Financial Statements of

BANCO DE BOGOTA (NASSAU) LIMITED

(In Voluntary Liquidation)

Year ended December 31, 2022

BANCO DE BOGOTA (NASSAU) LIMITED
(In Voluntary Liquidation)

Financial Statements

Year ended December 31, 2022

	Page

KPMG
PO Box N-123
Montague Sterling Centre
13 East Bay Street
Nassau, Bahamas

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Banco de Bogota (Nassau) Limited

Opinion

We have audited the financial statements of Banco de Bogota (Nassau) Limited ("the Bank"), which comprise the statement of financial position as at December 31, 2022, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board ("IFRS Standards").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *"Auditors' 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.

Emphasis of Matter

We draw attention to Notes 1 and 2 to the financial statements, which describe that the going concern basis of accounting has not been used to prepare the Bank's financial statements because on November 30, 2022, the shareholders placed the Bank into voluntary liquidation in order for its affairs to be wound up. In addition, the Central Bank of The Bahamas has approved the downgrade of the Bank's license. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

KPMG

Nassau, Bahamas
February 17, 2023

BANCO DE BOGOTA (NASSAU) LIMITED
(In Voluntary Liquidation)
Statement of Financial Position

December 31, 2022, with corresponding figures for 2021
(Expressed in United States dollars)

	Notes		2022	2021
ASSETS				
Cash and cash equivalents	4, 6 & 7	$	11,238,077	18,515,706
Loans to customers	4, 5, & 8		-	26,893,014
Investment securities	4, 5, & 9		39,530,551	43,300,971
Property, equipment and right of use assets	6 & 10		-	166,376
Other assets	6 & 11		7,466	393,866
Total assets		$	50,776,094	89,269,933
LIABILITIES AND EQUITY				
Liabilities:				
Deposits from customers	4, 6 & 12	$	-	35,753,195
Lease liability	4, 6 & 13		16,541	173,565
Other liabilities			234,474	1,560,551
Total liabilities			251,015	37,487,311
Equity:				
Share capital	4 & 14		50,558,400	50,558,400
Fair value reserve			(2,402,803)	(651,456)
Regulatory reserve	8		-	1,429,767
Retained earnings			2,369,482	445,911
Total equity			50,525,079	51,782,622
Commitments and contingencies	15			
Total liabilities and equity		$	50,776,094	89,269,933

See accompanying notes to financial statements.

These financial statements were approved by the Bank´s Liquidator on February 17, 2023

Liquidator

BANCO DE BOGOTA (NASSAU) LIMITED
(In Voluntary Liquidation)
Statement of Comprehensive Income

Year ended December 31, 2022, with corresponding figures for 2021
(Expressed in United States dollars)

	Notes		2022	2021
Interest income, calculated using the effective interest method				
Interest on bank deposits		$	134,231	24,371
Interest on investment securities			920,204	718,928
Interest on loans to customers			535,935	676,943
Total interest income			1,590,370	1,420,242
Interest expense				
Interest on deposits from customers			(333,671)	(468,004)
Interest on lease liability	6, 13		(5,821)	(4,271)
Total interest expense			(339,492)	(472,275)
Net interest income			1,250,878	947,967
Reversal of allowance for impairment losses on loans and securities	4		136,856	157,840
Other operating income (expenses):				
Fees and commissions	6		14,330	18,736
Commission expense			(18,459)	(22,947)
Net realized (loss) gain on securities	9		(89,032)	163,534
Other income			58,836	1,161
Total other operating (expenses) income			(34,325)	160,484
General and administrative expenses				
Salary and other employee benefits	6		(177,945)	(189,848)
Bank license fees			(80,280)	(82,199)
Rent			(12,348)	(13,333)
Professional services and directors' fees	6		(314,701)	(298,547)
Depreciation	6 & 10		(30,959)	(25,588)
Amortization of intangibles	11		(15,987)	(13,730)
Other expenses	6 & 16		(227,385)	(197,135)
Total general and administrative expenses			(859,605)	(820,380)
Net income for the year		$	493,804	445,911
Other comprehensive loss				
Items that are or may be reclassified to profit or loss				
Fair value reserve				
Net change in fair value of investment securities			(1,840,379)	(1,086,906)
Net amount transferred to profit or loss			89,032	(163,534)
Other comprehensive loss			(1,751,347)	(1,250,440)
Total comprehensive loss for the year		$	(1,257,543)	(804,529)

See accompanying notes to financial statements.

BANCO DE BOGOTA (NASSAU) LIMITED
(In Voluntary Liquidation)
Statement of Changes in Equity

Year ended December 31, 2022, with corresponding figures for 2021
(Expressed in United States dollars)

		Share Capital	Fair value reserve	Reserve for losses on loans	Retained earnings	Total
Balance at January 1, 2021		50,558,400	598,984	1,429,767	1,085,997	53,673,148
Net income		-	-	-	445,911	445,911
Other comprehensive loss						
Net change in fair value of investment securities		-	(1,086,906)	-	-	(1,086,906)
Net amount transferred to profit or loss		-	(163,534)	-	-	(163,534)
Total other comprehensive loss for the year		-	(1,250,440)	-	-	(1,250,440)
Total comprehensive loss for the year		-	(1,250,440)	-	445,911	(804,529)
Transactions with owners of the Bank						
Dividends paid (note 14)		-	-	-	(1,085,997)	(1,085,997)
Total transactions with owners of the Bank		-	-	-	(1,085,997)	(1,085,997)
Balance at December 31, 2021	$	50,558,400	(651,456)	1,429,767	445,911	51,782,622
Net income		-		-	493,804	493,804
Other comprehensive loss						
Net change in fair value of investment securities		-	(1,840,379)	-	-	(1,840,379)
Net amount transferred to profit or loss		-	89,032	-	-	89,032
Total other comprehensive loss for the year		-	(1,751,347)	-	-	(1,751,347)
Total comprehensive loss for the year		-	(1,751,347)	-	493,804	(1,257,543)
Other movements in equity						
Regulatory reserve				(1,429,767)	1,429,767	-
Total other movements in equity		-	-	(1,429,767)	1,429,767	-
Balance at December 31, 2022	$	50,558,400	(2,402,803)	-	2,369,482	50,525,079

See accompanying notes to financial statements.

BANCO DE BOGOTA (NASSAU) LIMITED
(In Voluntary Liquidation)
Statement of Cash Flows

Year ended December 31, 2022, with corresponding figures for 2021
(Expressed in United States dollars)

	Notes		2022	2021
Cash flows from operating activities:				
Net income for the year		$	493,804	445,911
Adjustments for:				
Reversal of allowance for impairment losses on loans and securities	4		(136,856)	(157,840)
Depreciation and amortization	10, 11		46,946	39,318
Loss on disposal of property, equipment, right of use assets and other assets			16,506	-
Loss on modification of lease contract			6,700	-
Net change in the fair value of investment securities	9		89,032	(163,534)
Net interest			(1,250,878)	(947,967)
Net cash used in operations before changes in working capital			(734,746)	(784,112)
Changes in:				
Loans to customers			26,929,139	18,238,567
Other assets			355,437	(138,203)
Deposits from customers			(35,576,304)	(1,869,595)
Other liabilities			(1,320,256)	1,437,634
			(10,346,730)	16,884,291
Interest received			1,674,353	1,818,563
Interest paid			(510,562)	(503,163)
Payment of interest on lease liability	13		(5,821)	(4,271)
Net cash (used in) provided by operating activities			(9,188,760)	18,195,420
Cash flows from investing activities:				
Purchase of investment securities			(13,923,800)	(31,047,237)
Proceeds from redemptions and sale of investment securities			15,870,589	20,991,029
Sale of property, equipment right of use assets and other assets			49,455	-
Purchase of property, equipment right of use assets and other assets			(56,867)	(17,819)
Net cash provided by (used in) investing activities			1,939,377	(10,074,027)
Cash flows from financing activities:				
Dividends paid	14		-	(1,085,997)
Payment of lease liability	13		(28,246)	(27,986)
Net cash used in financing activities			(28,246)	(1,113,983)
(Decrease) increase in cash and cash equivalents during the year			(7,277,629)	7,007,410
Cash and cash equivalents at beginning of the year			18,515,706	11,508,296
Cash and cash equivalents at end of the year	7	$	11,238,077	18,515,706

See accompanying notes to financial statements.

