

Audited Financial Statements

Inteligo Bank Ltd.

*Year ended December 31, 2022
with Independent Auditor's Report*

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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, 2022, 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, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Ethics Standards Board for Accountants' *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 IFRSs, 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

This report is made solely to the Board of Directors, as a body. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Board of Directors as a body, for our audit work, for this report, or for the opinion we have formed.



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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.
- 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.

March 28, 2023

Inteligo Bank Ltd.
Statement of Financial Position
December 31, 2022

(Amounts expressed in thousands of US\$ dollars)

<i>Notes</i>	2022 US\$ 000	2021 US\$ 000
ASSETS		
Cash and deposit with banks		
5	9	9
Deposit with banks:		
5	278,439	288,265
5	90,772	79,182
	<u>369,220</u>	<u>367,456</u>
Financial assets:		
6, 21	385,393	510,976
At fair value through profit or loss (FVPL), including \$Nil pledged as collateral in 2022 (2021: \$67,907)		
6, 21	54,808	61,849
At fair value through other comprehensive income (FVOCI), including \$30,572 pledged as collateral in 2022 (2021: \$30,316)		
	<u>440,201</u>	<u>572,825</u>
7	459,142	423,819
	<u>459,142</u>	<u>423,819</u>
	10,517	8,415
8	9,207	8,636
9	2,338	3,508
	407	906
10	8,328	8,855
	<u>30,797</u>	<u>30,320</u>
	1,299,360	1,394,420
	<u>1,299,360</u>	<u>1,394,420</u>
TOTAL ASSETS	<u>1,299,360</u>	<u>1,394,420</u>

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

Inteligo Bank Ltd.
Statement of Financial Position (continued)
December 31, 2022

(Amounts expressed in thousands of US\$ dollars)

<i>Notes</i>	2022 US\$ 000	2021 US\$ 000
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Deposits:		
21 Demand	516,746	593,617
Time	556,797	452,479
	<u>1,073,543</u>	<u>1,046,096</u>
12 Borrowings	<u>14,000</u>	<u>46,000</u>
Accrued interest payable	4,242	2,804
Securities bought pending settlement	833	1,659
Other liabilities	<u>5,430</u>	<u>7,531</u>
	<u>10,505</u>	<u>11,994</u>
Total liabilities	<u>1,098,048</u>	<u>1,104,090</u>
Shareholder's Equity		
13 Share capital	20,000	20,000
Other accumulated comprehensive (loss) income	(4,926)	(1,312)
7 Regulatory reserve	2,242	2,242
Retained earnings	<u>183,996</u>	<u>269,400</u>
Total Shareholder's Equity	<u>201,312</u>	<u>290,330</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>1,299,360</u>	<u>1,394,420</u>

Approved on behalf of the Board of Directors on March 28, 2023 by the following:



Roberto Hoyle
 Director



Reynaldo Roisenvit
 Director

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

Inteligo Bank Ltd.
Statement of Income
For the year ended
December 31, 2022

(Amounts expressed in thousands of US\$ dollars)

<i>Notes</i>	2022	2021
	US\$ 000	US\$ 000
Interest and dividend income:		
Interest on loans	20,241	16,831
Interest on securities	7,979	10,901
Interest on deposits with banks	4,018	1,486
Dividend income	7,565	9,959
Total interest and dividend income	39,803	39,177
Interest expense	(12,311)	(9,648)
Net interest and dividend income	27,492	29,529
Income (expense) from financial services and other items:		
15 Net unrealized (loss)/gain on financial assets at FVPL	(52,362)	25,614
15 Net (loss)/gain on financial assets at FVPL	(8,377)	9,809
15 Net (loss)/gain on financial assets at FVOCI	(2,304)	847
18 Commision income	31,226	35,431
Commision and other expense	(6,286)	(6,076)
Other (expense)/income, net	(243)	892
Total (loss)/income from financial services and other items, net	(38,346)	66,517
General and administrative expenses:		
16 Salaries and employee benefits	7,575	5,910
Short-term leases	256	37
16 Professional fees	11,228	14,129
8, 9, 10 Depreciation and amortization	1,584	1,418
16 Other expenses	3,907	3,046
Total general and administrative expenses	24,550	24,540
Net (loss) profit	(35,404)	71,506

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

Inteligo Bank Ltd.
Statement of Comprehensive Income
For the year ended
December 31, 2022

(Amounts expressed in thousands of US\$ dollars)

<i>Notes</i>	2022 US\$ 000	2021 US\$ 000
Net (loss)/profit for the year	(35,404)	71,506
Other comprehensive income:		
Financial assets at FVOCI:		
Net loss arising during the year	(8,595)	(3,830)
Reclassification adjustments to the statement of income	2,607	(1,169)
Adjustments to the reserve of debt instruments at FVOCI	2,374	349
Net loss on financial assets at FVOCI	<u>(3,614)</u>	<u>(4,650)</u>
Total comprehensive (loss)/income for the year	<u><u>(39,018)</u></u>	<u><u>66,856</u></u>

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, 2022

(Amounts expressed in thousands of US\$ dollars)

	<i>Share Capital US\$ 000</i>	<i>Other Accumulated Comprehensive Income</i>	<i>Regulatory Reserve US\$ 000</i>	<i>Retained Earnings US\$ 000</i>	<i>Total Shareholder's Equity US\$ 000</i>
At January 1, 2021	20,000	3,338	2,242	247,894	273,474
Net profit for the year	-	-	-	71,506	71,506
Other comprehensive income:					
Financial assets at FVOCI					
Net loss arising during the year	-	(3,830)	-	-	(3,830)
Reclassification adjustments to the statement of income	-	(1,169)	-	-	(1,169)
Net loss on financial assets at FVOCI	-	(4,999)	-	-	(4,999)
Adjustment to the reserve of expected credit losses on debt instruments at FVOCI	-	349	-	-	349
Transactions with owner, recorded directly in equity:					
Dividends	-	-	-	(50,000)	(50,000)
At December 31, 2021	<u>20,000</u>	<u>(1,312)</u>	<u>2,242</u>	<u>269,400</u>	<u>290,330</u>
Net loss for the year	-	-	-	(35,404)	(35,404)
Other comprehensive income:					
Financial assets at FVOCI					
Net loss arising during the year	-	(8,595)	-	-	(8,595)
Reclassification adjustments to the statement of income	-	2,607	-	-	2,607
Net loss on financial assets at FVOCI	-	(5,988)	-	-	(5,988)
Adjustment to the reserve of expected credit losses on debt instruments at FVOCI	-	2,374	-	-	2,374
Transactions with owner, recorded directly in equity:					
Dividends	-	-	-	(50,000)	(50,000)
At December 31, 2022	<u>20,000</u>	<u>(4,926)</u>	<u>2,242</u>	<u>183,996</u>	<u>201,312</u>

