtained by applying the Bank's risk grading models.

The LGD is an estimate of the loss arising in the case where a default occurs at a given time. The Bank calculates the LGD parameters with historical information of the recovery rates for different products. LGD models consider: the guarantee and the recovery costs of the guarantee.

The EAD represents the expected exposure at a future default date. The Bank calculates the EAD of the counterpart and the possible changes in the current amount according to the contract, including amortization and pre-payments. The EAD of a financial asset shall be the book value at the moment of default. In the case of loan commitments and financial guarantees, the EAD shall consider the used amount, as well as the potential future amounts that can be extracted or reimbursed pursuant to the contract, which shall be estimated in function of the historical records and macroeconomic factors. The EAD includes the direct and indirect (contingent) credit risk, which is determined by the credit conversion factor (CCF).

The Bank uses a 12-month PD for financial assets whose credit risk has not increased significantly since their initial recognition. For the rest of financial assets, the Bank shall measure the expected loss considering the default risk for the expected remaining life of the financial instrument.

At each reporting date, the Bank measures the expected credit loss by classifying the financial assets as follows:

• "Stage" 1: A 12-month expected credit loss is recognized on financial assets whose credit risk has not increased significantly since their initial recognition. The interest income is measured based on the gross carrying amount of the financial asset.

• "Stage" 2: A lifetime expected credit loss is recognized on financial assets whose credit risk has increased significantly since their initial recognition. The interest income is measured based on the gross carrying amount of the financial asset.

• "Stage" 3: A lifetime expected credit loss is recognized on credit-impaired financial assets. The interest income is measured based on the net carrying amount of the financial asset.

4. Summary of Significant Accounting Policies (continued)

Forward-looking information

According to IFRS 9, the Bank includes prospective information in order to determine its expected credit loss. This process implies the use of economic scenarios and considering the probability of occurrence for each scenario. This information can be external and can use economic data and forecasts published by regulatory entities.

Fair value of financial instruments

The Bank determines the fair values of certain financial instruments by means of valuation techniques that use a significant amount of inputs, not necessarily based on observable data, when these unobservable inputs have a significant effect on the instruments' valuation.

Availability of observable market price, and model inputs reduces the need for management judgment and estimation; and therefore, the possible uncertainty associated with the determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments the Bank uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all the significant inputs used in these models may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation technique, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and for the selection of appropriate discount rates.

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function, which is independent of front office management. Specific controls include verification of observable pricing inputs and performance of model valuations; a review and approval process for new models and changes to existing models; calibration and back testing of models against observed market transactions; and review of significant unobservable inputs and valuation adjustments.

Regardless of the established control framework, the economic environment prevailing during recent years has increased the degree of uncertainty inherent in these estimates and assumptions.

4. Summary of Significant Accounting Policies (continued)

Fair value estimates are made at a specific date based on relevant market estimates and information about the financial instruments. The Bank holds financial instruments for which limited, or no observable market data is available. Fair value measurements for these instruments fall within Level 3 of the fair value hierarchy of IFRS 13 “Fair Value Measurements”. These fair value measurements are based primarily upon managements` own estimates and are often calculated based on the Bank’s current pricing policy, the current economic and competitive environment, the characteristics of the instrument, credit, interest, and currency rate risks and other such factors. Therefore, the results cannot be backed by comparison to prices quoted in active markets and may not be fully realized in a sale or immediate settlement of the asset or liability. Additionally, there are inherent uncertainties in any fair value measurement technique, and changes in the underlying assumptions used, including movements in discount rates, liquidity risks, and estimates of future cash flows that could significantly affect the fair value measurement amounts.

Financial liabilities

The Bank recognizes, in compliance with IFRS 9, its financial liabilities at amortized cost using the effective interest method. In the event the Bank elects to recognized financial liabilities at FVTPL, the changes due to credit risk of the liability is presented in other comprehensive income; and the remaining amount of the change in fair value is presented in profit or loss.

Borrowings

After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well through the effective interest rate amortization process.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions; or using valuation techniques, including discounted cash flows models and options pricing models, as appropriate. All derivatives are reported as assets when fair value is positive and as liabilities when negative.

Derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the statement of income in the Net gain on financial instruments at FVPL line item. Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets are also included in net gain on financial instruments at FVPL line item.

4. Summary of Significant Accounting Policies (continued)

Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For its financial assets, the Bank uses quoted market prices in an active market or dealer prices, which are the best evidence of fair value, where they exist, to measure the financial instrument. For investments where there is no active market, fair value is determined using valuation techniques such as: recent arm’s length market transactions; reference to the current market value of a substantially similar instrument; discounted cash flow analysis or other valuation models. The fair value of investment funds is determined by reference to the net asset values of the funds as provided by the respective administrators of such funds; reviewed in order to determine the appropriateness of the reported balance or whether adjustments are necessary.

Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership. When securities classified as at FVOCI are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of income as gains and losses on financial instruments at FVOCI.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Interest income and expense

Interest income and expense is recognized in the statement of income for all interest-bearing instruments on an accrual basis applying the effective interest method to the actual purchase price. Interest income includes coupons earned on fixed income investment and accredited discount on debt instruments. When a loan becomes of doubtful collection, it is written down to recoverable amount and interest income is thereafter recognized at the rate of interest which had been used to discount the future cash flows for the purpose of determining the recoverable amount.

Fees and commissions income

Fees and commissions are generally recognized on an accrual basis once service has been rendered; these are recognized as part of Commission income in the statement of income.

Dividend income

Dividend income is recognized on ex-dividend date.

4. Summary of Significant Accounting Policies (continued)

Cash dividend

Cash dividends are recognized when the Bank pays its holding company, which is generally when the shareholders approve the amount of the dividend for the year.

Foreign currency operations

The Bank's transactions are performed mostly in U.S. dollars, its functional and reporting currency. Foreign currency transactions are translated into U.S. dollars at the prevailing exchange rates on the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets are measured at the date of the statement of financial position and liabilities denominated in foreign currencies are recognized in the statement of income.

Translation differences on debt securities and other financial assets and liabilities measured at fair value are included as foreign exchange income, in the other income line item of the statement of income.

Property, furniture, equipment, and improvements

Property, furniture, equipment, and improvements are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the useful life of the assets as follows:

Property	30 years
Improvements	Shorter of 5 years or lease period
Furniture and office equipment	2 to 3 years
Vehicles	5 years

The carrying values of furniture, equipment and improvements are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets

Costs associated with maintaining computer software programs are recognized as an expense when they are incurred. Costs that are directly associated with identifiable and unique software products controlled by the Bank and that will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

4. Summary of Significant Accounting Policies (continued)

Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are recognized as a capital improvement and therefore added to the original cost of the software. Computer software costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding 5 years.

Fiduciary activities

Assets and income arising from fiduciary activities, together with related undertakings to deliver such assets to customers, are excluded from these financial statements if the Bank acts in a fiduciary capacity such as a nominee, trustee, or agent, as they are not assets of the Bank.

Securities Sold Pending Settlement and Securities Purchased Pending Settlement

The Bank recognizes each sale and purchase of financial instruments on the trade date. At such date, the value of the purchased instrument is recognized, and a liability is recorded (securities bought pending settlement) and if the instrument is sold, the original instrument is derecognized with the corresponding recognition of an asset (securities sold pending settlement). The settlement of the transaction generally occurs within three working days following the trade date. The period between the trade date and the settlement date varies depending on the type of financial instrument traded and the regulations in effect when the negotiation occurred.

Income taxes

The Bank's operations are tax exempted in both jurisdictions, the Commonwealth of The Bahamas and the Republic of Panama.

IFRS 16 "Leases"

Leases
The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as lessee
The Bank applies a single recognition and measurements approach for all leases, except for short-term leases and leases of low-value assets. Then Bank recognizes lease liabilities to make lease payment and right – of – use assets representing the right to use the underlying assets.

The Bank concluded that the impact of accounting for the current lease contract under IFRS 16 is not significant; therefore, continues to expense the lease payment.