1. Reporting entity

Banco de Bogota (Nassau) Limited ("the Bank") was incorporated under the Laws of the Commonwealth of The Bahamas on June 9, 1978 and is a wholly owned subsidiary of Banco de Bogota (Panama), S.A. ("the Holding Company") a company incorporated in the Republic of Panama, which is in turn wholly-owned by Banco de Bogota, S.A. ("the Parent Company"), a company incorporated in the Republic of Colombia. The ultimate parent of the Bank is Grupo Aval Acciones y Valores, S.A. hereinafter, "Grupo Aval", a company incorporated under the laws of the Republic of Colombia. The Bank's registered office is located at Building 3, Office C, Caves Village, West Bay Street, Nassau, The Bahamas.

During the year, the Shareholder of the Bank made a strategic decision and resolved to cease and wind up its operations by way of voluntary liquidation, in accordance with the provisions of the Banks and Trust Companies Regulation Act, 2020, the Companies Act, 1992 and the procedures of the Central Bank of The Bahamas. On November 30 , 2022, the Directors filed a declaration of solvency and on that same day a liquidator of the Bank was appointed, effectively placing the Bank into voluntary liquidation.

On December 9, 2022, the Bank's license was downgraded to a non-active status as part of its process to cease and wind up its operations by way of voluntary liquidation. Prior to that date, the Bank operated under an unrestricted banking license granted under the Bank and Trust Act, 2000, and was principally engaged in providing offshore banking facilities.

During the winding up of the Bank´s operations, the loans were paid in full by the customers. There were no write-offs on the loan portfolio and the allowance for expected credit losses was fully reversed. The deposits from customers were fully cancelled. As of December 31, 2022, the Bank does not have any obligation with customers.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board ("IFRS Standards").

(b) Basis of measurement

The going concern basis of accounting has not been used in preparing the Bank's financial statements because on November 30, 2022, the shareholders placed the Bank into liquidation in order to wind up its affairs. In addition, in December 2022 Central Bank of The Bahamas has approved the downgrade of the Bank's license from an unrestricted license to a non-active license. The financial statements are prepared in accordance with IFRS Standards, and as part of the winding up process the majority of the assets and liabilities held by the Bank at the reporting date are expected to transferred to the Holding Company, based on their carrying amounts, which is considered to be the expected recoverable amounts for the assets and the expected settlement amounts for the liabilities. Furthermore, special consideration has been given to IAS 1 - presentation of financial statements, IFRS 9 - Financial Instruments, IFRS 5 - Non-current assets held for sale and discontinued operations, IFRS 13 - Fair Value, IFRS 16 - Leases, IAS 37 - Provisions,

2. Basis of preparation *(continued)*

contingent liabilities and contingent assets, and IFRIC 17 Distributions of Non-cash Assets to Owners as appropriate, considering the liquidation of the Bank. The Bank does not have any liabilities in the scope of IAS 37.

IFRS Standards do not specify a liquidation basis of accounting. When an entity is not a going concern, there is no general dispensation from the measurement, recognition and disclosure requirements of the IFRS financial reporting framework. Consequently, the financial statements have been prepared on a basis that is consistent with IFRS Standards and reflect the fact that the going concern assumption is not appropriate. This involves writing down assets to their recoverable amounts based on conditions existing at the end of the financial reporting period (where applicable). In this respect, no provision is made for future losses or for liabilities which, in accordance with IFRS Standards, should be recognised after the end of the reporting period. Liabilities are recognised in the financial statements, without an anticipation of the Bank being legally released from being the primary obligor under a liability, either judicially or by the creditor.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

2. Basis of preparation *(continued)*

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are disclosed in the following notes:

- Fair value measurement (note 3*(e)* and 18)
- Impairment (note 3*(e), 5, 8 and 9*)

3. Significant accounting policies

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Foreign currency

The Bank's functional currency is the US$. Assets and liabilities in foreign currencies are translated at prevailing exchange rates at the reporting date. Transactions in foreign currencies during the period are translated at exchange rates in effect on the date of the transaction. Differences arising from such translations are presented as other operating income/(expenses) in the statement of comprehensive income.

The Bank is not exposed to any foreign currency risk as all the assets and liabilities are denominated in the functional and presentational currency.

(b) Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest rate method. This method uses a rate that discounts the estimated future cash receipts and payments through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and liabilities at amortized cost on an effective interest rate method; and
- interest income on investment securities

Interest income on loans to customers and investment securities represents the main source of revenue and is recognized on an accrual basis. Deferred loan fees, if any, are amortized over the period of the loan using the effective interest rate method.

3. Significant accounting policies *(continued)*

(c) Fees and commission

Fees and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognizes revenue when it transfers control over a service to a customer.

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

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Individual and Corporate banking	The Bank provides banking services to individuals and corporate customers, including account management, provision of overdraft facilities, debit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. Transaction-based fees for transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are based on the Bank's fees brochure reviewed and published by the Bank.	Revenue from account service and servicing fees is recognized over time as the services are provided. Revenue related to transactions is recognized at the point in time when the transaction takes place.

3. Significant accounting policies *(continued)*

(d) Dividends

Dividends proposed or declared after the reporting dates are not recognized in the financial statements.

(e) Financial assets and liabilities

Recognition and initial measurement

The Bank initially recognizes loans, deposits and debt instruments on the date on which they are originated. All other financial assets and liabilities are recognized initially on the settlement date, which is the date that the financial instrument is delivered to or by the Bank.

Classification

On initial recognition, financial assets are classified at:

- Amortized Cost (AC)
- Fair Value through Other Comprehensive Income (FVOCI); or
- Fair Value through Profit or Loss (FVPL).

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income (“OCI”). This election is made on an investment by investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVPL. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. Significant accounting policies *(continued)*

(e) Financial assets and liabilities, continued

A financial asset is classified into one of these categories on initial recognition.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Business model assessment

The Bank assesses the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How management is compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

3. Significant accounting policies *(continued)*

(e) Financial assets and liabilities, continued

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- Characteristics that modify the considerations for the value of money in the time, e.g. periodic review of interest rates.

Interest rates on certain retail loans made by the Bank are based on standard variable rates (SVRs) that are set at SVRs are generally based on the SOFR rate plus a fixed spread and also include a discretionary spread. In these cases, the Bank assesses whether the discretionary feature is consistent with the SPPI criterion by considering a number of factors, including whether:

- The borrowers are able to prepay the loans without significant penalties;
- The market competition ensures that interest rates are consistent between banks; and
- Any regulatory or customer protection framework is in place that requires banks to treat customers fairly.

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates (LIBOR) with alternative nearly risk-free rates (referred to as 'LIBOR reform'). In 2021, the Bank undertook amendments to most financial instruments with contractual terms indexed to LIBOR such that they incorporate new benchmark rates-e.g. Secured Overnight Financing Rate (SOFR). As at 31 December 2022, the Bank has an "non-active" license and the loans portfolio balance is $0. See notes 1 and 20.

All of the Bank's retail loans and certain fixed-rate corporate loans contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

3. Significant accounting policies *(continued)*

(e) Financial assets and liabilities, continued

Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in the transaction in which substantially all of the risk and rewards of ownership of the financial asset are transferred.

On a derecognition of financial assets, the difference between the carrying amount of the asset and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognised in OCI, is recognized in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity securities designated as at FVOCI is transferred to retained earnings on disposal of the investment and is not recognised in profit or loss on dercognition.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Modifications of financial assets and financial liabilities

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value.

Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- The remaining lifetime Probability of Default (PD) at the reporting date based on the modified terms; with
- The remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

For financial assets modified as part of the Bank's renegotiation policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar renegotiation action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and consider various behavioral indicators.