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

Inteligo Bank Ltd.
Statement of Cash Flows
For the year ended
December 31, 2022

(Amounts expressed in thousands of US\$ dollars)

<i>Notes</i>	2022	2021
	US\$ 000	US\$ 000
Cash flows from operating activities		
Net (loss)/profit	(35,404)	71,506
Adjustments to reconcile net profit to net cash flows:		
8, 9, 10 Depreciation and amortization	1,584	1,418
Loss on disposal of fixed assets	70	-
Reserve of debt instruments at FVOCI	2,374	349
Net loss (gain) on financial instruments at FVOCI	2,304	(847)
Interest and dividend income	(39,803)	(39,177)
Interest expense	12,311	9,648
Operating results before working capital changes	(56,564)	42,897
Financial assets at FVPL	125,583	(111,482)
Loans	(35,323)	41,124
Deposits	27,447	260,538
All other assets	711	4,270
All other liabilities	(2,486)	(479)
Net cash flows generated from operations	59,368	236,868
Interest received	37,701	39,026
Interest paid	(10,873)	(10,533)
Net cash flows provided by operating activities	86,196	265,361
Cash flows from investing activities		
Deposits over 90 days	(30,051)	(18,786)
6 Acquisition of financial assets at FVOCI	(10,414)	(18,795)
6 Proceeds from sales of financial assets at FVOCI	6,725	37,408
Redemption of financial assets at FVOCI	2,326	21,252
8 Purchase of furniture, equipment and improvements	(119)	(3,363)
9 Intangible assets	(828)	(1,213)
8, 9 Disposal of assets	15	11
Net cash flows (used in) provided by investing activities	(32,346)	16,514
Cash flows from financing activities		
12 Borrowings proceeds	10,000	5,000
12 Repayments of borrowings	(42,000)	(42,000)
10 Payment to liabilities lease	(137)	(9)
13 Dividends paid	(50,000)	(50,000)
Net cash flows used in financing activities	(82,137)	(87,009)
Net (decrease) increase in cash and cash equivalents	(28,287)	194,866
Cash and cash equivalents at January 1	308,890	114,024
5 Cash and cash equivalents at December 31	280,603	308,890

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

Inteligo Bank Ltd.
Notes to the Financial Statements
December 31, 2022

(Amount expressed in thousands of US\$ dollars)

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, Peru 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. In 2021, the Superintendence of the Securities Market of the Republic of Panamá issued an Investment Advisor License to the Branch through Resolution No. 317-21 of June 2021.

The financial statements were authorized for issuance according to resolution of the Board of Directors of Inteligo Bank Ltd. on March 28, 2023.

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.

Inteligo Bank Ltd.
Notes to the Financial Statements
December 31, 2022

(Amount expressed in thousands of US\$ dollars)

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 measured 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 17 to these financial statements.

Inteligo Bank Ltd.
Notes to the Financial Statements
December 31, 2022

(Amount expressed in thousands of US\$ dollars)

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, 2022, and 2021, 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.

Inteligo Bank Ltd.
Notes to the Financial Statements
December 31, 2022

(Amount expressed in thousands of US\$ dollars)

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.

Inteligo Bank Ltd.
Notes to the Financial Statements
December 31, 2022

(Amount expressed in thousands of US\$ dollars)

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.

Inteligo Bank Ltd.
Notes to the Financial Statements
December 31, 2022

(Amount expressed in thousands of US\$ dollars)

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 number 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.

Inteligo Bank Ltd.
Notes to the Financial Statements
December 31, 2022

(Amount expressed in thousands of US\$ dollars)

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.

Inteligo Bank Ltd.
Notes to the Financial Statements
December 31, 2022

(Amount expressed in thousands of US\$ dollars)

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.

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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.

Inteligo Bank Ltd.
Notes to the Financial Statements
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(Amount expressed in thousands of US\$ dollars)

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.

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.

Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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4. Summary of Significant Accounting Policies (continued)

Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate (IBR) at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The IBR is the interest rate that the Bank would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value of the right-of-use asset.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in the rate used to determine such lease payments).

Short-term leases and leases of low-value assets

The Bank has the option to apply the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

4.2 Changes in accounting policies and disclosures

The Bank has not early adopted any new standards, interpretation or amendments that have been issued but are not yet effective in these financial statements.

During 2022 the Bank adopted the following standards that had no impact on the Bank's operations.

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

As part of its 2018-2020 *Annual Improvements to IFRS standards* process, the IASB issued an amendment to IFRS 9. 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 include 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.

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(Amount expressed in thousands of US\$ dollars)

4. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Bank applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Bank as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities, or contingent liabilities within the scope of these amendments that arose during the period.

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(Amount expressed in thousands of US\$ dollars)

4. Summary of Significant Accounting Policies (continued)

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.

IFRS 17 – Insurance contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard 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 contracts (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 provide 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: Issuers of such loans – e.g. a loan with waiver on death – 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 is 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. This standard is not applicable to the Bank.

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4. Summary of Significant Accounting Policies (continued)

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of “accounting estimates”. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Bank.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Bank is currently assessing the impact of the amendments to determine the impact they will have on the Bank’s accounting policy disclosures.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Inteligo Bank Ltd.
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5. Cash and Deposits with Banks

	<u>December 31,</u>	
	2022	2021
	US\$ 000	US\$ 000
Cash	9	9
Demand deposits with banks	278,439	288,265
Time deposits with banks	90,772	79,182
Cash and deposits with banks	369,220	367,456
Less: deposits over 90 days	(88,617)	(58,566)
Cash and cash equivalents	280,603	308,890

At December 31, 2022, the annual interest rates on demand and time deposits in US\$ ranged from 0% to 5.87% (2021: 0% to 3.75 %) with maturities of less than two years.

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

6. Financial Assets

a. Financial assets at fair value through profit or loss:

	<u>December 31,</u>	
	2022	2021
	US\$ 000	US\$ 000
Corporate bonds	247	1,018
Equity shares and mutual funds	287,751	409,144
Third party administrated portfolio	97,395	100,814
	385,393	510,976

The portfolio of securities detailed above is comprised mainly of a portfolio of bonds US\$247 (2021:US\$1,018), equity shares US\$52,193 (2021: US\$103,232), mutual funds US\$235,558 (2021: US\$305,912), and portfolios with different products managed by third parties US\$97,395 (2021: US\$100,814). The third party administered portfolios as of December 31, 2022 was composed of corporate bonds US\$32,852 (2021: US\$30,998), Government bonds US\$7,154 (2021: US\$28,025), collateralized mortgage obligations US\$6,687 (2021: US\$8,771), equity US\$2,925 (2021: US\$-1,715), cash US\$29,939 (2021: US\$33,500), pending settlement securities US\$-1,253 (2021: US\$-22), derivatives US\$-490 (2021: US\$167) and repos / liabilities US\$19,581 (2021: US\$1,090).