4. Summary of Significant Accounting Policies (continued)

The following amendments and interpretations effective for annual periods beginning on or after January 1, 2020, have not had an impact on the Bank's financial statements:

- Amendment to IFRS 3 *Definition of a business*
- Amendments to IAS 1 and IAS 8 *Definition of material*
- Amendments to IFRS 9, IAS 39 and IFRS 7 – *Interest rate benchmark reform*
- Amendments to IFRS 16 Covid-19 Related Rent Concessions
- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

Interest Rate Benchmark Reform ("IBOR reform")

On 27 August 2020 the International Accounting Standards Board (IASB or the Board) published Interest Rate Benchmark Reform - Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (IBOR reform Phase 2). IBOR reform Phase 2 provides temporary relief to address the accounting issues which arise upon the replacement of an InterBank Offered Rate (an IBOR) with an alternative nearly risk-free interest rate (an RFR). Publication of IBOR reform Phase 2 concludes the IASB´s work to respond to the effect of IBOR reform on financial reporting.

The effective date of the IBOR reform Phase 2 amendments is for annual periods beginning on or after 1 January 2021, with early application permitted. The requirements must be applied retrospectively.

The Bank performed the necessary analysis and concluded that the IBOR reform will not have a material effect on the Bank´s balance.

4. Summary of Significant Accounting Policies (continued)

Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standards for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contract (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provides credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer. When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it.
- Apply other applicable standards (such as IFRS 9, IFRS 15 Revenue from contracts with Customers or IAS 37 Provisions, Contingent Liabilities and Contingent Assets) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder´s obligation created by the contract have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 if effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Bank is currently in the process of assessing the impact of adopting IFRS 17 on its financial statements.

4. Summary of Significant Accounting Policies (continued)

IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities

As part of its 2018 – 2020 Annual improvement to IFRS standards process, the IASB issued an amendment to IFRS9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees included only those paid or received between the borrower and the lender. Including fees paid or received by either the borrower or lender on the other´s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Bank will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it will first apply the amendment and does not expect this will result in a material impact on its financial statement.

5. Cash and Deposits with Banks

	December 31,	
	2020	2019
	US$ 000	US$ 000
Cash	**9**	9
Demand deposits with banks	**93,931**	141,242
Time deposits with banks	**59,864**	61,061
Cash and deposits with banks	**153,804**	202,312
Less: deposits over 90 days	**(39,780)**	(42,447)
Cash and cash equivalents	**114,024**	159,865

At December 31, 2020, the annual interest rates on demand and time deposits in US$ ranged from 0% to 3.75% (2019: 0% to 3.75 %) with maturities of three years or less.

All counterparts at least have credit rating of BB and above.

6. Financial Assets

Financial assets include instruments classified at fair value through profit or loss:

	December 31,	
	2020	2019
	US$ 000	US$ 000
Corporate bonds	**5,706**	1,062
Equity shares and mutual funds	**284,910**	271,853
Structured products	**-**	329
Third party administrated portfolio	**108,878**	81,685
	399,494	354,929

The portfolio of securities detailed above is comprised mainly of a portfolio of bonds US$5,706 (2019:US$1,062), equity shares US$97,188 (2019: US$79,247), mutual funds US$187,722 (2019: US$192,606), and portfolios with different products managed by a third party US$108,878 (2019: US$81,685). The third party administered portfolio as of December 31, 2020 was composed by corporate bonds US$50,007 (2019: US$42,559), US government bonds US$17,258 (2019: US$2,103), collateralized mortgage obligations US$10,686 (2019: US$12,766), equity US$1,734 (2019: US$2,591), cash US$29,541 (2019: US$3,203), pending settlement securities -US$626 (2019: US$806), derivatives US$42 (2019: US$369) and repos / liabilities US$236 (2019: -US$18,900).

During 2020 the Bank bought financial assets for US$181,114 (2019: US$448,310), sold securities for US$141,260 (2019: US$451,650) and redeemed securities for US$686 (2019: US$1,647). Revaluation and realized gain accounted for US$31,734 (2019: US$9,993) and US$4,015 (2019: US$3,307).

6. Financial Assets (continued)

The composition and maturity analysis of financial assets at FVOCI as of December 31, 2020 is shown below:

	December 31, 2020					
	0-1 Year US$000	**1 - 5 Years US$000**	**5 - 10 Years US$000**	**More than 10 years US$000**	**With no Maturity US$000**	**Total US$000**
Equity shares	**-**	**-**	**-**	**-**	**4,093**	**4,093**
Corporate bonds	**-**	**33,536**	**68,237**	**-**	**-**	**101,773**
	-	**33,536**	**68,237**	**-**	**4,093**	**105,866**

	December 31, 2019					
	0-1 Year US$000	1 - 5 Years US$000	5 - 10 Years US$000	More than 10 years US$000	With no Maturity US$000	Total US$000
Equity shares	-	-	-	-	4,353	4,353
Corporate bonds	-	52,306	60,385	-	-	112,691
	-	52,306	60,385	-	4,353	117,044

The coupon rate on fixed-rate bonds classified at FVOCI ranged from 4.25% to 9.70% p.a. (2019: 5.25% to 9.70% p.a.). Furthermore, the bond portfolio is comprised of floating-rate securities, with coupons based on the corresponding Libor rate plus a spread of 7.50% p.a. (2019: 7.50% p.a.)

Securities for both the financial assets at FVPL and financial assets at FVOCI, classified by type of interest, are shown below:

	December 31,	
	2020 US$ 000	2019 US$ 000
Fixed rate	**91,226**	90,747
Floating Rate	**16,253**	23,006
Equity (non-interest bearing)	**101,281**	83,600
Structured Products	**-**	329
Funds (mixed)	**187,722**	192,606
Third party administered funds (mixed)	**108,878**	81,685
	505,360	471,973

6. Financial Assets (continued)

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: valuation techniques for which the lowest input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Transfer of financial assets from level 1 to level 2 occur when they ceased to be actively traded during the year and fair values consequently obtained using valuation techniques using observable market inputs. Transfers from level 2 to level 1 occur when the financial asset is actively traded during the year.

Transfers from level 3 to level 2 occur when the market for some securities became more liquid, which eliminates the need for the previously significant unobservable valuation inputs. Since the transfer, those instruments are valued using valuation models incorporating observable market inputs. Transfers into level 3 reflect changes in market conditions as a result of which instruments become less liquid. Therefore, the Bank requires significant unobservable inputs to calculate their fair value.

The financial assets at FVPL and FVOCI classified according to hierarchy of fair value measurements are described below:

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$000	**US$000**	**US$000**	**US$000**
Financial assets at FVPL				
Corporate bonds	**342**	**5,364**	**-**	**5,706**
Equity shares and mutual funds	**139,167**	**34,169**	**111,574**	**284,910**
Third party administrated portfolio	**-**	**108,878**	**-**	**108,878**
	139,509	**148,411**	**111,574**	**399,494**
Financial assets at FVOCI				
Equity shares	**4,093**	**-**	**-**	**4,093**
Corporate bonds	**85,520**	**16,253**	**-**	**101,773**
	89,613	**16,253**	**-**	**105,866**

6. Financial Assets (continued)

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
	US$000	US$000	US$000	US$000
Financial assets at FVPL				
Corporate bonds	1,062	-	-	1,062
Equity shares and mutual funds	137,250	-	134,603	271,853
Structured products	-	329	-	329
Third party administrated portfolio	-	81,685	-	81,685
	138,312	82,014	134,603	354,929
Financial assets at FVOCI				
Equity shares	4,353	-	-	4,353
Corporate bonds	89,685	23,006	-	112,691
	94,038	23,006	-	117,044

In October 2019 the Bank invested in a new managed account. Being conservative, as of December 31, 2019, the Bank classified that investment within the Level 3 of the fair value hierarchy. In 2020 the Bank analyzed all positions within the referred managed account and decided to reclass it to the Level 2 of the fair value hierarchy as the majority of investments within that account are Level 1 securities. The Bank reclassified a total of US$31.6 million from Level 3 to Level 2 in 2020. There were no transfers between Level 1 and Level 2 in 2020 and 2019, and no transfers into or out of Level 3 in 2019.

The fair value of financial assets is calculated as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value:

- Fair value of quoted debt securities and equity instruments is based on quoted market prices in active markets at the reporting date. When not available, fair value is determined by reference to quoted market prices for similar instruments, adjusted as appropriate to the circumstances of the instruments.

- Fair value of private investment funds depends on the underlying assets in their portfolios. If the assets are quoted bonds, shares or derivatives, fair value is based on market prices at the reporting date. If the assets are private debt or equity, fair value is estimated using a discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted investments.