Generally, renegotiation is a qualitative indicator of default and credit impairment and expectations of renegotiation are relevant to assessing whether there is a significant increase in credit risk.

3. Significant accounting policies *(continued)*

(e) Financial assets and liabilities, continued

Following renegotiation, a customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month Expected Credit Loss (ECLs).

Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRS Standards for gains and losses arising from similar transactions.

Fair Value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk. The Bank measures the fair value of an instrument using the quoted price in an active market for the instrument. A market is regarded as “active” if transactions for the assets or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Impairment

The Bank evaluates the impairment of financial assets with a forward-looking ‘expected credit loss’ model. This will require considerable judgment over how changes in economic factors affect ECLs, which is determined on a probability-weighted basis.

The impairment model applies to the following financial instruments that are not measured at FVPL:

- Financial assets that are debt instruments;
- Other accounts receivables;
- Credit portfolio; and
- Loan commitments issued.

IFRS 9 requires a loss allowance to be recognized at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

3. Significant accounting policies *(continued)*

(e) Financial assets and liabilities, continued

The Bank recognizes loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognized, is 12-month ECLs:

- Debt investment securities that are determined to have low credit risk at the reporting date;
- Other financial instruments (other than short term accounts receivables) for which credit risk has not increased significantly since initial recognition; and
- Short term account receivables.

The impairment requirements of IFRS 9 are complex and require management judgments, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- Assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- Incorporating forward-looking information into the measurement of ECLs.

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

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

These parameters are derived from internally developed statistical models and other historical data that leverage regulatory models. They are adjusted to reflect forward-looking information as described below.

PD are estimates at a certain date, which is calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures.

These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this leads to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are calibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

3. Significant accounting policies *(continued)*

(e) Financial assets and liabilities, continued

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortization, and prepayments. The EAD of a financial asset are the gross carrying amount at default. For lending commitments and financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, the Bank determines EAD by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modeling of a parameter is carried out on a collective basis, the financial instruments are grouped based on shared risk characteristics that include:

- Instrument type;
- Credit risk grading;
- Collateral type;
- Date of initial recognition;
- Remaining term to maturity;
- Industry; and
- Geographic location of the borrower.

The groups are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

3. Significant accounting policies *(continued)*

(e) Financial assets and liabilities, continued

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Debt instruments measured at FVOCI: no loss allowance in recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in OCI.

Definition of default

The Bank will consider loans to be in default when:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- The borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

For the financial instruments of fixed revenue the following factors are considered among others:

- External rating of the issuer or the instrument in default rating.
- The contractual payments are not realized in the due date or within the indicated grace term or period.
- There exists a virtual certainty of suspension of payments.
- The probability of issuer´s / borrower´s bankruptcy or a petition for bankruptcy or similar action.
- The financial assets do not trade or operate in an active market.

Additionally, in assessing whether a borrower is in default, the Bank considers indicators that are:

- Qualitative: e.g. breaches of covenant;
- Quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Bank; and
- Based on data developed internally or obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

The Bank determines whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition. The Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

3. Significant accounting policies *(continued)*

(e) Financial assets and liabilities, continued

The Bank primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for the point in time that was estimated on initial recognition of the exposure.
- Also qualitative aspects are considered as well as the backstop of the norm (30 days).

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. For certain revolving facilities (e.g. credit cards and overdrafts), the date when the facility was first entered into could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment, which is discussed below.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The Bank uses these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates – e.g. the difference in the risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Generating the term structure of PD

Credit risk grades are primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by jurisdiction, by type of product and borrower and by credit risk grading. For some portfolios, information purchased from external credit reference agencies may also be used.

The Bank uses statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

3. Significant accounting policies *(continued)*

(e) Financial assets and liabilities, continued

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macroeconomic indicators are likely to include GDP growth, benchmark interest rates and unemployment.

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

Determining whether credit risk has increased significantly

The Bank has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Bank's internal credit risk management process.

The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency.

The Bank deems the credit risk of a particular exposure to have increased significantly since initial recognition if, based on the Bank's quantitative modeling, the probability of expected deterioration in the remaining lifetime shall be significantly increased from the initial recognition. In measuring increases in credit risk, remaining lifetime ECLs is adjusted for changes in maturity.

In certain instances, using its expert credit judgment and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. As a backstop, and as required by IFRS 9, the Bank presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

The Bank determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

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

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

(Expressed in United States dollars)

3. Significant accounting policies *(continued)*

(e) Financial assets and liabilities, continued

Forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. The Bank formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Bank Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

External information may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organizations such as the Organization for Economic Cooperation and Development and the International Monetary Fund, and selected private sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Bank also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The approved economic scenarios used in the measurement of the ECL of loans for the year ended December 31, 2021 include the following key indicators:

Variables	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Annual variation of the GDP of the last twelve months at constant prices	Base 10.28% Range between 9.92% and 10.85%	Base 8.25% Range between 7.65% and 9.16%	Base 5.93% Range between 5.11% and 7.27%	Base 4.57% Range between 3.63% and 6.19%
Quarterly variation of the GDP at constant prices	Base -0.19% Range between -0.55% and -0.02%	Base 0.72% Range between 0.64% and 0.94%	Base 1.27% Range between 1.32% and 1.68%	Base 0.68% Range between 0.09% and 1.97%
Annual variation of quarterly GDP at constant prices	Base 4.57% Range between 3.70% and 5.71%	Base 7.98% Range between 6.99% and 9.39%	Base 3.44% Range between 2.55% and 5.23%	Base 2.49% Range between 1.49% and 4.63%
Annual variation of the GDP of the last twelve months at current prices	Base 17.70% Range between 16.66% and 18.81%	Base 14.97% Range between 13.43% and 16.57%	Base 11.71% Range between 9.80% and 13.96%	Base 10.14% Range between 8.18% and 12.91%
Annual unemployment 7 areas	Base 13.21% Range between 14.23% and 12.31%	Base 12.11% Range between 13.15% and 10.93%	Base 11.96% Range between 13.35% and 10.37%	Base 11.38% Range between 12.81% and 9.74%
Real interest rate (TD-Inflation)	Base -2.02% Range between -1.84% and -2.38%	Base -0.76% Range between -0.58% and -1.36%	Base 0.40% Range between 0.46% and -0.29%	Base 0.96% Range between 1.11% and 0.47%
Real interest rate (Banco de la Republica inflation)	Base -1.69% Range between -1.64% and -2.00%	Base -0.42% Range between -0.44% and -1.04%	Base 0.45% Range between 0.61% and 0.05%	Base 1.06% Range between 1.11% and 0.87%
Annual variation of the Annual Inflation Range	Base 5.69% Range between 5.39% and 6.25%	Base 5.17% Range between 4.69% and 6.04%	Base 4.55% Range between 3.89% and 5.70%	Base 4.19% Range between 3.39% and 5.63%

3. Significant accounting policies *(continued)*

(e) Financial assets and liabilities, continued

As described in notes 1 and 20, the Bank has an "non-active" license as of December 31, 2022 and the loans portfolio balance is $0.

(f) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid financial assets with original maturities of three months or less, which are subject to insignificant risk of changes in their fair value, and used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(g) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful life of each item.

The estimated useful lives for the current and comparative periods are as follows:

Furniture and equipment	3 - 15 years
Improvements	10 years

Depreciation methods and useful lives are reassessed at the reporting date.

Expenditure for maintenance and repairs are charged against income. At the time of disposal or retirement of assets, the cost and related accumulated depreciation are eliminated, and any resulting profit or loss is reflected in the statement of comprehensive income.

(h) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it transfers the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract transfers the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset: this can be specified explicitly or implicitly, and must be physically distinct or substantially represent the entire capacity of a physically distinct asset. If the supplier has a substantial substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all economic benefits from the use of the asset during the period of use; and
- The Bank has the right to direct the use of the asset. The Bank has this right when it has the rights to make decisions that are most relevant to changing how and for what purpose the asset is used. Rarely, when the decision on how and for what purpose the asset is used is predetermined, the Bank has the right to decide on the use of the asset if:
  - the Bank has the right to operate the asset; or

3. Significant accounting policies *(continued)*

(h) Leases, continued

- the Bank designed the asset so that it predetermines how and for what purpose it will be used.