During 2022 the Bank bought financial assets for US\$83,597 (2021: US\$206,028), sold securities for US\$144,979 (2021: US\$116,926) and redeemed securities for US\$5,039 (2021: US\$2,872). Revaluation and realized loss accounted for US\$-52,667 (2021: US\$28,585) and US\$-6,495 (2021: US\$-3,333) respectively.

Inteligo Bank Ltd.
Notes to the Financial Statements
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(Amount expressed in thousands of US\$ dollars)

6. Financial Assets (continued)

b. Financial assets at fair value through OCI:

	<u>December 31,</u>	
	2022	2021
	US\$ 000	US\$ 000
Corporate bonds	49,966	57,439
Equity shares	4,842	4,410
	<u>54,808</u>	<u>61,849</u>

During 2022 the Bank bought financial instruments for US\$10,414 (2021: US\$18,795), sold corporate bonds for US\$6,725 (2021: US\$37,408) and redeemed for US\$2,326 (2021: US\$21,208). Revaluation accounted for US\$-8,404 (2021: US\$-4,196).

All corporate bonds classified at FVOCI are fixed-rate instruments with coupon rates ranging from 2.75% to 9.70% p.a. (2021: 4.375% to 9.70% p.a.).

FVOCI Corporate bonds are concentrated in following countries, based on country of incorporation of issuers:

	<u>December 31,</u>	
	2022	2021
	US\$ 000	US\$ 000
Colombia	16,070	21,578
Panama	12,902	14,714
Mexico	5,706	13,017
Brazil	4,695	-
Peru	3,736	-
Spain	3,576	4,300
Luxembourg	3,281	3,830
	<u>49,966</u>	<u>57,439</u>

Financial assets at FVOCI are concentrated mainly in the financial services industry with 65% of total position (2021: 67%); energy with 10% (2021: 8%); manufacturing 9% (2021: 6%); construction with 7% (2021: 7%); and the rest of the portfolio concentrated in other industries.

Inteligo Bank Ltd.
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6. Financial Assets (continued)

The maturity analysis of financial assets at FVOCI as of December 31, 2022 and 2021 is shown below:

	December 31, 2022					Total US\$000
	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	
	Equity shares	-	-	-	-	
Corporate bonds	-	<u>30,341</u>	<u>19,625</u>	-	-	<u>49,966</u>
	<u>-</u>	<u>30,341</u>	<u>19,625</u>	<u>-</u>	<u>4,842</u>	<u>54,808</u>

	December 31, 2021					Total US\$000
	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	
	Equity shares	-	-	-	-	
Corporate bonds	-	<u>29,483</u>	<u>27,956</u>	-	-	<u>57,439</u>
	<u>-</u>	<u>29,483</u>	<u>27,956</u>	<u>-</u>	<u>4,410</u>	<u>61,849</u>

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

	December 31,	
	2022 US\$ 000	2021 US\$ 000
Fixed rate	50,213	58,458
Equity (non-interest bearing)	57,035	107,641
Funds (mixed)	235,558	305,912
Third party administered funds (mixed)	<u>97,395</u>	<u>100,814</u>
	<u>440,201</u>	<u>572,825</u>

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Notes to the Financial Statements
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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, 2022			
	Level 1	Level 2	Level 3	Total
	US\$000	US\$000	US\$000	US\$000
Financial assets at FVPL				
Corporate bonds	247	-	-	247
Equity shares and mutual funds	51,455	33,859	202,437	287,751
Third party administrated portfolio	-	97,395	-	97,395
	<u>51,702</u>	<u>131,254</u>	<u>202,437</u>	<u>385,393</u>
Financial assets at FVOCI				
Equity shares	4,842	-	-	4,842
Corporate bonds	49,966	-	-	49,966
	<u>54,808</u>	<u>-</u>	<u>-</u>	<u>54,808</u>

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(Amount expressed in thousands of US\$ dollars)

6. Financial Assets (continued)

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
	US\$000	US\$000	US\$000	US\$000
Financial assets at FVPL				
Corporate bonds	1,018	-	-	1,018
Equity shares and mutual funds	124,746	41,605	242,793	409,144
Third party administrated portfolio	-	100,814	-	100,814
	<u>125,764</u>	<u>142,419</u>	<u>242,793</u>	<u>510,976</u>
Financial assets at FVOCI				
Equity shares	4,410	-	-	4,410
Corporate bonds	57,439	-	-	57,439
	<u>61,849</u>	<u>-</u>	<u>-</u>	<u>61,849</u>

There were no transfers between Level 1 and Level 2 or between Level 2 and Level 3 in 2022 and 2021.

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.

Inteligo Bank Ltd.
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6. Financial Assets (continued)

The table below shows a description of significant unobservable inputs to valuation, as of December 31, 2022:

	Fair Value (US\$000)	Valuation technique	Significant unobservable inputs	Value	Sensitivity of the input to fair value
Private Equity Fund - Pharmaceutical sector	-	Net Asset Value	NAV	\$0.00	The security was sold during 2022
Mutual Funds and Investment Participations	202,437	Net Asset Value	NAV	According to each investment	10% increase (decrease) in the NAV would result in increase (decrease) in fair value by US\$21,767
Total	202,437				

The table below shows a description of significant unobservable inputs to valuation, as of December 31, 2021:

	Fair Value (US\$000)	Valuation technique	Significant unobservable inputs	Value	Sensitivity of the input to fair value
Private Equity Fund - Pharmaceutical sector	28,087	Net Asset Value	NAV	\$203.53	10% increase (decrease) in the NAV would result in increase (decrease) in fair value by US\$2,809
Mutual Funds and Investment Participations	214,706	Net Asset Value	NAV	According to each investment	10% increase (decrease) in the NAV would result in increase (decrease) in fair value by US\$19,900
Total	242,793				

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:

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6. Financial Assets (continued)

	Year ended December 31,	
	2022	2021
	Financial Assets at FVPL US\$000	Financial Assets at FVPL US\$000
Balance at January 1	242,793	111,574
Purchases	47,285	123,576
Settlements	(72,776)	(33,004)
Net change in fair value during the year	<u>(14,865)</u>	<u>40,647</u>
Balance at December 31	<u>202,437</u>	<u>242,793</u>

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

	Year ended December 31, 2022				
	Financial				
	Pharmaceutical US\$000	Services US\$000	Real Estate US\$000	Diversified US\$000	Total US\$000
Balance at January 1	48,980	112,932	9,855	71,026	242,793
Purchases	5,448	24,820	10,938	6,079	47,285
Settlements / distributions	(30,581)	(33,277)	(541)	(8,377)	(72,776)
Total net gain (loss) recognized in P&L	<u>(5,621)</u>	<u>(562)</u>	<u>60</u>	<u>(8,742)</u>	<u>(14,865)</u>
Balance at December 31	<u>18,226</u>	<u>103,913</u>	<u>20,312</u>	<u>59,986</u>	<u>202,437</u>

	Year ended December 31, 2021				
	Financial				
	Pharmaceutical US\$000	Services US\$000	Real Estate US\$000	Diversified US\$000	Total US\$000
Balance at January 1	41,683	30,696	4,008	35,187	111,574
Purchases	10,591	81,723	7,082	24,180	123,576
Settlements / distributions	(4,106)	(21,377)	(1,215)	(6,306)	(33,004)
Total net gain (loss) recognized in P&L	<u>812</u>	<u>21,891</u>	<u>(20)</u>	<u>17,964</u>	<u>40,647</u>
Balance at December 31	<u>48,980</u>	<u>112,933</u>	<u>9,855</u>	<u>71,025</u>	<u>242,793</u>

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.