6. Financial Assets (continued)

The table below shows a description of significant unobservable inputs to valuation, as of December 31, 2020:

	Fair Value (US$000)	Valuation technique	Significant unobservable inputs	Value	Sensitivity of the input to fair value
Private Equity Fund - Pharmaceutical sector	29,696	Net Asset Value	NAV	$215.19	10% increase (decrease) in the NAV would result in increase (decrease) in fair value by US$2,970
Mutual Funds and Investment Participations	81,878	Net Asset Value	NAV	According to each investment	10% increase (decrease) in the NAV would result in increase (decrease) in fair value by US$7,728
Total	**111,574**				

The table below shows a description of significant unobservable inputs to valuation, as of December 31, 2019:

	Fair value (US$000)	Valuation technique	Significant unobservable inputs	Value	Sensitivity of the input to fair value
Private Equity Fund - Pharmaceutical sector	35,510	DCF Method	Sales Forecast	Sector Analyst Median Estimates / Depending on each royalty	10% increase (decrease) in the sales forecast would result in increase (decrease) in fair value by US$3,110
			WACC	8%	500 basis point increase in the WACC would result in decrease in fair value by US$5,005 500 basis point decrease in the WACC would result in increase in fair value by US$6,992
Mutual Funds and Investment Participations	13,432	DCF Method	Discount Rate	According to Credit Risk	500 basis point increase in the discount rate would result in decrease in fair value by US$1,161 500 basis point decrease in the discount rate would result in increase in fair value by US$1,483
	10,854	Comparable multiples	Price/Sales Ratio	According to Market Sector	10% increase (decrease) in the comparable P/S ratio would result in increase (decrease) in fair value by US$1,089
	74,807	Net Asset Value	NAV	According to each investment	N/A
Total	134,603				

6. Financial Assets (continued)

The tables below include a reconciliation of fair value measurement of financial instruments classified by the Bank within level 3 of the fair value hierarchy:

	Year ended December 31,	
	2020	2019
	Financial Assets at FVPL	Financial Assets at FVPL
	US$000	US$000
Balance at January 1	**134,603**	111,104
Purchases	**28,862**	70,019
Settlements	**(45,212)**	(45,437)
Net change in value fair during the year	**24,961**	(1,083)
Reclassification	**(31,640)**	-
Balance at December 31	**111,574**	134,603

The investment for the LATAM managed account was made in October 2019. At that moment, the Bank decided to classify the investment as a Level 3 to be more conservative. In 2020, after analyzing the managed account's investments and talking to the managers, the Bank took the decision of transferring the managed account to Level 2 because the majority of its investments were going to be Level 1 assets.

The distribution by industry for level 3 financial assets at FVPL is as follow:

	Year ended December 31, 2020				
	Pharmaceutical	**Financial Services**	**Real Estate**	**Diversified**	**Total**
	US$000	**US$000**	**US$000**	**US$000**	**US$000**
Balance at January 1	**49,561**	**53,483**	**3,802**	**27,757**	**134,603**
Purchases	**1,803**	**13,817**	**268**	**12,974**	**28,862**
Settlements / distributions	**(26,239)**	**(12,945)**	**(330)**	**(5,698)**	**(45,212)**
Total (gain) recognized in P&L	**16,558**	**7,981**	**268**	**154**	**24,961**
Reclassificaction	**-**	**(31,640)**	**-**	**-**	**(31,640)**
Balance at December 31	**41,683**	**30,696**	**4,008**	**35,187**	**111,574**

6. Financial Assets (continued)

	Year ended December 31, 2019				
	Pharmaceutical	Financial Services	Real Estate	Diversified	Total
	US$000	US$000	US$000	US$000	US$000
Balance at January 1	42,054	37,897	4,436	26,717	111,104
Purchases	18,515	43,700	1,873	5,931	70,019
Settlements / distributions	(19,942)	(19,155)	(2,566)	(3,774)	(45,437)
Total (gain) recognized in P&L	8,932	(8,958)	59	(1,116)	(1,083)
Balance at December 31	49,559	53,484	3,802	27,758	134,603

The table below represents an analysis of the financial assets at FVPL and FVOCI by rating agency designation based on Standard & Poor's rating of equivalent funds.

	December 31, 2020					
	Equity Shares	**Mutual Funds**	**Third Party Administered Port.**	**Corporate Bonds**	**Structured Products**	**Total**
	US$000	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
AAA	-	-	-	-	-	-
AA+ to AA-	-	-	-	-	-	-
A+ to BBB-	-	-	-	**14,347**	-	**14,347**
Lower than BBB-	-	-	-	**71,575**	-	**71,575**
Unrated	**101,281**	**187,722**	**108,878**	**21,557**	-	**419,438**
	101,281	**187,722**	**108,878**	**107,479**	-	**505,360**

	December 31, 2019					
	Equity Shares	Mutual Funds	Third Party Administered Port.	Corporate Bonds	Structured Products	Total
	US$000	US$000	US$000	US$000	US$000	US$000
AAA	-	-	-	-	-	-
AA+ to AA-	-	-	-	-	-	-
A+ to BBB-	-	-	-	11,807	-	11,807
Lower than BBB-	-	-	-	78,940	-	78,940
Unrated	83,600	192,606	81,685	23,006	329	381,226
	83,600	192,606	81,685	113,753	329	471,973

6. Financial Assets (continued)

The tables below represent the debt instruments measured at FVOCI according to the stages indicated by IFRS 9:

		December 31, 2020			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
		US$000	US$000	US$000	US$000
Internal Credit Rating	**12 Month Basel III PD**				
AAA to A	0.00%	-	-	-	-
BBB	0.12%	**14,311**	-	-	**14,311**
BB	0.60%	**65,565**	**486**	-	**66,051**
Lower than BB	3.00%	**21,411**	-	-	**21,411**
Total		**101,287**	**486**	-	**101,773**

		December 31, 2019			
		Stage 1	Stage 2	Stage 3	Total
		US$000	US$000	US$000	US$000
Internal Credit Rating	12 Month Basel III PD				
AAA to A	0.00%	-	-	-	-
BBB	0.13%	4,269	-	-	4,269
BB	0.58%	72,203	502	-	72,705
Lower than BB	2.85%	35,717	-	-	35,717
Total		112,189	502	-	112,691

The Bank rates its financial assets into stage 1, stage 2, and stage 3, as describe below:

Stage 1: When the financial assets are first recognized, the Bank recognized an allowance base on 12 months ECLs. Stage 1 also includes financial assets whose credit risk has improved, and the financial assets has been reclassified from Stage 2.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime ECLs. Stage 2 also includes financial assets whose credit risk has improved, and the financial asset has been reclassified from Stage 3.

Stage 3: Financial assets considered credit impaired. The Bank records an allowance for the lifetime ECLs.

7. Loans, Net

The position of the loan portfolio is summarized below:

	December 31,	
	2020	2019
	US$ 000	US$ 000
Financial	**18,894**	45,814
Commercial	**13,491**	18,291
Industrial	**9,464**	10,199
Services	**132,841**	119,039
Construction and real estate	**36,466**	53,922
Fishing and agriculture	**36,865**	38,054
Consumer	**216,964**	218,176
	464,985	503,495
Less allowance for loan losses	**42**	36
	464,943	503,459

In addition to the allowance for loan losses, in compliance with the Superintendence of Banks of Panama Rule Nº 004-2013, whereby dispositions are established for managing and administering the credit risk inherent to credit portfolio and off-balance sheet operations, the Bank holds a Regulatory Reserve for the amount of US$2,242 at December 2020 (2019: US$ 2,242) that is reported in Shareholder's Equity.

At December 31, 2020, the annual interest rates on loans ranged from 0.9% to 10.25% (2019: 1.10% to 12.25%), and the weighted average interest rate was 3.68% (2019: 4.47%).

The classification of the loan portfolio by type of interest rate is summarized below:

	December 31,	
	2020	2019
	US$ 000	US$ 000
Fixed rate	**241,215**	143,508
Variable rate (Libor or prime)	**223,770**	359,987
	464,985	503,495

7. Loans, Net (continued)

Gross balance of loans is secured as follows:

	December 31,	
	2020	2019
	US$ 000	US$ 000
Cash	**154,157**	179,497
Securities	**274,448**	216,412
Others	**21,190**	83,770
Without collateral	**15,190**	23,816
	464,985	503,495

At December 31, 2020, there were no past due, non-accruing, impaired or renegotiated loans, and there were no changes on stages. As of December 31, 2020, and 2019 all loans were classified in stage one.