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of land and buildings in which it is a lessee, the Bank has chosen not to separate the non-leasing components and to take into account the leasing and non-leasing components as a single lease component.

The Bank recognizes a right-to-use asset and a lease liability at the lease commencement date. The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs of dismantling and disposing of the underlying asset or restoring the underlying asset or its location, less the rental incentives received.

The right-to-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful lives of the right-to-use assets are determined on the same basis as those of property and equipment. In addition, the right-to-use asset is periodically reduced for impairment losses, if any, and adjusted for certain new measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be easily determined, the Bank's incremental borrowing rate. The Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments within an optional renewal period if the Bank is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be paid under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

3. Significant accounting policies *(continued)*

(h) Leases, continued

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit or loss if the carrying amount of the right-to-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-to-use assets and lease liabilities for leases with a lease term of 12 months or less and leases of low-value assets. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(i) Related parties

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

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

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

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

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

(j) Standards issued but not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these financial statements.

3. Significant accounting policies *(continued)*

(j) Standards issued but not yet adopted, continued

The following new and amended standards are not expected to have a significant impact on the Bank's financial statements.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8).
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

4. Financial risk management

Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:

(a) credit risk
(b) liquidity risk
(c) market risk
(d) operational risk

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Asset and Liability Committee (ALCO), which is responsible for developing and monitoring risk management policies in its specified areas. Also the Internal Auditor and The Compliance Officer reports regularly to the Board of Directors on their activities.

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

(Expressed in United States dollars)

4. Financial risk management

Introduction and overview, continued

The Internal Auditor, the Compliace Officer, and ALCO are responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Internal Audit department, which undertakes both regular and ad-hoc reviews of risk management controls and procedures, reports its findings to the Board of Directors. The Compliance Officer is assisted in these functions by the Compliance Officer of the Holding Company and the Compliance Officer of the Parent Company, the results of which are reported by the Compliance Officer to the Board of Directors.

(a) Credit risk

Management of credit risk

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

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

Exposure to credit risk

The Bank's maximum credit risk exposure is shown below:

		2022	2021
Cash and cash equivalents	$	11,238,077	18,515,706
Investment securities at FVOCI		39,530,551	43,300,971
Loans to customers		-	26,893,014
	$	50,768,628	88,709,691

Classification of financial assets

The following table provides a reconciliation between line ítems in the statement of financial position and categories of financial instruments. See Note 3 (e).

2022	FVOCI debt instruments	Amortised cost	Total
Cash and cash equivalents	-	11,238,077	11,238,077
Investment securities	39,530,551	-	39,530,551
Total financial assets	39,530,551	11,238,077	50,768,628

(Expressed in United States dollars)

4. Financial risk management *(continued)*
(a) Credit risk (continued)

2021	FVOCI debt instruments	Amortised cost	Total
Cash and cash equivalents	-	18,515,706	18,515,706
Investment securities	43,300,971	-	43,300,971
Loans to customers	-	26,893,014	26,893,014
Total financial assets	43,300,971	45,408,720	88,709,691

At December 31, 2022, all financial liabilities held by the Bank are classified as amortised cost.

The Bank's accounting policies on the classification of financial instruments under IFRS 9 are set out in note 3(e). The application of these policies resulted in the reclassification and classification set out in the table above and explained below:

- The loans receivable are classified according to IFRS 9 at amortised cost because they are considered within a business model in which cash flows are collected until their contractual date.
- The securities at fair value are held by the Bank in different portfolios to satisfy daily liquidity needs. The Bank seeks to minimize the cost of the needs of liquidity, and therefore, administers the profitability of the portfolio. This return consists of collecting payments of contractual cash flows, as well as the profit and loss of the sale of financial assets.
- The investment strategy often results in sales that are significant in value. The Bank considers under IFRS 9 that these financial assets should be kept within a business model, which objective is achieved by colleting payments of contractual cash flows and sale of financial assets.

(Expressed in United States dollars)

4. Financial risk management *(continued)*

(a) Credit risk (continued)

Credit quality analysis

The following table shows the information about the credit quality of the financial assets measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and the provisions for impairment/loss established by the Bank for these assets.

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to customers				
Normal	-	-	-	-
Gross amount	-	-	-	-
Loss allowances	-	-	-	-
Carrying amount	-	-	-	-
Investment securities at FVOCI				
Grade 1: Low risk	39,530,551	-	-	39,530,551
Carrying amount	39,530,551	-	-	39,530,551
Cash and cash equivalents at AC				
Normal	11,238,077	-	-	11,238,077
Carrying amount	11,238,077	-	-	11,238,077

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to customers				
Normal	27,029,382	-	-	27,029,382
Gross amount	27,029,382	-	-	27,029,382
Loss allowances	(136,368)	-	-	(136,368)
Carrying amount	26,893,014	-	-	26,893,014
Investment securities at FVOCI				
Grade 1: Low risk	43,300,971	-	-	43,300,971
Carrying amount	43,300,971	-	-	43,300,971

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents at AC				
Normal	18,515,706	-	-	18,515,706
Carrying amount	18,515,706	-	-	18,515,706

The Board of Directors of the Parent Company and the head of the Credit Area in the Parent Company are responsible for oversight of the Bank´s credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

4. Financial risk management *(continued)*

(a) Credit risk (continued)

- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by the Head of the Bank's Credit Department, the Credit Committee or the Board of Directors, as appropriate.
- Reviewing and assessing credit risk. The Bank's Credit Department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographic areas and industries (for loans to customers), and by issuer, credit rating band, market liquidity and country (for investments).
- Developing and maintaining the Bank's risk classification system in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk classification system is used in determining where impairment provisions may be required against specific credit exposures. The current risk classification framework consists of five categories which are: 1) Normal, 2) Special Mention, 3) Subnormal, 4) Doubtful, and 5) Irrecoverable. The responsibility for setting risk classification lies with the final approving executive / committee as appropriate.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Each business unit is required to implement credit policies and procedures, with credit approval authorities delegated from the Credit Committee. Each business unit has a Chief Credit Risk Officer who reports on all credit related matters to local management and the Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Impaired loans to customers

Impaired loans to customers are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loans agreements. At December 31, 2022 and 2021, there are no credit impaired loans.

4. Financial risk management *(continued)*

(a) Credit risk (continued)

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. At December 31, 2022 and 2021, there are no loans with renegotiated terms.

Allowances for impairment

The Bank establishes an allowance for ECL on assets carried at amortized cost or classified as FVOCI as described in note 3(e). Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

Write-off policy

The Bank writes off a loan or an investment debt security (and any related allowances for impairment losses) when the Credit Committee determines that the carrying value of the loan/investment is not recoverable. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer meet the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans to customers, charge off decisions generally are based on a product specific past due status.

The Bank holds collateral in respect of loans to customers in the form of cash, mortgage interests over property, other registered securities over assets and other guarantees.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks. Collateral usually is not held against investment securities, and no such collateral was held at December 31, 2022.

At December 31, 2022, the loan portfolio balance is zero. At December 31, 2021, the loan portfolio was secured as follows: secured 0.00% and unsecured 100.00%.

(Expressed in United States dollars)

4. Financial risk management *(continued)*

(a) Credit risk (continued)

The following tables show the reconciliation of the initial and ending balances of the allowance for expected credit losses on financial assets and impairment on investments securities at FVOCI.