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6. Financial Assets (continued)

	December 31, 2022				
	Equity Shares	Mutual Funds	Third Party Administered Portfolio	Corporate Bonds	Total
	US\$000	US\$000	US\$000	US\$000	US\$000
A+ to BBB-	-	-	-	3,909	3,909
Lower than BBB-	-	-	-	46,304	46,304
Unrated	<u>57,035</u>	<u>235,558</u>	<u>97,395</u>	<u>-</u>	<u>389,988</u>
	<u>57,035</u>	<u>235,558</u>	<u>97,395</u>	<u>50,213</u>	<u>440,201</u>
	December 31, 2021				
	Equity Shares	Mutual Funds	Third Party Administered Portfolio	Corporate Bonds	Total
	US\$000	US\$000	US\$000	US\$000	US\$000
A+ to BBB-	-	-	-	246	246
Lower than BBB-	-	-	-	58,211	58,211
Unrated	<u>107,642</u>	<u>305,912</u>	<u>100,814</u>	<u>-</u>	<u>514,368</u>
	<u>107,642</u>	<u>305,912</u>	<u>100,814</u>	<u>58,457</u>	<u>572,825</u>

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6. Financial Assets (continued)

The tables below represent the debt instruments measured at FVOCI according to the stages indicated by IFRS 9, classified using our internal credit ratings:

		December 31, 2022			
		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	0.09%	3,736	-	-	3,736
BB	0.65%	26,584	-	-	26,584
Lower than BB	3.02%	16,893	2,682	71	19,646
Total		47,213	2,682	71	49,966

		December 31, 2021			
		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%	-	-	-	-
BB	0.60%	31,972	-	-	31,972
Lower than BB	3.00%	20,284	5,183	-	25,467
Total		52,256	5,183	-	57,439

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.

The movement of the allowance for ECL on debt financial instruments at FVOCI is as follows:

	Year ended	
	December 31,	
	2022	2021
	US\$ 000	US\$ 000
Balance at beginning of year	872	523
Allowance charged to expense	2,374	349
Balance at year end	3,246	872

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6. Financial Assets (continued)

A summary of the ECL on debt instruments at FVOCI is as follows:

Year ended December 31, 2022

	<i>Stage 1</i> <i>US\$ 000</i>	<i>Stage 2</i> <i>US\$ 000</i>	<i>Stage 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
ECL				
Balance at beginning of the year	419	453	-	872
Reclassifications	(12)	(247)	259	-
Remeasurement at year end ECL	(31)	(51)	2,456	2,374
Balance at end of the year	<u>376</u>	<u>155</u>	<u>2,715</u>	<u>3,246</u>

Year ended December 31, 2021

	<i>Stage 1</i> <i>US\$ 000</i>	<i>Stage 2</i> <i>US\$ 000</i>	<i>Stage 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
ECL				
Balance at beginning of the year	516	7	-	523
Reclassifications	(92)	92	-	-
Remeasurement at year end ECL	(5)	354	-	349
Balance at end of the year	<u>419</u>	<u>453</u>	<u>-</u>	<u>872</u>

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7. Loans, Net

The position of the loan portfolio is summarized below:

	<u>December 31,</u>	
	2022	2021
	US\$ 000	US\$ 000
Financial	2,250	4,284
Commercial	14,326	13,938
Industrial	18,496	16,475
Services	106,249	110,777
Construction and real estate	47,391	37,409
Fishing and agriculture	28,670	29,980
Consumer	241,840	211,654
	459,222	424,517
Less allowance for loan losses	80	698
	459,142	423,819

In addition to the allowance for loan losses, in compliance with the Superintendence of Banks of Panama Rule N° 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 2022 (2021: US\$ 2,242) that is reported in Shareholder's Equity.

At December 31, 2022, the annual interest rates on loans ranged from 1.1% to 10.0% (2021: 1.1% to 10.25%), and the weighted average interest rate was 5.36% (2021: 3.57%).

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

	<u>December 31,</u>	
	2022	2021
	US\$ 000	US\$ 000
Fixed rate	255,261	212,772
Variable rate (Prime)	203,961	211,745
	459,222	424,517

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7. Loans, Net (continued)

Gross balance of loans is secured as follows:

	<u>December 31,</u>	
	2022	2021
	US\$ 000	US\$ 000
Cash	205,354	124,569
Securities	220,689	271,072
Others	24,271	20,662
Without collateral	8,908	8,214
	<u>459,222</u>	<u>424,517</u>

At December 31, 2022, there was one past due or impaired loan classified as a high risk level and stage 3 amounting to US\$33 (2021:US\$993). As of December 31, 2022, 99.9% of loans were classified in stage one.

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

	<u>December 31,</u>	
	2022	2021
	US\$ 000	US\$ 000
Internal (equivalent) risk rating:		
Low (AAA to AA)	12,009	20,913
Medium Low (A to BBB+)	358,476	313,762
Medium (BBB to BBB-)	86,798	87,484
Medium High (BB+ to BB)	196	149
High (BB- to CCC)	33	993
Not rated	1,710	1,216
	<u>459,222</u>	<u>424,517</u>

Inteligo Bank Ltd.
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7. Loans, Net (continued)

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

LOANS		December 31, 2022			
		Stage 1	Stage 2	Stage 3	Total
Internal Rating Grade	12 Month Basel III PD	US\$000	US\$000	US\$000	US\$000
<u>Performing</u>					
Low	0.00%	12,009	-	-	12,009
Medium Low	0.05%	358,476	-	-	358,476
Medium	0.09%	86,798	-	-	86,798
Medium High	0.65%	166	30	-	196
High	1.00%	-	-	33	33
Not Rated	1.00%	1,710	-	-	1,710
Total		459,159	30	33	459,222

LOANS		December 31, 2021			
		Stage 1	Stage 2	Stage 3	Total
Internal Rating Grade	12 Month Basel III PD	US\$000	US\$000	US\$000	US\$000
<u>Performing</u>					
Low	0.00%	20,913	-	-	20,913
Medium Low	0.06%	313,762	-	-	313,762
Medium	0.12%	87,484	-	-	87,484
Medium High	0.60%	119	30	-	149
High	1.00%	-	-	993	993
Not Rated	1.00%	1,216	-	-	1,216
Total		423,494	30	993	424,517