The table below represents an analysis of gross balance of loans, by the credit rating internal designation used by the Bank as of December 31, based on the capacity of the obliged to meet its financial commitments:

	Year ended December 31,	
	2020	2019
	US$ 000	US$ 000
Internal (equivalent) risk rating:		
Low (AAA to AA)	**46,520**	114,451
Medium Low (A to BBB+)	**348,584**	380,359
Medium (BBB to BBB-)	**68,589**	7,341
Medium High (BB+ to BB)	**210**	-
Not rated	**1,082**	1,344
	464,985	503,495

7. Loans, Net (continued)

The tables below represent the gross balance on loans according to the stages indicated by IFRS 9:

LOANS		**December 31, 2020**			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal Rating Grade	12 Month Basel III PD	US$000	US$000	US$000	US$000
Performing					
Low	0.00%	**46,520**	-	-	**46,520**
Medium Low	0.06%	**348,584**	-	-	**348,584**
Medium	0.12%	**68,589**	-	-	**68,589**
Medium High	0.60%	**210**	-	-	**210**
Not Rated	1.00%	**1,082**	-	-	**1,082**
Total		**464,985**	-	-	**464,985**

LOANS		December 31, 2019			
		Stage 1	Stage 2	Stage 3	Total
Internal Rating Grade	12 Month Basel III PD	US$000	US$000	US$000	US$000
Performing					
Low	0.00%	114,451	-	-	114,451
Medium Low	0.06%	380,359	-	-	380,359
Medium	0.13%	7,341	-	-	7,341
Not Rated	1.00%	1,344	-	-	1,344
Total		503,495	-	-	503,495

8. Property, Furniture, Equipment and Improvements, Net

Property, furniture, equipment, and improvements are shown below:

Year ended December 31, 2020

	Property **US$ 000**	***Furniture and Equipment*** **US$ 000**	***Improvements*** **US$ 000**	***Vehicles*** **US$ 000**	***Total*** **US$ 000**
Cost					
At beginning of year	**6,500**	**1,602**	**1,484**	**164**	**9,750**
Additions		**114**			**114**
Disposals	**-**	**(1)**	**-**	**-**	**(1)**
At end of year	**6,500**	**1,715**	**1,484**	**164**	**9,863**
Accumulated depreciation and amortization					
At beginning of year	**850**	**1,254**	**1,479**	**86**	**3,669**
Depreciation and amortization for the year	**217**	**245**	**2**	**26**	**490**
Disposals	**-**	**(1)**	**-**	**-**	**(1)**
At end of year	**1,067**	**1,498**	**1,481**	**112**	**4,158**
Net balance	**5,433**	**217**	**3**	**52**	**5,705**

Year ended December 31, 2019

	Property US$ 000	*Furniture and Equipment* US$ 000	*Improvements* US$ 000	*Vehicles* US$ 000	*Total* US$ 000
Cost					
At beginning of year	6,500	1,472	1,484	164	9,620
Additions	-	130	-	-	130
At end of year	6,500	1,602	1,484	164	9,750
Accumulated depreciation and amortization					
At beginning of year	633	850	1,477	53	3,013
Depreciation and amortization for the year	217	404	2	33	656
At end of year	850	1,254	1,479	86	3,669
Net balance	5,650	348	5	78	6,081

9. Intangible Assets

Intangible assets are shown below:

Year ended December 31, 2020

	Software **US$ 000**	***Work in Progress*** **US$ 000**	***Total*** **US$ 000**
Cost			
At beginning of year	**8,910**	**1,430**	**10,340**
Additions	**-**	**701**	**701**
Reclassification	**1,392**	**(1,392)**	**-**
Disposal	**-**	**(10)**	**(10)**
At end of year	**10,302**	**729**	**11,031**
Accumulated depreciation and amortization			
At beginning of year	**7,008**	**-**	**7,008**
Depreciation and amortization for the year	**740**	**-**	**740**
At end of year	**7,748**	**-**	**7,748**
Net balance	**2,554**	**729**	**3,283**

Year ended December 31, 2019

	Software US$ 000	*Work in Progress* US$ 000	*Total* US$ 000
Cost			
At beginning of year	8,081	1,300	9,381
Additions	51	955	1,006
Reclassification	778	(778)	-
Disposal	-	(47)	(47)
At end of year	8,910	1,430	10,340
Accumulated depreciation and amortization			
At beginning of year	5,216	-	5,216
Depreciation and amortization for the year	1,792	-	1,792
At end of year	7,008	-	7,008
Net balance	1,902	1,430	3,332

10. Other Assets

Other assets are shown below:

	December 31,	
	2020	2019
	US$ 000	US$ 000
Accounts receivable	**1,746**	1,642
Accrued commissions	**7,174**	10,511
	8,920	12,153

11. Time Deposits with Banks and Due to Depositors

The annual interest rates in time deposits with banks and due to depositors are shown below:

	Year ended December 31,	
	2020	2019
	%	%
Deposits with banks:		
Interest rate range	**0.08% to 3.75%**	1.59% to 3.75%
Weighted average interest rate	**1.86%**	2.60%
Due to depositors:		
Non banks:		
Interest rate range	**0.10% to 9%**	0.10% to 11%
Weighted average interest rate	**1.85%**	2.34%

12. Borrowings

Outstanding lines of credit are as follows:

	December 31,	
	2020	2019
	US$ 000	US$ 000
Outstanding balance borrowings	**83,000**	95,000
	83,000	95,000

12. Borrowings (continued)

The movement of borrowings is detailed below for the purpose of reconciliation with the statement of cash flows:

	December 31,	
	2020	2019
	US$ 000	US$ 000
Balance at January 1	**95,000**	96,000
Proceeds	**8,000**	27,000
Repayments	**(20,000)**	(28,000)
Balance at December 31	**83,000**	95,000

Bank J. Safra Sarasin granted the Bank a credit facility in the form of a revolving line of credit of US$28,000. (The Bank has US$23,000 currently used). Credit Suisse granted the Bank a revolving line of credit of up to US$75,000. (The Bank has US$60,000 currently used). Interest expense for the year was US$1,048 (2019: US$3,012). Borrowings are collateralized by a portfolio of investments.

	Year ended December 31,	
	2020	2019
	%	%
Borrowings		
Interest rate range	**0.68% to 2.38%**	2.29% to 3.21%
Weighted average interest rate	**1.12%**	2.88%

13. Share Capital

At December 31, 2020, the Bank's share capital is comprised of 20,000 (2019: 20,000), common shares issued and outstanding with a par value of US$1 (2019: US$1) each.

During the year ended December 31, 2020, the Bank declared and paid a dividend of US$40,000 (2019: US$40,000) respectively or US$2.00 per share (2019: US$2.00 per share).

14. Income Taxes

As of December 31, 2020, there was no income tax liability reflected in the financial statements, as there is no income tax imposed by the Government of The Commonwealth of The Bahamas. In accordance with the current tax regulations in Panama, the Branch is exempt from the payment of income taxes on profits derived from foreign operations. In addition, profits derived from interest earned on time deposits and interest earned from Panamanian Government securities is also exempt from the payment of income taxes.

Value Added Tax (VAT) of 12% is paid on almost all local purchases; however, all amounts paid can be reclaimed by filing an application with the Inland Revenue Department of the Commonwealth of the Bahamas, due to the classification of the Bank as zero rated for VAT.