	2022			
Loans to customers at amortised cost (AC)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at December 31, 2021	136,368	-	-	136,368
Reserve remeasurement *	3,069	-	-	3,069
New financial assets originated *	55			55
Financial assets that have been derecognized*	(139,492)	-	-	(139,492)
Balance at December 31, 2022	-	-	-	-

	2022			
Investment securities at FVOCI	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at December 31, 2021	18,465	-	-	18,465
Reserve remeasurement *	(56,097)	-	-	(56,097)
New financial assets originated *	57,601			57,601
Financial assets that have been derecognized*	(1,992)	-	-	(1,992)
Balance at December 31, 2022	17,977	-	-	17,977

	2021			
Loans to customers at amortised cost (AC)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at December 31, 2020	302,051	-	-	302,051
Reserve remeasurement *	(100,415)	-	-	(100,415)
New financial assets originated *	14,963			14,963
Financial assets that have been derecognized*	(80,231)	-	-	(80,231)
Balance at December 31, 2021	136,368	-	-	136,368

	2021			
Investment securities at FVOCI	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at December 31, 2020	10,622	-	-	10,622
Reserve remeasurement *	(16,373)	-	-	(16,373)
New financial assets originated *	27,898			27,898
Financial assets that have been derecognized*	(3,682)	-	-	(3,682)
Balance at December 31, 2021	18,465	-	-	18,465

*The decrease in the ECL allowance for losses on loans and on investments securities at FVOCI is $136,856 (2021: $157,840).

(Expressed in United States dollars)

4. Financial risk management *(continued)*

(a) Credit risk (continued)

Concentrations of credit risk

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentration of credit risk by sector and geographic location at the reporting date is shown below:

	2022		
	Cash and cash equivalents	**Loans at amortised cost (AC)**	**Securities at FVOCI**
Concentration by Sector:			
Government	-	-	18,456,851
Corporate	-	-	-
Financial	11,238,077	-	21,073,700
Total	11,238,077	-	39,530,551
Concentration by geographic location:			
Panama	6,161,309	-	-
Colombia	-	-	18,576,152
United States of America	5,075,762	-	-
Other countries	1,006	-	20,954,399
Total	11,238,077	-	39,530,551

	2021		
	Cash and cash equivalents	**Loans at amortised cost (AC)**	**Securities at FVOCI**
Concentration by Sector:			
Government	-	-	17,360,914
Corporate	-	26,893,014	-
Financial	18,515,706	-	25,786,890
Total	18,515,706	26,893,014	43,147,804
Concentration by geographic location:			
Panama	110,252	-	1,802,628
Colombia	-	11,994,114	20,402,745
United States of America	18,404,208	-	-
Other countries	1,246	14,898,900	20,942,431
Total	18,515,706	26,893,014	43,147,804

Concentration by geographic location of loans, investments and deposits in banks are based on the location of the debtor and issuer.

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a borrower to honor its obligations to deliver cash, securities or other assets as contractually agreed.

(Expressed in United States dollars)

4. Financial risk management *(continued)*

(a) *Credit risk (continued)*

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from the Board of Directors.

The table below sets out the credit quality of securities. The analysis is based on the qualifications expressed by rating agencies of the first level, namely, Standard and Poor's, Moody's and/or Fitch Ratings Inc. and has been standardized shown in the table below based on the guidelines of Standard and Poor's.

		2022	2021
Government Bonds			
Rated BB+	$	15,714,082	17,360,915
Rated B		2,742,769	-
	$	18,456,851	17,360,915
Corporate Bonds			
Rated A+	$	-	1,802,628
Rated A		881,048	4,004,123
Rated A-		9,205,684	9,560,035
Rated BBB+		2,008,258	2,210,898
Rated BBB		4,803,475	5,167,375
Rated BB+		2,862,070	3,041,830
Rated BB-		1,313,165	-
	$	21,073,700	25,786,889

As of December 31, 2022, the Bank does not have financial assets pledged as collateral and, therefore, keeps them available to support future financing.

(b) *Liquidity risk*

Liquidity risk is the risk that the Bank will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. Liquidity risk exposures are measured by liquidity ratio limits established by ALCO.

(Expressed in United States dollars)

4. Financial risk management *(continued)*

(b) Liquidity risk (continued)

The Holding Company's Treasury Department receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The liquidity position is monitored on a daily basis and regular liquidity stress testing is conducted under scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO and/or Board of Directors. Daily reports cover the liquidity position of local and foreign currencies. A summary report, including any exceptions and remedial actions taken, is submitted regularly to the ALCO and/or Board of Directors.

Exposure to liquidity risk

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

The following table shows the undiscounted cash flows on the Bank's financial assets and liabilities on the basis of their earliest possible contractual maturity. The Bank's expected cash flows on these instruments may vary significantly from this analysis.

2022	Carrying amount $	Gross nominal inflow(outflow) $	Up to 1 year $	1 to 5 years $	5 to 10 years $
Financial liabilities:					
Lease liabilities	16,541	(16,689)	(16,689)	-	-
Total liabilities	16,541	(16,689)	(16,689)	-	-
Financial assets:					
Cash and cash equivalents	11,238,077	11,238,077	11,238,077	-	-
Investment securities	39,530,551	42,473,374	42,473,374	-	-
Total assets	50,768,628	53,711,451	53,711,451	-	-

4. Financial risk management *(continued)*

(b) Liquidity risk (continued)

Exposure to liquidity risk *(continued)*

2021	Carrying amount $	Gross nominal inflow(outflow) $	Up to 1 year $	1 to 5 years $	5 to 10 years $
Financial liabilities:					
Demand and savings deposits	3,384,582	(3,384,582)	(3,384,582)	-	-
Time deposits	32,368,613	(32,371,083)	(32,371,083)	-	-
Lease liabilities	173,565	(195,897)	(27,985)	(111,941)	(55,971)
Total liabilities	35,926,760	(35,951,562)	(35,783,650)	(111,941)	(55,971)
Financial assets:					
Cash and cash equivalents	18,515,706	18,515,706	18,515,706	-	-
Investment securities	43,300,971	47,703,000	6,570,985	37,890,978	3,241,037
Loans to customers	26,893,014	27,583,217	12,129,574	15,453,643	-
Total assets	88,709,691	93,801,923	37,216,265	53,344,621	3,241,037

The Bank intends to dispose the cash and cash equivalents and the investment securities at FVOCI by transferring those assets to it´s Holding Company.

The amounts in the table above have been compiled as follows:

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.

The Bank's expected cash flows on investment securities vary from the contractual cash flows. The principal difference are as follow:

- Investment securities include the undiscount cash flows, wich include estimated interest payments

For the financial assets and liabilities the gross amount is measured on the basis of the undiscounted cash flows and they include the estimated interest to be paid and to be received. This is the reason why they differ from the amounts presented in the statement of financial position.

(c) Market risk

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

Overall authority for market risk is vested in ALCO and the Board of Directors. The Parent Company's Market Risk Committee is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

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

(Expressed in United States dollars)

4. Financial risk management *(continued)*

(c) Market risk (continued)

Management of market risk

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by the Parent Company's Risk Management Committee in its day-to-day monitoring activities.

A summary of the Bank's interest rate gap position on non-trading portfolios is shown below:

December 31, 2022		Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Non-interest sensitive	Total
Assets:								
Cash and cash equivalents	$	5,075,762	-	-	-	-	6,162,315	11,238,077
Investment securities		39,530,551	-	-	-	-	-	39,530,551
Total assets		44,606,313	-	-	-	-	6,162,315	50,768,628
Liabilities:								
Lease liabilities		-	16,541	-	-	-	-	16,541
Total liabilities		-	16,541	-	-	-	-	16,541
Interest gap position	$	44,606,313	(16,541)	-	-	-	6,162,315	50,752,087

December 31, 2021		Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Non-interest sensitive	Total
Assets:								
Cash and cash equivalents	$	18,357,839	-	-	-	-	157,867	18,515,706
Investment securities		4,859,402	-	-	35,421,200	2,867,202	153,167	43,300,971
Loans to customers		7,414,482	2,450,466	2,038,166	14,989,900	-	-	26,893,014
Total assets		30,631,723	2,450,466	2,038,166	50,411,100	2,867,202	311,034	88,709,691
Liabilities:								
Deposits from customers:								
Demand deposits		590,104	-	-	-	-	-	590,104
Saving deposits		1,730,714	-	-	-	-	-	1,730,714
Time deposits		234,320	10,598,817	18,328,016	3,207,460	-	-	32,368,613
Interbank deposits		-	-	-	-	-	1,063,764	1,063,764
Lease liabilities		-	-	-	-	173,565	-	173,565
Total liabilities		2,555,138	10,598,817	18,328,016	3,207,460	173,565	1,063,764	35,926,760
Interest gap position	$	28,076,585	(8,148,351)	(16,289,850)	47,203,640	2,693,637	(752,730)	52,782,931

4. Financial risk management *(continued)*

(c) Market risk (continued)

Management of market risk *(continued)*

For the interest rate risk, the Bank has a defined method for the measurement of sensitivity of the statement of financial position under an increase or decrease of 50 basis points in interest rates under the assumption that the composition of the statement of financial position remains constant.