The movement of the allowance for loans losses is as follows:

	Year ended	
	December 31,	
	2022	2021
	US\$ 000	US\$ 000
Balance at beginning of year	698	42
Allowance charged to expense (reversal)	(618)	656
Balance at year end	80	698

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7. Loans, Net (continued)

The composition of the ECL for loans has been classified in three phases: Stage 1, Stage 2 and Stage 3. Stage 1 details the ECL on loans with expected credit losses over 12 months. On Stage 2, details the ECL of loans without credit impairment with an expected credit loss recognized during the term of the asset; and Stage 3 details the ECL on loans with credit impairment that an expected credit loss is recognized during the term of the asset. A summary of the ECL on loans is as follows:

Year ended December 31, 2022

	<i>Stage 1</i> <i>US\$ 000</i>	<i>Stage 2</i> <i>US\$ 000</i>	<i>Stage 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
ECL				
Balance at beginning of the year	41	-	657	698
Remeasurement at year end ECL	2	1	(78)	(75)
New loans	9	-	-	9
Loans paid-off	(5)	-	(547)	(552)
Balance at end of the year	<u>47</u>	<u>1</u>	<u>32</u>	<u>80</u>

Year ended December 31, 2021

	<i>Stage 1</i> <i>US\$ 000</i>	<i>Stage 2</i> <i>US\$ 000</i>	<i>Stage 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
ECL				
Balance at beginning of the year	42	-	-	42
Remeasurement at year end ECL	6	-	657	663
New loans	4	-	-	4
Loans paid-off	(11)	-	-	(11)
Balance at end of the year	<u>41</u>	<u>-</u>	<u>657</u>	<u>698</u>

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8. Property, Furniture, Equipment and Improvements, Net

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

Year ended December 31, 2022

	<i>Property</i>	<i>Furniture and Equipment</i>	<i>Improvements</i>	<i>Vehicles</i>	<i>Total</i>
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Cost					
At beginning of year	9,508	1,955	1,484	229	13,176
Additions	-	119	-	-	119
Reclassification	-	-	997	-	997
Disposals	-	-	-	(53)	(53)
At end of year	<u>9,508</u>	<u>2,074</u>	<u>2,481</u>	<u>176</u>	<u>14,239</u>
Accumulated depreciation and amortization					
At beginning of year	1,293	1,682	1,483	82	4,540
Depreciation and amortization for the year	317	159	19	35	530
Disposals	-	-	-	(38)	(38)
At end of year	<u>1,610</u>	<u>1,841</u>	<u>1,502</u>	<u>79</u>	<u>5,032</u>
Net balance	<u>7,898</u>	<u>233</u>	<u>979</u>	<u>97</u>	<u>9,207</u>

Year ended December 31, 2021

	<i>Property</i>	<i>Furniture and Equipment</i>	<i>Improvements</i>	<i>Vehicles</i>	<i>Total</i>
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Cost					
At beginning of year	6,500	1,715	1,484	164	9,863
Additions	3,008	239	-	116	3,363
Reclassification	-	18	-	-	18
Disposals	-	(17)	-	(51)	(68)
At end of year	<u>9,508</u>	<u>1,955</u>	<u>1,484</u>	<u>229</u>	<u>13,176</u>
Accumulated depreciation and amortization					
At beginning of year	1,067	1,498	1,481	112	4,158
Depreciation and amortization for the year	226	199	2	21	448
Disposals	-	(15)	-	(51)	(66)
At end of year	<u>1,293</u>	<u>1,682</u>	<u>1,483</u>	<u>82</u>	<u>4,540</u>
Net balance	<u>8,215</u>	<u>273</u>	<u>1</u>	<u>147</u>	<u>8,636</u>

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9. Intangible Assets

Intangible assets are shown below:

Year ended December 31, 2022

	<i>Software</i> US\$ 000	<i>Work in Progress</i> US\$ 000	<i>Total</i> US\$ 000
Cost			
At beginning of year	10,968	1,248	12,216
Additions	58	770	828
Adjustments	-	(70)	(70)
Reclassification	636	(1,633)	(997)
At end of year	11,662	315	11,977
Accumulated depreciation and amortization			
At beginning of year	8,708	-	8,708
Depreciation and amortization for the year	931	-	931
At end of year	9,639	-	9,639
Net balance	2,023	315	2,338

Year ended December 31, 2021

	<i>Software</i> US\$ 000	<i>Work in Progress</i> US\$ 000	<i>Total</i> US\$ 000
Cost			
At beginning of year	10,302	729	11,031
Additions	40	1,173	1,213
Reclassification	626	(644)	(18)
Disposal	-	(10)	(10)
At end of year	10,968	1,248	12,216
Accumulated depreciation and amortization			
At beginning of year	7,748	-	7,748
Depreciation and amortization for the year	960	-	960
At end of year	8,708	-	8,708
Net balance	2,260	1,248	3,508

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10. Other Assets

Other assets are shown below:

	Year ended December 31,	
	2022	2021
	US\$ 000	US\$ 000
Accounts receivable	1,838	1,963
Accrued commissions	6,202	6,786
Right-of-use assets	<u>288</u>	<u>106</u>
	<u>8,328</u>	<u>8,855</u>

Following the movement of right-of-use assets for the operational lease agreement to rent the Bank's offices in The Bahamas. The lease agreement matures in 2024.

	Year ended December 31,	
	2022	2021
	US\$ 000	US\$ 000
At the beginning of the year	106	-
Additions	305	116
Amortization expense	<u>(123)</u>	<u>(10)</u>
At the end of the year	<u>288</u>	<u>106</u>

The movement of the lease liability is as follows:

	Year ended December 31,	
	2022	2021
	US\$ 000	US\$ 000
At the beginning of the year	107	-
Additions	305	116
Interest accrued	5	-
Payments	<u>(137)</u>	<u>(9)</u>
At the end of the year	<u>280</u>	<u>107</u>

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10. Other Assets (continued)

The amounts recorded in the statement of income related to leases are presented as follow:

	Year ended December 31,	
	2022	2021
	US\$ 000	US\$ 000
Amortization expense	123	10
Interest expense	10	2
Short-term leases	<u>256</u>	<u>37</u>
	<u><u>389</u></u>	<u><u>49</u></u>

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,	
	2022	2021
	%	%
Deposits with banks:		
Interest rate range	1.10% to 5.87%	0.12% to 3.75%
Weighted average interest rate	3.77%	1.45%
Due to depositors:		
Non banks:		
Interest rate range	0.10% to 7.5%	0.10% to 7.5%
Weighted average interest rate	3.12%	1.17%

12. Borrowings

Outstanding lines of credit are as follows:

	December 31,	
	2022	2021
	US\$ 000	US\$ 000
Outstanding balance borrowings	<u>14,000</u>	<u>46,000</u>
	<u><u>14,000</u></u>	<u><u>46,000</u></u>

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12. Borrowings (continued)

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

	Year ended December 31,	
	2022	2021
	US\$ 000	US\$ 000
Balance at January 1	46,000	83,000
Proceeds	10,000	5,000
Repayments	<u>(42,000)</u>	<u>(42,000)</u>
Balance at December 31	<u>14,000</u>	<u>46,000</u>

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\$14,000 currently used). Credit Suisse AG granted the Bank a revolving line of credit of up to US\$75,000. (The Bank is not currently using the line of credit). Interest expense for the year was US\$897 (2021: US\$471). Borrowings are collateralized by a portfolio of investments.