15. Gain on Financial Instruments, Net

The net gain on financial instruments included in the statement of income is summarized as follows:

	Year ended December 31,	
	2020	2019
	US$ 000	US$ 000
Net unrealized gain on securities at FVPL	**39,045**	6,510
Net realized (loss) gain on securities at FVPL	**(1,976)**	8,782
Subtotal	**37,069**	15,292
Net realized (loss) gain on financial assets at FVOCI	**(5,008)**	3,587
	32,061	18,879

16. General and Administrative Expenses

	Year ended December 31, 2020 US$ 000	Year ended December 31, 2019 US$ 000
Salaries and employee benefits		
Salaries	**3,008**	3,050
Social security	**298**	290
Employee benefits	**798**	2,639
Seniority premium	**57**	71
Training	**157**	232
	4,318	6,282
Professional fees		
Inteligo SAB	**8,067**	7,009
Others	**4,640**	3,664
	12,707	10,673
Other expenses		
Repairs and maintenance	**1,148**	1,064
Communication and postage	**176**	184
Taxes and banking license fees	**207**	206
Electricity	**47**	78
Office supplies	**12**	48
Travel	**67**	238
Insurance	**252**	243
Other	**1,014**	1,371
	2,923	3,432

17. Commitments and Contingencies

In the normal course of business, the Bank has commitments and contingencies which are not reflected in the statement of financial position and involve certain levels of credit and liquidity risk.

a) Customer Credit

Stand-by letters of Credit and Credit Facilities
Letters of credit imply certain exposure to credit loss in the event of non-compliance of the customer, net of collateral guarantees securing these transactions. The Bank's credit policies and procedures to approve these commitments are similar to those for extending loan facilities.

17. Commitments and Contingencies (continued)

It is the Management's opinion that the Bank will not incur any losses from these commitments on behalf of customers. These commitments are summarized below:

	December 31,	
	2020	2019
	US$ 000	US$ 000
Stand by letters of credit	**6,755**	7,185
Lines of credit to be disbursed	**31,720**	35,992

Consumer Credit – Visa

As of December 31, 2020, the Bank had outstanding revolving lines of credit available to its credit card customers for US$7,350 (2019: US$7,717). The unused portion of the total credit facility available amounted to approximately US$6,779 (2019: US$6,926). While these amounts represent the available lines of credit to customers, the Bank has not experienced and does not anticipate that all of its customers will use their entire available lines at any given point in time. The Bank generally has the right to increase, decrease, cancel, alter or amend the terms of these lines at any time.

b) Lease Agreements

The rental expense for 2020 amounted to US$42 (2019: US$42) and mainly includes costs related to the rental of office space in The Bahamas.

c) Contingencies

Inteligo Bank Ltd. is involved in legal proceedings in the ordinary course of its banking operations. Inteligo Bank Ltd. has been named as a defendant in the following litigation matters:

- A lawsuit filed on September 2, 2010 by the liquidators of Fairfield Sentry Limited ("Fairfield").
- A lawsuit filed on October 6, 2011 by Irving Picard, the Trustee for Bernard L. Madoff Investment Securities LLC ("BLMIS").

These lawsuits seek the return of approximately US$11 million in redemption payments received by Inteligo Bank in connection with investments in Fairfield, a BLMIS feeder fund.

17. Commitments and Contingencies (continued)

On March 6, 2017, the U.S. Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") dismissed the lawsuit filed by Irving Picard. On February 25, 2019, the U.S. Court of Appeals for the Second Circuit (the "Second Circuit") issued a decision reversing that dismissal. On May 2, 2019, the Second Circuit granted a motion filed by defendants, including Inteligo Bank Ltd., to stay issuance of its mandate in the appeal pending the U.S. Supreme Court's decision on defendants' petition for certiorari. On August 30, 2019, Inteligo Bank Ltd. with other defendants, filed a joint petition for certiorari, seeking U.S. Supreme Court review of the Second Circuit's decision. On June 1, 2020, the U.S. Supreme Court denied the petition for certiorari, and the Second Circuit issued a mandate remanding these matters to the Bankruptcy Court for further proceedings.

A motion to dismiss the Fairfield liquidators' lawsuit was filed on January 13, 2017. On December 6, 2018, the Bankruptcy Court granted the motion to dismiss with some specific exceptions, resulting in the dismissal of most of the liquidators' claims against Inteligo Bank Ltd. On April 2, 2019, the Bankruptcy Court issued an order that dismissed most of the Fairfield liquidator's claims against Inteligo Bank and established a briefing schedule for subsequent motion to dismiss briefing to address whether the liquidators' remaining claims should also be dismissed. On May 2, 2019, the liquidators filed a notice of appeal in this action reflecting their intention to appeal the Bankruptcy Court's partial dismissal to the United States District Court for the Southern District of New York (the "District Court"). The liquidators filed equivalent notices of appeal in the many other actions in which claims had been dismissed pursuant to the December 6, 2018 decision. On December 10, 2019, the liquidators filed their opening brief on the merits in the appeal with the District Court. That appeal was fully briefed with the District Court as of April 23, 2020. Separately, on March 16, 2020, Inteligo Bank, together with other defendants, filed a renewed motion to dismiss with the Bankruptcy Court seeking dismissal of the remaining claims that had not been dismissed pursuant to the December 6, 2018 decision. On December 14, 2020, the Bankruptcy Court issued a decision granting that joint motion to dismiss the liquidators' remaining claims in part and denying it in part. Specifically, the Bankruptcy Court granted the motion with respect to the BVI Insolvency Claims, ordering that those claims should be dismissed. The Bankruptcy Court denied the motion to dismiss with respect to the constructive trust claims asserted against alleged Knowledge Defendants. Because the Company is not alleged to have been a Knowledge Defendants, this part of the decision is inapplicable to the Company. On February 25, 2021, the Bankruptcy Court entered an order dismissing the remaining claims against the Company for the reasons set forth in its December 14, 2020 decision, and directing that judgment be entered for the Company in the action. On March 8, 2021, the Bankruptcy Court entered a Final Judgment in the liquidators' lawsuit against the Company, which provided that "judgment is hereby entered in favor of all defendants in this adversary proceeding, dismissing this adversary proceeding with prejudice."

The Bank assessed these lawsuits and concluded there is no need for a provision based on current status of said lawsuits.

18. Commission Income

	December 31,	
	2020	2019
	US$ 000	US$ 000
Product management portfolio	**3,904**	7,622
Commission for purchase and sale of financial instruments	**3,316**	3,093
Operational commissions	**1,549**	2,286
Structure of notes	**14,772**	13,897
Custody fees	**4,858**	4,560
Subscription rates	**1,161**	1,355
	29,560	32,813

Administration services of trust assets and third-party securities generate several types of commission income including but not limited to: fees relating to trading of structured notes based on a certain spread over face value for each particular note, fund subscription and redemption fees when applicable, custody fees and portfolio management fees. This type of income amounted to US$29,560 in 2020 (2019: US$32,813).

19. Balance and Transactions with Related Parties

The statement of financial position and statement of income include balances and transactions with related parties, which are summarized as follows:

	Directors and Key Management Personnel		*Related Companies*	
	2020	2019	**2020**	2019
	US$ 000	US$ 000	**US$ 000**	US$ 000
Assets				
Securities	-	-	**29**	408
Loans	**14,563**	13,270	**12,500**	21,500
Other assets		-		
Interest receivables	**158**	195	**128**	1,071
Liabilities				
Demand deposits	-	-	**38,740**	9,580
Time deposits	**45**	-	**20,000**	90,250
Interest payable	-	-	**85**	503
Interest income				
Loans	**440**	971	**1,128**	1,362
Interest expense				
Deposits	-	-	**489**	2,622
Income from financial services and other items				
Commission income	-	-	**211**	107
General and administrative expenses				
Key management salaries	324	306	-	-
Professional fees	-	-	**10,983**	8,067
Commission expense	-	-	**19**	21

Transactions with related parties include mainly loans with an average interest rates of 5.25%; as well as fixed-income securities operations with average coupon rate of 5.75% (2019: 4.50% to 8.50%); demand and time deposits from related companies. In the case of time deposits, interest rates are in the range of 1.0% to 2.0% p.a. (2019: 1.60% to 3.25% p.a.) and maturities within the second semester of 2021. Demand deposits do not generate interest.

Furthermore, key management salaries are also shown in the table above, as well as various receivables from key management personnel.

20. Fair Value of Financial Instruments

The following assumptions, when practical, have been made by Management to estimate the fair value for each financial instrument's category in the statement of financial position:

a) Cash and deposits with banks/accrued interest receivable/demand deposits due to customers/accrued interest payable/other liabilities.