The following table reflects the impact on net interest margins having applied the above mentioned variations in interest rates (in thousands of US$):

	2022		2021	
	Increase of 50bps	Decrease of 50bps	Increase of 50bps	Decrease of 50bps
	$	$	$	$
At the end of the year	175	(175)	46	(46)
Average for the year	120	(120)	78	(78)
Maximum for the year	189	(189)	159	(159)
Minimum for the year	32	(32)	35	(35)

Interest rate movements affect reported equity and net income in the following ways:

- retained earnings: increases or decreases in net interest margins;

- fair value reserve: increases or decreases in the fair values of financial assets at FVOCI reported directly in equity.

The sensitivity of the statement of financial position is tested every two weeks by Treasury Risks Management who in turn checks the results and checks that the limits established by the Board are not exceeded. This sensitivity analysis is presented every month to the Asset and Liability Committee (ALCO).

Interest rate benchmark reform

With the announcement of the Financial Conduct Authority (FCA) reporting the future cessation or loss of representativeness of the LIBOR reference rates starting on 31 December 2021 with some references until completing the 35 reference rates in June 2023, entities that use these rates globally are forced to shift current positions that are indexed to these benchmarks to new benchmark interest rates that maintain the representativeness and depth that LIBOR rates used to have.

The Bank has not been immune to this phenomenon, so it was required to design and execute transition plans that allowed the Bank to identify the operational, commercial, legal and technological aspects to be taken into account to maintain commercial relations and representativeness in the markets where the Bank operates.

4. Financial risk management *(continued)*

(c) Market risk (continued)

Interest rate benchmark reform, (continued)

The transition plans were managed centrally and in conjunction with the Parent Company and responds to the size of the portfolio, the complexity of its operations and its commercial strategy. The LIBOR transition project included:

- Definition of a governance structure, which defined roles and responsibilities, as well as decision-making bodies and the decision-making process.
- A project roadmap with defined timelines and milestones was established.
- Be aligned with the risk management function of the entity, and all impacted first-line processes, covering all relevant geographies.
- Designate a specific group to coordinate the plan with appropriate high-level oversight including involvement of affected frontline business lines, risk management and audit functions.
- Process of identification and management of possible financial impacts and operational gaps.

The Bank also considered the following aspects:

- Identification and measurement of indexed products.
- Identification, assessment and control of risks
- Operational and information technology preparation
- Preparation of legal contracts
- Communication
- Training strategy
- Follow-up

The project included activities such as evaluating modifications to existing contracts that are impacted by the loss of validity of the LIBOR reform, as well as monitoring the milestones of the transition project on the fronts of selection of alternative rates, business, technology, Assets and Liabilities Management (ALM), financial, communications with counterparties, legal, risks, internal and external reporting and processes.

Likewise, the business areas (first line) carried out assessments of the suitability of using some of the reference rates present in the market with the support of other areas such as: risks (risk assessment), legal (contract adjustment) and operations (availability of information, application adjustments and documents), among others. Prior to the choice of a particular reference, the Bank considered: i) minimum criteria to be met by a reference rate to be valued as a possible alternative; ii) different alternative reference rates; iii) depth of the underlying market and its robustness over time; iv) the usefulness of the levy to market participants. and v) define the body within the entity in charge of selecting the best alternative to replace the LIBOR references.

4. Financial risk management *(continued)*

(c) Market risk (continued)

Interest rate benchmark reform, (continued)

The functional leaders of the project regularly informed the ALCO Committee and the Board about the progress of the transition plan, as well as the policies, guidelines and procedures related to the follow-up and adoption of the ARCC recommendations, adherence to the ISDA protocol, customer support, and internal and external training, measurement of the impact of the process through sensitivity calculation, monitoring of subsidiary transition processes through calculation of sensitivity, analysis of internal processes, development of tests and pilots, and the inclusion of the fallback clause for new operations, among others.

For contracts indexed to LIBOR that expire after the expected termination, the Bank has established policies to modify the contractual terms. These amendments include the addition of fallback clauses or the replacement of the LIBOR rate with a benchmark rate alternative. The Bank signed adherence to the Ammendment and ISDA Protocols with this firm, eliminating the legal (contractual) risk of transition for derivative contracts, defining the replacement of the LIBOR rate by SOFR plus a fixed spread.

The Bank has established policies regarding not closing new operations, or operations extensions at the LIBOR rate and initiating disbursements tied to alternative rates and as an alternative to the transition, those in the short-term and that will not have operations of repricing may be worked at a fixed rate, PRIME rate and in some cases for a smaller amount at other local rates in US dollars.

To date, no additional provisions have been estimated for the transition to new reference rates in any of the jurisdictions.

The Bank and Transition LIBOR project members monitor the progress of the transition to the new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. It is considered that a contract has not yet transitioned to an alternative benchmark rate when the interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause dealing with the termination of IBOR.

In March 2021, the Financial Conduct Authority (FCA), as the regulatory body of ICE (LIBOR's administering authority), announced that after 31 December 2021 the LIBOR benchmarks for sterling, the euro and the US dollar benchmarks of one week and two months will no longer be provided or will no longer be representative. The remaining US dollar references will no longer be provided or representative after June 30, 2023.

(Expressed in United States dollars)

4. Financial risk management *(continued)*

(c) Market risk (continued)

Interest rate benchmark reform, (continued)

Below is the amount of contracts that the Bank has indexed to the LIBOR rates that will expire in June 2023 and the amount of contracts that loans have included fallback clauses as of December 31, 2022 as follows:

	2022							
	Total exposure	No. of operations	Total Libor exposition	No. of operations	Exposure with expiration after the 30th of June 2023	No. of operations	Fallback Contracts	No. of operations
Loans to customers	0	0	0	0	0	0	0	0
Deposits from customers – Time deposits	0	0	0	0	0	0	0	0

	2021							
	Total exposure	No. of operations	Total Libor exposition	No. of operations	Exposure with expiration after the 30th of June 2023	No. of operations	Fallback Contracts	No. of operations
Loans to customers	26,893,014	15	26,893,014	15	13,000,000	1	0	0
Deposits from customers – Time deposits	32,368,613	86	0	0	0	0	0	0

(d) Operational risks

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

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

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

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

4. Financial risk management *(continued)*

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 overall policies and a central unit (Parent Company's Operational Risk Management Department) coordinates and follows up on the business unit's performance.

Additionally, compliance with the Bank's policies is supported by periodic reviews undertaken by the Internal Audit Department. The results of internal audit reviews are discussed with the business unit's management and then summaries are submitted to the Board of Directors and Senior Management of the Bank.

(e) Capital management

The Bank's objectives when managing capital, which is a broader concept than 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the Central Bank of The Bahamas (the Central Bank);
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for its shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management, employing techniques designed to ensure compliance with guidelines established by the Central Bank. The required information is filed with the Central Bank on a quarterly basis.

The Central Bank requires the Bank to maintain a minimum ratio of total capital to risk-weighted assets of 8%. The capital to risk-weighted assets ratio at December 31, 2022 was 107.38% (2021: 70.17%).

(Expressed in United States dollars)

4. Financial risk management *(continued)*

The table below summarizes the composition of regulatory capital and shows the capital adequacy ratio of the Bank as of the reporting date. During the year ended December 31, 2022 and 2021, the Bank has complied with all of the externally imposed capital requirements to which it was subjected.