	Year ended December 31,	
	2022	2021
	%	%
Borrowings		
Interest rate range	0.66% to 5.61%	0.62% to 0.89%
Weighted average interest rate	2.44%	0.75%

13. Share Capital

At December 31, 2022, the Bank's share capital is comprised of 20,000 million (2021: 20 million), common shares issued and outstanding with a par value of US\$1 (2021: US\$1) each.

During the year ended December 31, 2022, the Bank declared and paid a dividend of US\$50 million (2021: US\$50 million) or US\$2.5 per share (2021: US\$2.50 per share).

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14. Income Taxes

As of December 31, 2022, 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 10% (2021: 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 (loss) on Financial Instruments, Net

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

	Year ended	
	December 31,	
	2022	2021
	US\$ 000	US\$ 000
Net unrealized (loss)/gain on securities at FVPL	(52,362)	25,614
Net realized (loss)/gain gain on securities at FVPL	<u>(8,377)</u>	<u>9,809</u>
Subtotal	<u>(60,739)</u>	<u>35,423</u>
Net realized (loss)/gain gain on financial assets at FVOCI	<u>(2,304)</u>	<u>847</u>
	<u>(63,043)</u>	<u>36,270</u>

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16. General and Administrative Expenses

	Year ended December 31,	
	2022	2021
	US\$ 000	US\$ 000
<i>Salaries and employee benefits</i>		
Salaries	5,771	3,482
Social security	467	329
Employee benefits	1,140	1,911
Seniority premium	127	47
Training	70	141
	<u>7,575</u>	<u>5,910</u>
<i>Professional fees</i>		
Inteligo Sociedad Agentes de Bolsa, S.A. (Inteligo SAB)	5,959	8,456
Others	5,269	5,673
	<u>11,228</u>	<u>14,129</u>
<i>Other expenses</i>		
Repairs and maintenance	1,475	1,280
Communication and postage	185	174
Taxes and banking license fees	214	218
Electricity	76	42
Office supplies	9	5
Travel	227	39
Insurance	360	294
Other	1,361	994
	<u>3,907</u>	<u>3,046</u>

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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.

These commitments are summarized below:

	<u>December 31,</u>	
	2022	2021
	US\$ 000	US\$ 000
Stand by letters of credit	<u>1,466</u>	<u>6,581</u>
Lines of credit to be disbursed	<u>34,479</u>	<u>35,007</u>

Consumer Credit – Visa

As of December 31, 2022, the Bank had outstanding revolving lines of credit available to its credit card customers for US\$8,268 (2021: US\$8,106). The unused portion of the total credit facility available amounted to approximately US\$7,452 (2021: US\$7,369). 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) Contingencies

The Bank is involved in legal proceedings in the ordinary course of its banking operations. The Bank 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 the Bank in connection with investments in Fairfield, a BLMIS feeder fund.

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17. Commitments and Contingencies (continued)

BLMIS lawsuit: On December 9, 2022, the Bankruptcy Court for the Southern District of New York denied the Bank's motion to dismiss the Complaint, and it issued an amended version of its memorandum decision on December 15, 2022. The Bankruptcy Court's decision largely copied from its prior decisions rejecting similar claims made by other defendants. A formal order denying the motion was entered on December 22, 2022. On February 10, 2023, the Bank filed an Answer to the complaint. Bank's representatives will meet and confer with the Trustee of BLMIS to address discovery. Typically, the Trustee agrees that the initial disclosures required by Federal Rule of Civil Procedure 24 are due within 30 days from the entry of a case management order and a discovery cut-off deadline is set for roughly two-years later. After the close of discovery, the parties will agree with the Court upon a schedule for filing dispositive motions and, if necessary, a trial.

Fairfield Lawsuit: The District Court affirmed the Bankruptcy Court's dismissal of the liquidator's complaint against the Bank and several other defendants, but the liquidator has appealed to the United States Court of Appeals for the Second Circuit. The cases have been consolidated on appeal and the following schedule has been set: the liquidator's opening brief is due January 6, 2023, the opposition is due April 14, 2023, and the reply is due May 12, 2023. The Second Circuit typically does hear oral argument, but no date will be scheduled until after the briefing is complete.

18. Commission Income

	Year ended	
	December 31,	
	2022	2021
	US\$ 000	US\$ 000
Product management portfolio	2,866	4,139
Commission for purchase and sale of financial instruments	2,450	2,966
Operational commissions	3,372	2,895
Structure of notes	17,809	17,788
Custody fees	3,540	4,555
Subscription rates	1,189	3,088
	<u>31,226</u>	<u>35,431</u>

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.

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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:

	<i>Directors and Key Management Personnel</i>		<i>Executives</i>		<i>Related Companies</i>	
	2022 US\$ 000	2021 US\$ 000	2022 US\$ 000	2021 US\$ 000	2022 US\$ 000	2021 US\$ 000
Assets						
Securities	-	-	-	-	43	47
Loans	1,653	2,226	12,631	9,453	-	4,000
Other assets	-	-	-	-	-	-
Interest receivables	62	43	368	118	-	8
Liabilities						
Demand deposits	1,473	749	4,712	2,146	113,588	56,004
Time deposits	-	-	4,703	157	-	1,510
Interest payable	-	-	46	-	-	12
Interest income						
Loans	85	53	896	350	49	227
Interest expense						
Deposits	-	-	52	6	3	144
Income from financial services and other items						
Commission income	47	28	256	198	349	495
General and administrative expenses						
Key management salaries	1,100	380	-	-	-	-
Professional fees	-	-	-	-	9,653	12,067
Commission expense	-	-	-	-	38	28

Transactions with related parties include loans with interest rate range from 2.0% to 8.0% (2021: 2.0% to 3.75%); as well as fixed-income securities with coupon rate range from 5.75% to 6.0% (2021: 5.75% to 6.0%). In the case of time deposits, interest rates are in the range of 1.8% to 4.85% p.a. (2021: 1.0% to 1.10% p.a.) and maturities within the first semester of 2023. Demand deposits do not accrue interest.

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

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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.

- e) Borrowings

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.