For the financial instruments described above, the carrying values approximate their fair value due to their short-term nature.

b) Financial Assets

For financial assets, the fair value is based on published market price quotations, quotes from electronic pricing systems, net asset value provided by fund administrators, quotations provided by banks and estimates based on internal models of valuation.

c) Loans

The fair value of the loan portfolio is determined by discounting the future cash flows using interest rates that represent: (i) current market rates, and (ii) future expected interest rates, for a term that takes into account the expected anticipated prepayments in the loan portfolio.

d) Demand and time deposits from customers

The fair value of these financial instruments was determined by discounting the future cash flows using interest rate that reflect: (i) current market rates, and (ii) future expected interest rates, for a term that represents the remaining life of these instruments.

The following table summarizes the carrying value and the fair value of the Bank's significant financial assets and liabilities.

	December 31,			
	2020		2019	
	Carrying Value US$ 000	**Fair Value US$ 000**	Carrying Value US$ 000	Fair Value US$ 000
Assets				
Cash and deposits with banks	**153,804**	**153,804**	202,312	202,311
Financial assets	**505,360**	**505,360**	471,973	471,973
Loans	**464,985**	**467,653**	503,495	504,670
	1,124,149	**1,126,817**	1,177,780	1,178,954
Liabilities				
Demand deposits	**366,000**	**366,000**	313,937	313,937
Time deposits	**419,558**	**420,420**	549,532	549,095
Borrowings	**83,000**	**82,913**	95,000	94,945
	868,558	**869,333**	958,469	957,977

(Amount expressed in thousands of US$ dollars)

20. Fair Value of Financial Instruments (continued)

The following table analyzes the fair values of financial instruments not measured at fair value in books, by the level of fair value hierarchy in which have been classified:

Fair Value	**2020**	**Level 1**	**Level 2**	**Level 3**
Assets				
Loans	**467,653**	**-**	**467,653**	**-**
	467,653	**-**	**467,653**	**-**
Liabilities				
Demand deposits	**366,000**	**-**	**366,000**	**-**
Time deposits	**420,420**	**-**	**420,420**	**-**
Borrowings	**82,913**	**-**	**82,913**	**-**
	869,333	**-**	**869,333**	**-**

Fair Value	2019	Level 1	Level 2	Level 3
Assets				
Loans	504,670	-	504,670	-
	504,670	-	504,670	-
Liabilities				
Demand deposits	313,937	-	313,937	-
Time deposits	549,095	-	549,095	-
Borrowings	94,945	-	94,945	-
	957,977	-	957,977	-

21. Financial Risk Management

A financial instrument is any contract that originates a financial asset in one entity and a financial liability or equity instrument in another entity. The Bank’s statement of financial position is primarily comprised of financial instruments.

The Bank’s Board of Directors is responsible for establishing and monitoring the risk of administration policies for financial instruments. In order to manage and monitor the various risks the Bank is exposed to, the Board of Directors has created the Credit Committee, the Investment Committee, the Assets and Liabilities Committee, the Enterprise-Wide Risk Management Committee and the Audit Committee. These committees are engaged in managing these risks and in making periodic reviews. In addition, the Bank is subject to the regulations of The Central Bank of The Bahamas concerning the risks of liquidity, credit and levels of capitalization, among others.

21. Financial Risk Management (continued)

The significant risks identified by the Bank are credit, counterparty, liquidity, market risk, other market price and capital management which are described as follows:

a) Credit Risk

This is the risk that the debtor or issuer of a financial asset owned by the Bank does not fully and timely comply with any payment, in conformity with the terms and conditions agreed when the respective financial asset was acquired or originated by the Bank.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	December 31,	
	2020	2019
	US$ 000	US$ 000
Deposits with banks	**153,795**	202,303
Financial assets	**505,360**	471,973
Loans	**464,985**	503,495
Securities sold pending settlement	**5,004**	-
Accrued interest receivable	**8,264**	11,607
Other assets	**8,920**	12,153
	1,146,328	1,201,531

To mitigate credit risk, the Bank's policies establish limits by country, industry, and debtor. The Committee appointed by the Board of Directors, periodically oversees the financial condition of debtors and issuers of financial instruments that involve risk for the Bank. To mitigate credit risk, the Bank's risk management policies establish the following:

- Financing granted by the Bank to its clients is within financing limits established by the Board of Directors, as well as within the requirements established by The Central Bank of The Bahamas and the Superintendence of Banks of Panama. Exposure limits are applied to individuals and economic groups.

- The Bank limits exposure by sector and geographic location.

21. Financial Risk Management (continued)

Credit Policies

The credit policies of the Bank include a series of rules and measures which allow those persons involved in the credit process to have information on the procedures that must be followed to be in compliance with credit related functions. The Bank's view is that having comprehensive information when deciding to approve credit requests, is a key factor in making informed decisions and maintaining a healthy credit portfolio. All direct and indirect credits, as well as credit operations and guarantees classified as contingent assets are considered as part of the Bank's credit policy.

Establishment of authorization limits:

- The Board of Directors establishes credit policies and can delegate its authority to approve loans. The Board of Directors also establishes the authorization limits of officers, establishes procedures to monitor compliance, and can delegate these responsibilities to the Credit Committee and the Parent Company's Audit Committee.

- The Board of Directors establishes the authorization structure for the approval and renewal of credit facilities. The Credit Committee is responsible for implementing of the policies approved by the Board.

- The Enterprise-Wide Risk Management Committee is responsible for risk management policies, including the establishment of authorization limits to approve and renew credit facilities, and establishment of limits for counterparty, geographic area and economic risk concentrations.

Concentration and Exposure Limits

The Bank defines limits according to prudential norms and guidelines established by The Central Bank of The Bahamas and the Superintendence of Banks of Panama. The limits considered are primarily individual exposures to related parties as well as economic sector and geographic concentrations.

As of December 31, 2020, the Bank was in compliance with all the Prudential Norms established by The Central Bank of The Bahamas. Among others, Prudential Norms require the Bank to maintain its base capital at a minimum of 5% of its total assets or 8% of its risk-weighted assets, as well as an exposure to related parties and single groups below 25% of total capital. The Bank's capital adequacy ratio as of December 31, 2020 was 28.41% (2019: 24.71%).

The Superintendence of Banks of Panama requires banks to establish a Dynamic Reserve of not less than 1.50% of the total loan portfolio of the Panama Branch classified in the standard category. Regulatory reserve by year-end 2020 amounts to US$2,285 (2019: US$2,278), which includes both the allowance for loan losses calculated in accordance with IFRS US$43 (2019: US$36) and the additional regulatory allowance US$2,242 (2019: US$2,242). Compliant with IFRS 9, the Bank reviews its loan portfolio on a quarterly basis and estimates its expected credit loss.

21. Financial Risk Management (continued)

The Bank monitors the credit risk concentration by sector and geographic location. The analysis of credit risk concentration as of December 31 is shown below:

	Loans		Financial Assets		Deposits with Banks	
	2020	2019	**2020**	2019	**2020**	2019
	US$ 000	US$ 000	**US$ 000**	US$ 000	**US$ 000**	US$ 000
Concentration by sector:						
Corporate	**248,021**	285,320	**190,152**	135,610	**-**	-
Consumer	**216,964**	218,175	**-**	-	**-**	-
Others sectors	**-**	-	**315,208**	336,363	**153,795**	202,303
	464,985	503,495	**505,360**	471,973	**153,795**	202,303
Geographic concentration:						
Panama - off shore	**119,114**	118,840	**-**	-	**19,130**	17,706
Caribbean	**25,356**	12,854	**92,455**	109,762	**-**	-
United States of America	**300**	12,200	**209,120**	155,952	**60,183**	74,734
Europe	**7,600**	28,894	**120,215**	146,662	**33,611**	19,360
Peru	**300,432**	316,970	**25,069**	23,458	**-**	-
Others	**12,183**	13,737	**58,501**	36,139	**40,871**	90,503
	464,985	503,495	**505,360**	471,973	**153,795**	202,303

The geographic concentration is based on the debtor's location in the case of loans, and on the issuer's location in the case of securities. When evaluating credit risk, management considers the following:

Impairment of loans, financial assets and deposits with banks

Impairment of loans, financial assets and deposits with banks is determined based on the expected credit losses model as per IFRS 9.

As per IFRS 9, the Bank recorded an allowance for credit losses on deposits with banks for US$43 (2019: US$32), which is deducted from the respective assets.

Financial assets past due but not impaired

Defined as loans and investments where contractual interest or principal payments are past due but are not considered to be impaired because of the level of security / collateral available and the stage of collection of amounts owed to the Bank.