		2022	2021
Tier 1 capital			
Share capital	$	50,558,400	50,558,400
Disclosed reserves		-	1,429,767
Retained earnings		2,369,482	445,911
Total		52,927,882	52,434,078
Tier 2 capital			
Fair value reserve on securities		(2,402,803)	(651,456)
Total		(2,402,803)	(651,456)
Total eligible capital	**$**	**50,525,079**	**51,782,622**
Risk-weighted assets	**$**	**47,051,789**	**73,793,578**
Capital adequacy ratio		**107.38%**	**70.17%**

5. Use of estimates and judgments

The Bank's management, in preparing these financial statements in accordance with International Financial Reporting Standards, has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses during the period. Actual results may differ from these estimates.

Estimates and decisions are continually evaluated and based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

The Bank's management evaluates the selection, disclosure and application of critical accounting policies in estimates of increased uncertainty. Information related to assumptions and estimates affecting reported amounts of assets and liabilities within the next fiscal year and critical judgements in the selection and implementation of accounting policies are detailed in note 3(e).

(Expressed in United States dollars)

6. Related party balances and transactions

Balances and transactions with related parties are shown below:

		2022	2021
Statement of financial position			
Cash and cash equivalents	$	6,161,309	156,621
Investment securities - equity		0	153,167
Property and equipment - Right-of-use asset, net		0	165,121
Other assets - Guarantee deposit		4,465	4,465
Deposits from customers - from parent company		0	1,063,764
Lease liabilities		16,541	173,565

	2022	2021
Statement of comprehensive income		
Fees and commissions	3,975	5,753
Short-term compensation & benefits of directors and executives	169,687	166,080
Interest expense	5,821	4,271
Other expenses - administrative services	60,000	60,000
Depreciation expense	23,822	23,721
Loss on sale of equity security	88,502	0

During the years ended December 31, 2022 and 2021, the Bank did not purchase or sell loans between related parties.

The Bank has entered into related parties transactions in the ordinary course of business, mainly cash and cash equivalents deposits in banks, on terms that would apply to transactions with third parties.

7. Cash and cash equivalents

As of December 31, 2022 and 2021 cash and cash equivalents comprise:

		2022	2021
Demand deposits	$	11,238,077	18,515,706
	$	11,238,077	18,515,706

8. Loans to customers

At December 31, 2022 and 2021, the loan portfolio segmented by industry is as follows:

		2022	2021
Corporate loans	$	0	27,029,382
Less: ECL allowances		0	(136,368)
	$	0	26,893,014

At December 31, 2022 the loans balance is $0 (see notes 1 and 20). At December 31, 2021, the entire loan portfolio was current.

(Expressed in United States dollars)

8. Loans to customers *(continued)*

At December 31, 2021, interest rates applicable on loans to customers range from 0.63% to 2.15%.

Certain regulations applicable to the Holding Company incorporated under the laws of the Republic of Panama, are also applicable to the Bank. Accordingly, the Bank is required to establish a regulatory reserve called Dynamic Reserve, in respect of possible future specific loans provisions related to the credit facilities classified as current. The Dynamic Provision is an equity account that increases or decreases with allocations to or from retained earnings. The decrease requires prior authorization from the Superintendency of Bank of Panama. At December 31, 2022, the Dynamic Provision amounted to $0 (2021: $1,429,767).

The Dynamic Provision is accounted for as a reserve in the statement of changes in equity by making an appropriation and transfer from retained earnings.

9. Investment securities

As of December 31, 2022 and 2021, investment securities comprise securities at FVOCI, detailed as follows:

		2022	2021
Government debt securities	$	18,456,851	17,360,915
Private debt securities		21,073,700	25,786,889
Equity securities		0	153,167
	$	39,530,551	43,300,971

At December 31, 2022, the Bank purchased securities at FVOCI for $13,923,800 (2021: $31,047,237), sold securities at FVOCI of $4,270,589 (2021: $14,358,029), which generated a net realized loss of $89,032 (2021: gain of $163,534), and has redeemed securities for $11,600,000 (2021: $6,633,000). Additionally, the net change in unrealized losses on securities at FVOCI amounted to $1,840,379 (2021: loss of $1,086,906), which is presented in the statement comprehensive income.

Interest rates applicable on securities at FVOCI range from 2.62% to 8.12% (2021: 1.80% to 8.12%) per annum. The accrued interest receivable on investment securities amounts to $487,455 (2021: $470,855) and is included in the carrying amount of the investment securities.

During the year ended December 31, 2021, the Bank updated the carrying amount of the equity securities and recognized a loss of $81,087 which is presented in the statement of changes in equity in the other comprehensive income section within the net change in fair value of investment securities caption.

In December 2022, the Bank sold the equity security to its holding company at its updated carrying amount at that date, resulting in a loss of $88,502 which is included in the statement of comprehensive income in the other operating income (expense) section within the net realized (loss) gain on securities caption.

The Bank intends to dispose the investment securities at FVOCI transferring those assets to it´s Holding Company.

(Expressed in United States dollars)

10. Property, equipment and right of use assets

As of December 31, 2022 and 2021, property and equipment comprise:

2022	Right-of-use assets	Furniture and equipment	Improvements	Total
Cost:				
Balance at December 31, 2021	234,754	14,286	4,098	253,138
Purchases	0	46,227	0	46,227
Sale and disposal	0	(60,513)	(4,098)	(64,611)
Modification of lease contract	(234,754)	0	0	(234,754)
Balance at December 31, 2022	0	0	0	0
Accumulated depreciation:				
Balance at December 31, 2021	(69,633)	(13,031)	(4,098)	(86,762)
Depreciation	(23,822)	(7,137)	0	(30,959)
Sale and disposal	0	20,168	4,098	24,266
Modification of lease contract	93,455	0	0	93,455
Balance at December 31, 2022	0	0	0	0
Carrying amounts	0	0	0	0

2021	Right-of-use assets	Furniture and equipment	Improvements	Total
Cost:				
Balance at December 31, 2020	234,754	13,931	4,098	252,783
Additions	0	355	0	355
Balance at December 31, 2021	234,754	14,286	4,098	253,138
Accumulated depreciation:				
Balance at December 31, 2020	(45,912)	(12,075)	(3,187)	(61,174)
Depreciation	(23,721)	(956)	(911)	(25,588)
Balance at December 31, 2021	(69,633)	(13,031)	(4,098)	(86,762)
Carrying amounts	165,121	1,255	0	166,376

As at December 31, 2022, property and equipment includes right-of-use assets related to a lease of the office in which the Bank operates.

Due to the decision of the Bank´s shareholders to wind up the Bank´s operations, in August 2022, the Bank and it´s counterparty agreed to modify the original lease terms of the lease contract, shortening the contractual lease term up to July 2023; and changing the consideration in the lease by decreasing the lease payments. The Bank remeasured the right-of-use assets and the lease liability and recognized a loss on the modification of lease contract of US$6,700 that it´s included in the Statement of Comprehensive Income.

As of December 31, 2022, the Bank totally amortized the right-of-use assets due to the decision of the Bank´s shareholders to wind up the Bank´s operation.

11. Other assets

Other assets comprise the following at December 31, 2022 and 2021:

		2022	2021
Prepaid expenses	$	137	386,282
Guarantee deposits		7,329	7,572
Others		0	12
	$	7,466	393,866

(Expressed in United States dollars)

11. Other assets *(continued)*

As of December 31, 2022, the Bank has recorded in prepaid expenses, software licenses with a carrying amount of $0 (2021: $29,887) comprising cost of $0 (2021: $54,449) and accumulated amortization of $0 (2021: $24,562). The amortization of $15,987 (2021: $13,730) was recorded in the statement of comprehensive income. These intangible assets are amortized over a period of three years.