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20. Fair Value of Financial Instruments (continued)

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

	December 31,			
	2022		2021	
	Carrying Value US\$ 000	Fair Value US\$ 000	Carrying Value US\$ 000	Fair Value US\$ 000
Assets				
Cash and deposits with banks	369,220	369,220	367,456	367,456
Financial assets	440,201	440,201	572,825	572,825
Loans	<u>459,222</u>	<u>456,543</u>	<u>424,517</u>	<u>426,399</u>
	<u>1,268,643</u>	<u>1,265,964</u>	<u>1,364,798</u>	<u>1,366,680</u>
Liabilities				
Demand deposits	516,746	516,746	593,617	593,617
Time deposits	556,797	546,744	452,479	451,331
Borrowings	<u>14,000</u>	<u>13,934</u>	<u>46,000</u>	<u>45,961</u>
	<u>1,087,543</u>	<u>1,077,424</u>	<u>1,092,096</u>	<u>1,090,909</u>

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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	2022	Level 1	Level 2	Level 3
Assets				
Loans	456,543	-	456,543	-
	456,543	-	456,543	-
Liabilities				
Demand deposits	516,746	-	516,746	-
Time deposits	546,744	-	546,744	-
Borrowings	13,934	-	13,934	-
	1,077,424	-	1,077,424	-
Fair Value	2021	Level 1	Level 2	Level 3
Assets				
Loans	426,399	-	426,399	-
	426,399	-	426,399	-
Liabilities				
Demand deposits	593,617	-	593,617	-
Time deposits	451,331	-	451,331	-
Borrowings	45,961	-	45,961	-
	1,090,909	-	1,090,909	-

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 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.

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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:

	<u>December 31,</u>	
	2022	2021
	US\$ 000	US\$ 000
Deposits with banks	369,211	367,447
Financial assets	440,201	572,825
Loans	459,222	424,517
Securities sold pending settlement	407	906
Accrued interest receivable	10,517	8,415
Other assets	8,328	8,749
	<u>1,287,886</u>	<u>1,382,859</u>

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.

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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 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, 2022, 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 15% and 25% of total capital, respectively. The Bank's capital adequacy ratio as of December 31, 2022 was 20.41% (2021: 24.39%).

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 2022 amounts to US\$2,322 (2021: US\$2,940), which includes both the allowance for loan losses calculated in accordance with IFRS US\$80 (2021: US\$698) and the additional regulatory allowance US\$2,242 (2021: US\$2,242). Compliant with IFRS 9, the Bank reviews its loan portfolio on a quarterly basis and estimates its expected credit loss.

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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	
	2022 US\$ 000	2021 US\$ 000	2022 US\$ 000	2021 US\$ 000	2022 US\$ 000	2021 US\$ 000
Concentration by sector:						
Corporate	321,824	301,145	99,842	111,132	-	-
Consumer	137,398	123,372	-	-	-	-
Others sectors	-	-	340,359	461,693	369,211	367,447
	<u>459,222</u>	<u>424,517</u>	<u>440,201</u>	<u>572,825</u>	<u>369,211</u>	<u>367,447</u>
Geographic concentration:						
Panama - off shore	69,777	77,535	-	-	17,930	46,913
Caribbean	3,901	4,843	16,441	70,251	-	-
United States of America	13,042	304	197,825	298,519	210,590	97,206
Europe	1,417	1,100	27,453	107,686	1,555	12,065
Peru	368,780	338,589	9,094	5,185	-	-
Others	2,305	2,146	189,388	91,184	139,136	211,263
	<u>459,222</u>	<u>424,517</u>	<u>440,201</u>	<u>572,825</u>	<u>369,211</u>	<u>367,447</u>

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\$38 (2021: US\$96), 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.

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21. Financial Risk Management (continued)

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.

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, 2022, 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.

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21. Financial Risk Management (continued)

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.

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:

	<u>December 31,</u>	
	2022	2021
	%	%
At year end	37%	35%
Average for the year	30%	37%
Maximum during the year	37%	50%
Minimum during the year	24%	17%

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21. Financial Risk Management (continued)

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.

	December 31, 2022						
	Total	Up to 1	1 to 3	3 to 12	1 to 5	More than	Without
	US\$ 000	Month	Months	Months	Years	5 Years	Maturity
Assets:							
Cash and deposits with banks	369,220	4,147	6,173	78,668	1,776	-	278,456
Financial assets at FVPL	385,393	19,568	(371)	(111)	6,487	40,490	319,330
Financial assets at FVOCI	54,808	-	-	-	-	49,966	4,842
Loans	459,222	30,566	88,447	307,752	30,116	2,341	-
Total Assets	1,268,643	54,281	94,249	386,309	38,379	92,797	602,628
Liabilities:							
Deposits	1,073,543	42,199	80,673	417,455	16,470	-	516,746
Borrowings	14,000	-	-	14,000	-	-	-
Total Liabilities	1,087,543	42,199	80,673	431,455	16,470	-	516,746
Net liquidity gap	181,100	12,082	13,576	(45,146)	21,909	92,797	85,882
	December 31, 2021						
	Total	Up to 1	1 to 3	3 to 12	1 to 5	More than	Without
	US\$ 000	Month	Months	Months	Years	5 Years	Maturity
Assets:							
Cash and deposits with banks	367,456	8,732	7,839	43,516	15,050	-	292,318
Financial assets at FVPL	510,976	2,388	12,396	32,411	12,955	29,671	421,155
Financial assets at FVOCI	61,849	-	-	-	24,840	32,600	4,410
Loans	424,517	31,236	85,582	283,440	20,509	3,750	-
Total Assets	1,364,798	42,356	105,817	359,367	73,354	66,021	717,883
Liabilities:							
Deposits	1,046,096	41,990	95,446	289,556	25,487	-	593,617
Borrowings	46,000	46,000	-	-	-	-	-
Total Liabilities	1,092,096	87,990	95,446	289,556	25,487	-	593,617
Net liquidity gap	272,702	(45,634)	10,371	69,811	47,867	66,021	124,266

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21. Financial Risk Management (continued)

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.

The market risk for financial assets is managed and monitored using value at risk (Var), that reflects the interdependency between risk variables as market prices, interest rates and foreign exchange rates. Var is used for both, financial assets at fair value through profit or loss and financial assets at fair value through OCI.

Market risk limits are set and continuously monitored by the Bank's Risk Unit. As part of its established market risk management process, the Risk Unit monitors also early warning on those limits. Market limits are ultimately approved by the Enterprise Risk Management Committee. Despite the market risk management put in place, adverse market conditions can result on losses on the financial results of the Bank.

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 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 Risk Management Committee.