Renegotiated loans

Renegotiated loans are those for which a significant variation in the original credit terms has been formally documented, due to difficulties in the payment capacity of the debtor, and the result of the current assessment does not permit them to be classified as standard performing loans.

21. Financial Risk Management (continued)

Impairment allowance

The Bank has established impairment allowance to cover expected credit losses on the loan and financial assets portfolios.

Charge-off policy

The Bank periodically reviews its financial instruments to identify those loans and securities that need to be written-off due to their non-collectability and does so up to the amount not covered by the collateral, if any. For unsecured consumer loans, write-offs are calculated based on the amount past due. In the case of secured loans, the write-off is calculated after considering the value of collateral held. The Bank writes-off financial assets when there is evidence of impairment and managements concludes to do so.

The Bank periodically analyzes the loan portfolio to identify required impairment provisions calculated as the difference between the carrying value and the realizable value of security or collateral held. Impairment allowances are computed individually for loans with significant risks and collectively for groups of loans with similar credit risk characteristics. The Bank also uses estimates to establish a general impairment allowance based on historical write-off rates. The methodology and assumptions used to make these estimates are reviewed periodically.

The Bank holds guarantees and security for certain loans granted, comprised primarily of customers' deposits and securities.

As at December 31, 2020, the Bank held as collateral on loans to customers primarily dollar deposits, equities, structured notes, debt instruments, among others, indistinctly.

b) Counterparty Risk

This is the risk that a counterparty does not comply with the settlement of a redemption, purchase or sale of securities.

Risk management policies establish counterparty limits that determine the maximum amount of net exposure to transactions not yet liquidated that the Bank is permitted to have with a given counterparty. The Assets and Liabilities Committee is responsible for identifying acceptable counterparties taking into consideration the counterparty's history with respect to the fulfillment of obligations, as well as other indications of it being able to comply with obligations in the future.

c) Liquidity and Financing Risk

This is the risk that the Bank cannot comply with all of its obligations because of, among other reasons, an unexpected withdrawal of funds by depositors, the deterioration of the quality of the loan portfolio, the devaluation of securities, the excessive concentration of liabilities from one particular source, a gap between assets and liabilities, a shortage of asset liquidity, or the mismatch of long-term asset financing with short-term liabilities. The Bank manages its liquidity resources to honor liabilities at maturity under normal contractual terms.

(Amount expressed in thousands of US$ dollars)

21. Financial Risk Management (continued)

Liquidity Risk Management

Risk management policies establish a liquidity limit to determine the amount of the Bank's assets that should be maintained in highly liquid instruments; as well as financing limits, leverage limits and duration limits.

The Board of Directors has established liquidity levels as to the minimum amount of available funds required to comply with such requirements and the minimum level of inter-banking facilities and other loan facilities that should exist to cover unexpected withdrawals. The Bank holds a short-term asset portfolio, comprised of loans and liquid investments to ensure sufficient liquidity.

The Bank's financial assets include unlisted equity investments, which generally are illiquid. In addition, the Bank holds investments in unlisted closed and open-ended investments funds, which may be subject to redemption restrictions such as side pockets or redemption gates. As a result, the Bank may not be able to liquidate some of its investments in these instruments in due time in order to meet its liquidity requirements.

Exposure to Liquidity Risk

A primary measure of liquidity is the Bank's net liquidity margin.

The Bank's liquidity index which is calculated by dividing liquid assets by total deposits is shown below:

	December 31,	
	2020	2019
	%	%
At year end	**22%**	23%
Average for the year	**27%**	29%
Maximum during the year	**36%**	47%
Minimum during the year	**21%**	15%

The table below shows the undiscounted contractual cash flows of the Bank's significant financial instruments on the basis of the earliest possible contractual maturity at the reporting date. The expected cash flows of these instruments could differ significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance.

21. Financial Risk Management (continued)

	December 31, 2020						
	Total US$ 000	**Up to 1 Month US$ 000**	**1 to 3 Months US$ 000**	**3 to 12 Months US$ 000**	**1 to 5 Years US$ 000**	**More than 5 Years US$ 000**	**Without Maturity US$ 000**
Assets:							
Cash and deposits with banks	**153,804**	**10,000**	**8,943**	**32,881**	**6,899**	**-**	**95,081**
Financial assets at FVPL	**399,494**	**-**	**-**	**5,364**	**26**	**316**	**393,788**
Financial assets at FVOCI	**105,866**	**-**	**487**	**-**	**33,049**	**68,237**	**4,093**
Loans	**464,985**	**52,437**	**75,525**	**312,839**	**22,862**	**1,322**	**-**
Total Assets	**1,124,149**	**62,437**	**84,955**	**351,084**	**62,836**	**69,875**	**492,962**
Liabilities:							
Deposits	**785,558**	**58,585**	**72,719**	**248,177**	**40,077**	**-**	**366,000**
Borrowings	**83,000**	**83,000**	**-**	**-**	**-**	**-**	**-**
Total Liabilities	**868,558**	**141,585**	**72,719**	**248,177**	**40,077**	**-**	**366,000**
Net liquidity gap	**255,591**	**(79,148)**	**12,236**	**102,907**	**22,759**	**69,875**	**126,962**

	December 31, 2019						
	Total US$ 000	Up to 1 Month US$ 000	1 to 3 Months US$ 000	3 to 12 Months US$ 000	1 to 5 Years US$ 000	More than 5 Years US$ 000	Without Maturity US$ 000
Assets:							
Cash and deposits with banks	202,312	19,189	8,103	30,412	3,358	-	141,250
Financial assets at FVPL	354,929	-	-	329	296	766	353,538
Financial assets at FVOCI	117,044	-	-	-	52,306	60,385	4,353
Loans	503,495	28,930	84,477	302,431	87,008	650	-
Total Assets	1,177,780	48,119	92,580	333,172	142,968	61,801	499,141
Liabilities:							
Deposits	863,469	75,299	62,020	332,782	79,431	-	313,937
Borrowings	95,000	95,000	-	-	-	-	-
Total Liabilities	958,469	170,299	62,020	332,782	79,431	-	313,937
Net liquidity gap	219,311	(122,180)	30,560	390	63,537	61,801	185,204

d) Market Risk

Market risk is the risk that changes in market prices, foreign exchange rates, interest rates and equity prices, as well as changes in net asset values of unlisted closed and open-ended investment funds, may 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 returns.

21. Financial Risk Management (continued)

Risk management policies provide for compliance limits by financial instrument, limits with respect to maximum loss amounts that trigger the settlement of positions that caused such loss; and the requirement that, except with the approval from the Board of Directors, substantially all assets and liabilities are denominated in United States dollars.

Market Risk Administration

The Board of Directors has determined that market risk should be monitored directly by the Enterprise-Wide Risk Management Committee which is comprised of members of the Board of Directors and executive personnel. This committee is responsible for developing policies to administer market risk. In addition, this committee is responsible for review and approval of policy implementation.

Cash flows and fair value interest rate risk

Cash flows and fair value interest rate risk are the risks of fluctuation of both the future cash flows and the value of a financial instrument due to changes in market interest rates.

The Bank establishes limits to interest rate risk and periodically, this exposure is monitored by the Risk Department and the Enterprise-Wide Risk Management Committee.

The following table summarizes the Bank's exposure based on the re-pricing terms of interest rates of financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

	December 31, 2020						
	Up to 1 Month US$ 000	1 to 3 Months US$ 000	3 to 12 Months US$ 000	1 to 5 Years US$ 000	More than 5 Years US$ 000	Without Interest Rate US$ 000	Total US$ 000
Assets:							
Cash and deposits with banks	10,000	8,943	32,881	6,899	-	95,081	153,804
Financial assets	-	487	21,617	16,822	68,553	397,881	505,360
Loans	52,437	75,525	312,839	22,862	1,322	-	464,985
Total Assets	62,437	84,955	367,337	46,583	69,875	492,962	1,124,149
Liabilities:							
Deposits	58,585	72,719	248,177	40,077	-	366,000	785,558
Borrowings	83,000	-	-	-	-	-	83,000
Total Liabilities	141,585	72,719	248,177	40,077	-	366,000	868,558
Net interest gap	(79,148)	12,236	119,160	6,506	69,875	126,962	255,591

21. Financial Risk Management (continued)

	December 31, 2019						
	Up to 1 Month US$ 000	1 to 3 Months US$ 000	3 to 12 Months US$ 000	1 to 5 Years US$ 000	More than 5 Years US$ 000	Without Interest Rate US$ 000	Total US$ 000
Assets:							
Cash and deposits with banks	19,189	8,103	30,412	3,358	-	141,250	202,312
Financial assets	-	-	329	52,602	61,151	357,891	471,973
Loans	28,930	84,477	302,430	87,008	650	-	503,495
Total Assets	48,119	92,580	333,171	142,968	61,801	499,141	1,177,780
Liabilities:							
Deposits	75,299	62,020	332,782	79,431	-	313,937	863,469
Borrowings	95,000	-	-	-	-	-	95,000
Total Liabilities	170,299	62,020	332,782	79,431	-	313,937	958,469
Net interest gap	(122,180)	30,560	389	63,537	61,801	185,204	219,311

Exposure to Market Risk

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

The net interest margin of the Bank may vary as a result of unexpected movements in interest rates.