Due to the downgrade of the Bank's license to "Non Active", the Bank decided to cancel all of its software licenses, which resulted in a sale to its Holding Company at net cost for the amount of $8,572 which is included in the statement of cash flows in the cash flows from investing activities section within the sale of property, equipment, right of use assets and other assets. Additionally a loss was recorded for the disposal of various licenses for the amount of $15,968 which is included in the statement of cash flows in the cash flows from operating activities section within the disposal of property, equipment, right of use assets and other assets.

12. Deposits from customers

As of December 31, 2022 and 2021 the deposits from customers are detailed as follows:

		2022	2021
Demand deposits	$	0	590,104
Savings deposits		0	1,730,714
Time deposits		0	32,368,613
Interbank demand deposits		0	1,063,764
	$	0	35,753,195

At December 31, 2022, there are no demand deposits (see notes 1 and 20).

At December 31, 2021, demand deposits were from customers primarily domiciled in Colombia. Demand deposits and the savings accounts bear interest at the rate of 0.50% per annum. At December 31, 2021, time deposits bear interest at various rates from 0.55% to 1.65% per annum.

13. Lease liability

The following provides information on the lease liability:

	2022			
	Interest rate	Various maturities up to	Carrying value	Contractual undiscount cash flow
Total lease liability	3.64%	2023	16,541	16,689

	2021			
	Interest rate	Various maturities up to	Carrying value	Contractual undiscount cash flow
Total lease liability	3.64%	2028	173,565	195,897

(Expressed in United States dollars)

13. Lease liability, *(continued)*

The lease liability included in the statement of financial position is classified as follows:

	2022	2021
Current	16,541	22,216
Non-current	0	151,349
	16,541	173,565

The following is the maturity breakdown of the contractual cash flows related to the lease liability:

	2022	2021
Less than a year	16,689	27,985
From one to five years	0	111,941
More than five years	0	55,971
	16,689	195,897

At December 31, 2022 the Bank recognized in the statement of comprehensive income interest on the lease liability of $5,821 (2021: $4,271).

Amounts recognized in the statements of cash flows:

	2022	2021
Total cash outflow from lease liability	34,067	32,257

As of December 31, 2022, the total cash outflow from the lease liability recognized in the statement of cash flows comprises payment of the principal portion as cash flow from financing activities for $28,246 (2021: $27,986) and interest of $5,821 (2021: $4,271) within operating activities.

14. Share capital

At December 31, 2022, the authorized share capital comprised 5.5 million ordinary shares (2021: 5.5 million ordinary shares), with a par value of $10 each.

		2022	2021
Share capital:			
Authorized 5,500,000 ordinary shares of $10 each	$	55,000,000	55,000,000
Issued and fully paid-up:			
5,055,840 ordinary shares of $10 each	$	50,558,400	50,558,400

At December 31, 2022, there were no dividend payments made to shareholders (2021: payment of a dividend of $0.21 per ordinary share to shareholders approved and paid in cash for $1,085,997).

(Expressed in United States dollars)

15. Commitments and contingencies

As of December 31, 2022, there are no commitments or legal claims filed against the Bank; therefore, no contingencies have been recognized for possible losses.

16. Other expenses

Other expenses for the year ended December 31, 2022 and 2021 are as follows:

		2022	2021
Administrative services (see note 6)	$	60,000	60,000
Software maintenance		84,398	81,042
Communications		22,033	26,643
Insurance and other administration		5,704	2,220
Subscriptions and memberships		12,861	7,921
Miscellaneous		42,389	19,309
	$	227,385	197,135

17. Taxes

The Bank is exempt from income taxes under the laws of The Commonwealth of The Bahamas.

18. Fair value of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

(Expressed in United States dollars)

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

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The following table analyses the fair values of financial instruments not measured at fair value, and whose carrying amounts do not approximate their fair values at the reporting date, by the level in the fair value hierarchy into which each fair value measurement is categorized:

		Level 1	Level 2	Level 3	Total fair values	Total carrying amount
2022						
Assets:						
Loans to customers	$	-	-	-	-	-

		Level 1	Level 2	Level 3	Total fair values	Total carrying amount
2021						
Assets:						
Loans to customers	$	-	-	24,904,919	24,904,919	26,893,014

The table below analyses financial instruments measured at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorized.

		Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Amount
December 31, 2022						
Securities at FVOCI:						
Government debt securities	$	-	18,456,851	-	18,456,851	18,456,851
Private debt securities		-	21,073,700	-	21,073,700	21,073,700
	$	-	39,530,551	-	39,530,551	39,530,551

(Expressed in United States dollars)

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

		Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Amount
December 31, 2021						
Securities at FVOCI:						
Government debt securities	$	-	17,360,915	-	17,360,915	17,360,915
Private debt securities		-	25,786,889	-	25,786,889	25,786,889
	$	-	43,147,804	-	43,147,804	43,147,804

Since 2013, management hired a price service provider, which uses an in-house model to determine average prices using data from observable market inputs.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using other valuation techniques.

The following table shows the valuation techniques in the determination of fair values financial instruments measured at fair value and not measured at fair value as well as the observable inputs used in the valuation models.

<u>**Financial Instruments**</u>	<u>**Valuation techniques and inputs used**</u>
Private and government debt securities	The valuation model is based on different references of observable prices in active markets. These prices are used to obtain a final average price. As an alternative, the present value of cash flows are obtained from quoted market prices for similar instruments.
Loans to customers	The fair values of loans are estimated by discounting future cash flows using the interest rates offered for loans with similar characteristics.
Time deposits from customers, and borrowings	The fair value of time deposits and borrowings is estimated by discounting future cash flows using the rates offered for deposits with similar remaining maturities.

(Expressed in United States dollars)

19. COVID-19

At December 31, 2022 the Bank is not exposed to the external risk due to COVID-19, since there are no loans granted to customers (see notes 1 and 20).

The Bank continues to monitor information in order to identify possible impacts on the ECLs in a timely manner.

ECL balances at:

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	Variation December vs September	Variation September vs June	Variation June vs March
Corporate loans	-	77,219	119,771	112,060	(77,219)	(42,552)	7,711
Total	**-**	**77,219**	**119,771**	**112,060**	**(77,219)**	**(42,552)**	**7,711**

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	Variation December vs September	Variation September vs June	Variation June vs March
Corporate loans	136,368	181,719	266,010	248,954	(45,351)	(84,291)	17,056
Total	**136,368**	**181,719**	**266,010**	**248,954**	**(45,351)**	**(84,291)**	**17,056**

The table above presents an overview of the total provision balance per portfolio for each quarter of 2022 and 2021. The breakdown of the provision activity, the transfers between stages, the impact due to model refining, among other, is shown on note 4.

Net ECL impact on profit or loss:

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	Variation December vs September	Variation September vs June	Variation June vs March
Corporate loans	(136,368)	(59,149)	(16,597)	(24,308)	(77,219)	(42,552)	7,711
Total	**(136,368)**	**(59,149)**	**(16,597)**	**(24,308)**	**(77,219)**	**(42,552)**	**7,711**

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	Variation December vs September	Variation September vs June	Variation June vs March
Corporate loans	(165,683)	(120,332)	(36,041)	(53,097)	(45,351)	(84,291)	17,056
Total	**(165,683)**	**(120,332)**	**(36,041)**	**(53,097)**	**(45,351)**	**(84,291)**	**17,056**

The table above presents an overview of the net ECL impact on profit or loss (negative represents a reversal (income) of ECL and positive an increase (expense) of ECL) at the end of each quarter of 2022 and 2021.

19. COVID-19 *(continued)*

Relief for customers

As of December 31, 2022, the Bank has not granted any relief to the loan portfolio.

As of the reporting date, the governments of the countries where the Bank operates have not decreed direct support for banks.

- **Other Matters**

As of December 31, 2022, no impairments were identified in other non-financial assets. Further, the Bank has not identified any matters relating to COVID-19 which are expected to result in a material outflow of resources and the establishment of related provisions.

20. Winding-up of operations – subsequent events

As of the date of the approval of these financial statements, the Bank is in process of completing all necessary legal procedures in order to finalize the voluntary winding up process.

******