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21. Financial Risk Management (continued)

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, 2022						
	Up to 1	1 to 3	3 to 12	1 to 5	More than	Without	Total
	Month	Months	Months	Years	5 Years	Interest	
US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	Rate	US\$ 000
Assets:							
Cash and deposits with banks	4,147	6,173	78,668	1,776	-	278,456	369,220
Financial assets	19,568	(371)	(111)	6,487	90,457	324,171	440,201
Loans	30,566	88,447	307,752	30,116	2,341	-	459,222
Total Assets	54,281	94,249	386,309	38,379	92,798	602,627	1,268,643
Liabilities:							
Deposits	42,199	80,673	417,455	16,470	-	516,746	1,073,543
Borrowings	-	-	14,000	-	-	-	14,000
Total Liabilities	42,199	80,673	431,455	16,470	-	516,746	1,087,543
Net interest gap	12,082	13,576	(45,146)	21,909	92,798	85,881	181,100
December 31, 2021							
	Up to 1	1 to 3	3 to 12	1 to 5	More than	Without	Total
	Month	Months	Months	Years	5 Years	Interest	
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	Rate	US\$ 000
Assets:							
Cash and deposits with banks	8,732	7,839	43,516	15,050	-	292,319	367,456
Financial assets	2,388	12,396	32,411	37,795	62,271	425,564	572,825
Loans	31,236	85,582	283,440	20,509	3,750	-	424,517
Total Assets	42,356	105,817	359,367	73,354	66,021	717,883	1,364,798
Liabilities:							
Deposits	41,990	95,446	289,556	25,487	-	593,617	1,046,096
Borrowings	46,000	-	-	-	-	-	46,000
Total Liabilities	87,990	95,446	289,556	25,487	-	593,617	1,092,096
Net interest gap	(45,634)	10,371	69,811	47,867	66,021	124,266	272,702

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21. Financial Risk Management (continued)

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, 2022, the annual interest rates on deposits due to depositors ranged from 1.1% to 5.87% (2021: 0.10% to 7.50%).

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.

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:

		<u>100bp</u> Increase	<u>100bp</u> Decrease
	<u>2022</u>	US\$ 000	US\$ 000
Loans		(2,283)	2,328
Financial assets		(4,705)	4,705
Deposits		2,710	(2,452)
Borrowings		43	(42)
		<u>(4,235)</u>	<u>4,539</u>
		<u>100bp</u> Increase	<u>100bp</u> Decrease
	<u>2021</u>	US\$ 000	US\$ 000
Loans		(2,273)	2,324
Financial assets		(3,398)	3,398
Deposits		2,185	(1,732)
Borrowings		35	(35)
		<u>(3,451)</u>	<u>3,955</u>

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

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21. Financial Risk Management (continued)

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.

The table below summarizes the Bank's exposures to foreign currency exchange risk at December 31, 2022. Included in the table are the carrying amounts of the Bank's financial instruments, categorized by currency.

	December 31,					
	2022					
	US\$ 000					
	ARS	CHF	GBP	INR	EUR	PEN
Assets:						
Deposits with banks	47	7	115	-	7,259	-
Financial assets	-	-	-	1,681	9,464	4,842
Total Assets	<u>47</u>	<u>7</u>	<u>115</u>	<u>1,681</u>	<u>16,723</u>	<u>4,842</u>
Liabilities:						
Demand deposits	46	-	104	-	5,171	-
Total Liabilities	<u>46</u>	<u>-</u>	<u>104</u>	<u>-</u>	<u>5,171</u>	<u>-</u>

	December 31,					
	2021					
	US\$ 000					
	ARS	CHF	GBP	INR	EUR	PEN
Assets:						
Deposits with banks	67	7	59	-	6,377	-
Financial assets	-	-	-	7,485	9,625	4,410
Total Assets	<u>67</u>	<u>7</u>	<u>59</u>	<u>7,485</u>	<u>16,002</u>	<u>4,410</u>
Liabilities:						
Demand deposits	66	-	54	-	5,688	-
Total Liabilities	<u>66</u>	<u>-</u>	<u>54</u>	<u>-</u>	<u>5,688</u>	<u>-</u>

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21. Financial Risk Management (continued)

Furthermore, the Bank has exposure to a basket of other currencies as part of the portfolio of investments managed by PIMCO of US\$4,020 (2021: US\$5,945).

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.

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

	<u>December 31,</u>	
	2022	2021
	%	%
Equity investments:		
Exchange traded equity investments	3.60	4.27
Unlisted private equity investments	14.65	16.41
Total equity investments	18.25	20.68
Mutual funds:		
Funds invested with fund managers ⁽¹⁾	3.97	7.85
Unlisted closed and open ended investments funds	0.73	1.00
Total mutual funds	4.70	8.85
Debt securities:		
Exchange traded debt securities	10.96	11.55
Total debt securities	10.96	11.55
Total	33.91	41.08

(1) Funds available with fund managers include cash and U.S. Treasury bills, as reported by fund managers at December 31, 2022 and 2021.

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.

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21. Financial Risk Management (continued)

Securities are concentrated in the following industries:

	<u>December 31,</u>	
	2022	2021
	%	%
Equity investments:		
Banks / financial services	6.7	15.9
Pharmaceutical	5.2	10.9
Others (fishing, diversified, energy, basic materials, etc.)	40.2	20.3
Funds invested with fund managers	1.9	(0.3)
Mutual funds:		
Others (diversified, technology, etc.)	13.9	21.6
Debt securities:		
Banks / financial services	6.4	6.0
Others (mining, energy, basic materials, etc.)	5.5	7.7
Funds invested with fund managers	20.2	17.9
	<u>100.00</u>	<u>100.00</u>

f) 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.

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21. Financial Risk Management (continued)

- Requirements for the reporting of operational losses and proposed remedial action.
- Development and perform 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.

g) 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, 2022 were US\$116.2 (2021: US\$110.6).

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, 2022 was 20.41% (2021: 24.39%).

	<u>December 31,</u>	
	2022	2021
	US\$ 000	US\$ 000
Total eligible capital	<u>195,806</u>	<u>287,196</u>
Total risk weighted assets	<u>959,241</u>	<u>1,177,296</u>
Capital adequacy ratio	<u>20.41%</u>	<u>24.39%</u>

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21. Financial Risk Management (continued)

In August 2022, the Central Bank of Bahamas released the Bahamas Capital Regulations, 2022. The Regulations and Capital Guidelines simplify the Bahamian Basel III framework while remaining consistent with the proportionality principles set out by the Basel Committee. According to the new regulation, the Central Bank of Bahamas requires the Bank to maintain a capital ratio of not less than 12%. In addition, the new regulation introduced changes to the credit and operational risk equivalent assets and deductions of high-risk assets from the capital base. Under this new regulation the Bank's capital ratio on December 31, 2022 was 16.49%.

The Central Bank of The Bahamas required licensees to calculate its capital ratio under both regulations during the second semester of 2022 until further notice, when only the capital ratio under the new regulation is required to be reported.

22. Subsequent Event

The Bank has evaluated the impact of all subsequent events through March 28, 2023, 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.