As of December 31, 2020, the annual interest rates on deposits due to depositors ranged from 0.10% to 9.00% (2019: 0.10% to 11%).

In order to assess interest rate risks and their impact on the fair value of financial assets and liabilities, the Bank's management performs simulations to determine the sensitivity on financial assets and liabilities.

21. Financial Risk Management (continued)

The sensitivity analysis prepared by the Bank at the end of each reporting year measures the impact on the Bank's financial instruments from increases and decreases in market interest rates (assuming asymmetrical movement in yield curves with all other variables, in particular foreign currency rates, remaining constant) using a linear approach as shown below:

2020	100bp Increase US$ 000	100bp Decrease US$ 000
Loans	**(2,493)**	**2,535**
Financial assets	**(5,291)**	**5,291**
Deposits	**2,253**	**(1,923)**
Borrowings	**70**	**(70)**
	(5,461)	**5,833**

2019	100bp Increase US$ 000	100bp Decrease US$ 000
Loans	(3,195)	3,262
Financial assets	(6,325)	6,325
Deposits	3,333	(3,101)
Borrowings	80	(79)
	(6,107)	6,407

The total impact shown above represents an estimate of the net increase / (decrease) in the fair value of the instrument.

Overall non-trading interest rate risk positions are managed by the Central Treasury Department, which uses investment securities, advances to banks, deposits with banks and derivative instruments to manage the overall position arising from the Bank's non-trading activities.

Exchange rate risk

This is the risk that the value of a financial instrument changes as a consequence of fluctuations in foreign currency exchange rates, and other financial variables, as well as the market participants' reactions to political and economic events.

21. Financial Risk Management (continued)

The table below summarizes the Bank's exposures to foreign currency exchange risk at December 31, 2020. Included in the table are the carrying amounts of the Bank's financial instruments, categorized by currency.

	December 31,						
	2020					2019	
	US$000					US$000	
	ARS	GBP	INR	Euros	Soles	Euros	Soles
Assets:							
Deposits with banks	**70**	**110**	**-**	**5,692**	**-**	1,592	-
Financial assets	**-**	**4,093**	**14,791**	**4,008**	**4,093**	3,802	4,353
Total Assets	**70**	**4,203**	**14,791**	**9,700**	**4,093**	5,394	4,353
Liabilities:							
Demand deposits	**-**	**-**	**-**	**5,016**	**-**	1,331	-
Total Liabilities	**-**	**-**	**-**	**5,016**	**-**	1,331	-

Furthermore, the Bank has exposure to a basket of other currencies as part of the portfolio of investments managed by PIMCO of US$5,622 and Latam Absolute Return of US$699 (2019: US$3,696).

e) Other Market Price Risk

Other market price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

(Amount expressed in thousands of US$ dollars)

21. Financial Risk Management (continued)

The following table sets out the concentration of securities as a percentage of total assets at the reporting date:

	December 31,	
	2020	2019
	%	%
Equity investments:		
Exchange traded equity investments	**6.39**	4.03
Unlisted private equity investments	**7.91**	6.90
Total equity investments	**14.30**	10.93
Mutual funds:		
Funds invested with fund managers(1)	**9.16**	7.72
Unlisted closed and open ended investments funds	**1.70**	4.21
Total mutual funds	**10.86**	11.93
Debt securities:		
Exchange traded debt securitites	**16.61**	12.59
Unlisted private debt securities	**1.97**	3.52
Total debt securities	**18.58**	16.11
Total	**43.74**	38.97

(1) Funds available with fund managers include cash and U.S. Treasury bills, as reported by fund managers at December 31, 2020 and 2019.

Investment assets are placed in various industries. Some investments are placed in mutual funds which invest in particular sectors; other mutual funds, as well as equity investment vehicles, which invest in financial assets within certain risk profiles, regardless of the industry sector where they fall into.

(Amount expressed in thousands of US$ dollars)

21. Financial Risk Management (continued)

Securities are concentrated in the following industries:

	December 31,	
	2020	2019
	%	%
Equity investments:		
Banks / financial services	**9.82**	3.55
Pharmaceutical	**14.83**	16.96
Others (fishing, diversified, energy, basic materials, etc.)	**7.71**	7.39
Funds invested with fund managers	**0.34**	0.14
Mutual funds:		
Pharmaceutical	**0.01**	0.55
Others (diversified, technology, etc.)	**24.82**	30.07
Debt securities:		
Banks / financial services	**8.08**	9.38
Pharmaceutical	**4.27**	4.87
Others (mining, energy, basic materials, etc.)	**8.92**	9.92
Funds invested with fund managers	**21.20**	17.17
	100.00	100.00

f) Impact of COVID-19 on Credit and Market Risk

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from several countries including lockdowns and travel restrictions resulting in an overall decline in global economic activity and higher volatility in financial markets, especially during March.

COVID-19 had minimum impact on credit risk of the Bank’s loans as conservative credit policies and the requirement of collateralizing every loan reduced the expected credit loss. During 2020, the Bank had no default on its loans.

The impact on the Bank’s market risk was significant but temporary. In March, a sharp decline occurred in the fair value of the Bank’s investment portfolio. As the Bank has a long-term investing horizon and adequate levels of liquidity, it was not forced to sell securities during this distressed environment. During the following months, the value of the portfolio recovered. The only exception was an investment in bonds issued by one issuer which filed for Chapter 11 in May and, therefore, was migrated to Stage 3, according to IFRS 9. This investment was sold during the year to maintain the credit quality of the Bank’s investment portfolio.

21. Financial Risk Management (continued)

g) Operational Risk

Operational risk is the risk that losses may occur due to failure or weaknesses in the Bank's internal processes, persons or systems; and external events such as those from legal and regulatory requirements.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of the following standards:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where deemed effective.

The policies established by the Bank are supported by a program of periodic reviews undertaken by the Internal Audit Department. The results of the Internal Audit Department's reviews are discussed with the management of the business unit to which they relate, and summary reports are submitted to the Audit Committee and senior management of the Bank.

21. Financial Risk Management (continued)

h) Capital Management

The Bank's policies on capital management are to maintain a robust capital base, with the ability to sustain the Bank's future growth. The Bank recognizes the need to maintain a balance between returns to shareholders and the adequacy of capital required by regulatory entities. From January 2016 onwards, the Central Bank of Bahamas requires licensees to include a capital charge for operational risk equal to the three-year average gross income of the Bank multiplied by a factor of 0.15. This charge is multiplied by 12.5 to calculate the Operational Risk-Equivalent-Assets. Operational Risk-Equivalent-Assets at December 31, 2020 were US$112 (2018: US$116).

The Central Bank of The Bahamas requires the Bank to maintain capital of not less than 8% of its risk weighted assets. The Superintendence of Banks of Panama requires the Bank to comply with the regulatory requirements as set forth by the regulation applicable in the jurisdiction of its Parent Company. The Bank's capital ratio at December 31, 2020 was 28.41% (2019: 24.71%).

	December 31,	
	2020	2019
	US$ 000	US$ 000
Total elegible capital	**270,709**	238,281
Total risk weighted assets	**953,009**	964,156
Capital adequacy ratio	**28.41%**	24.71%

22. Subsequent Event

The Bank has evaluated the impact of all subsequent events through April 8, 2021, which is the date that the financial statements were available to be issued and has determined that there were no additional subsequent events requiring adjustment or disclosure.